



**FIDEURAM**  
INTESA SANPAOLO PRIVATE BANKING



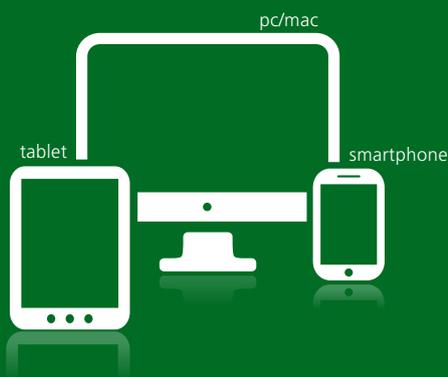
# Integrated Annual Report 2017

# Mission

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

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

This report can be browsed in its interactive form, with multimedia additional information, using a variety of devices on our website **[www.fideuram.it](http://www.fideuram.it)** where it is also compatible with Apple and Android systems.



Customers

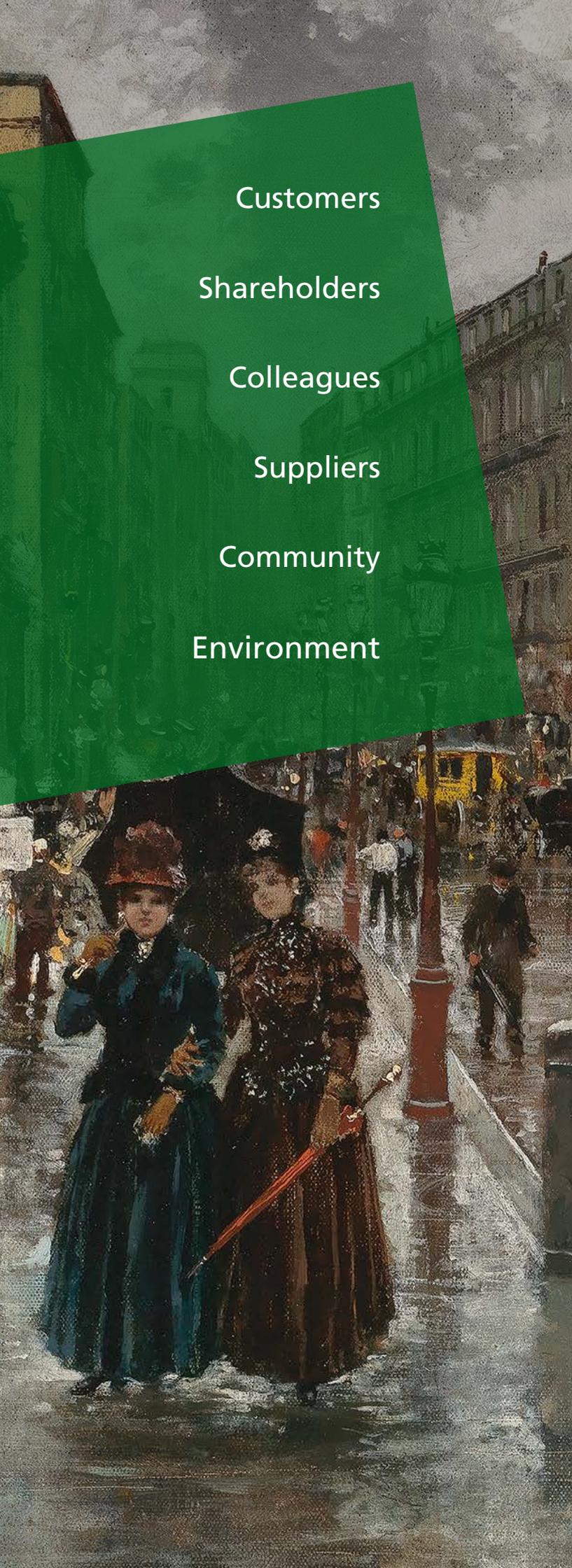
Shareholders

Colleagues

Suppliers

Community

Environment





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# About this Report

## INTEGRATED FINANCIAL STATEMENTS

In line with recent international reporting developments, the Fideuram – Intesa Sanpaolo Private Banking Group has published an Integrated Annual Report for the fifth consecutive year, prepared in accordance with the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) in December 2013.

The reporting process aims to provide a full overview by integrating traditional financial reporting with reports on the Group's environmental, social and governance performance.

The document has been designed to address all our stakeholders effectively, with the aim of:

- a. Providing a complete picture of our ability to create value sustainably over time.
- b. Highlighting the connections between our strategy and financial performance and the social, environmental and economic contexts in which we operate, so that the reader is able to obtain a full understanding of the results achieved and formulate their own forecasts regarding our future.
- c. Presenting complete, clear and concise financial and other information to communicate with the market with high standards of transparency.

## REGULATORY FRAMEWORK AND GUIDELINES

Legislative Decree 254 of 30 December 2016, published in Official Gazette no. 7 of 10 January 2017, implemented Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 as regards disclosure of non-financial and diversity information. The new obligations, which apply from 2017,

**“ The Integrated Report starts with our business model to highlight our Group's strategic focus and the components that influence the creation of value ”**

require the publication of a Non-Financial Disclosure covering environmental, social, human resources, human rights, bribery and extortion issues. In regard to these issues, it represents the model used for the management and organisation of activities, applied policies and principal risks.

Since 2013, the Group has been reporting financial and non-financial information, including the information required under Legislative Decree 254/2016, in an integrated document that outlines our business model through capital analysis.

The interdependences among the different forms of capital – financial, productive, intellectual, human, relational and natural capital – make it possible to give a complete and essential view of the capacity to create value in a sustainable manner and to highlight the connections among strategy, performance and social context.

The non-financial information is reported in accordance with the provisions of Legislative Decree 254/2016 and the “G4-Sustainability Reporting Guidelines” drawn up by the GRI-Global Reporting Initiative in 2013. The application level is the Core level, which is considered more suited to representing the principles of conciseness and connectivity typical of an Integrated Report. The sections of the Integrated Annual Report which contain the disclosures required under Legislative Decree 254/2016 have been identified with a special mark referring to the Decree.

## IN CONCLUSION

Integrated reporting is a journey on which perfection is gradually achieved as reporting processes for the production of the supporting information are fully developed. In line with this philosophy, our Group has continued its actions to improve the quality of its reporting through involving internal and external stakeholders in the choice of relevant aspects to report on. Our Personal Financial Advisers and customers appreciate its contents and support this corporate communication tool as an essential means for guaranteeing transparency and quality information and training.

The Integrated Annual Report is available in Italian and English on the Fideuram website. In addition, an interactive Annual Report with multimedia information (audio and video aids) is available on the homepage of our website, supplementing and enhancing the financial reporting with a varied array of external corporate communications. We extend our thanks to all the stakeholders who played an active role in improving our report and who would like to join us in the process of disseminating a new communications philosophy based on transparency, both now and in the years to come.

# Highlights (\*)

	2017	2016	2015	2014	2013
<b>CUSTOMER FINANCIAL ASSETS</b>					
Net inflows into managed assets (€m)	11,768	2,893	10,026	9,853	5,521
Total net inflows (€m)	12,392	8,454	7,846	3,628	2,465
Client Assets (€m)	214,214	198,026	188,898	178,771	83,672
<b>OPERATING STRUCTURE</b>					
Personal Financial Advisers (No.)	5,950	5,848	5,846	5,851	5,104
Staff (No.)	3,126	3,010	2,928	2,865	1,458
- women (No.)	1,389	1,334	1,295	1,255	628
- outside Italy (No.)	179	160	144	145	128
Personal Financial Advisers' Offices (No.)	323	324	325	328	331
Bank Branches (No.)	226	228	229	234	97
<b>CONSOLIDATED FINANCIAL RESULTS</b>					
Consolidated net profit (€m)	871	786	747	582	313
Group shareholders' equity (€m)	2,778	1,981	1,877	1,692	1,212
Basic consolidated net earnings per share (€)	0.581	0.524	0.498	0.388	0.319
Dividends per share (€)	0.525	0.476	0.374	0.298	0.201
Total assets (€m)	38,731	34,672	28,839	25,961	11,993
Wealth created (€m)	2,766	2,537	2,530	2,251	1,430
Economic value distributed (€m)	2,617	2,410	2,293	2,095	1,275
<b>PROFITABILITY INDICATORS</b>					
R.O.E. (%)	37	41	42	34	29
R.O.A. (%)	2	2	3	2	3
Cost / Income ratio (%)	29	30	32	37	36
Payroll costs / Operating income before net impairment (%)	17	16	17	20	14
Net profit / Average client assets (%)	0.4	0.4	0.4	0.3	0.4
E.V.A. (€m)	788	716	681	510	265
<b>SUSTAINABILITY INDICATORS</b>					
Complaints (No.)	1,260	1,214	1,131	1,488	2,120
Personal Financial Adviser training (hrs.)	329,928	386,819	375,307	317,067	348,327
Women in management positions (% out of the total number of senior managers)	11	12	11	10	8
Staff turnover (%)	10	10	10	10	8
Employee training (hrs.)	82,641	122,995	118,713	110,386	32,136
Donations (€m)	0.6	0.3	0.4	0.5	0.3
Operating income before net impairment / Number of employees (€m)	0.6	0.6	0.6	0.5	0.6
Client assets / Number of Personal Financial Advisers (€m)	36	34	32	31	16
Paper consumption per employee (kg)	63	70	74	79	58

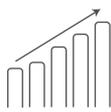
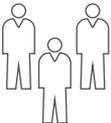
Counterparty rating (Standard & Poor's)

Long term: BBB

Short term: A-2

Outlook: Stable

(\*) The figures for 2014 and 2015 have been restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made. In particular, the figures take the contributions of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) into account as if the company transactions had become effective as of 1 January 2014. The figures for 2013 have not been restated.

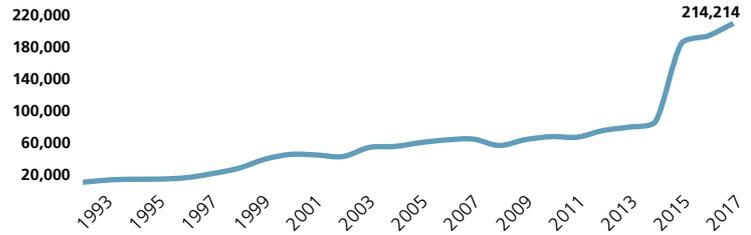
 <p><b>Financial</b> Capital</p>	<p>Client Assets</p> <p>€214,214<sub>m</sub></p>	<p>Group shareholders' equity</p> <p>€2,778<sub>m</sub></p>
 <p><b>Productive</b> Capital</p>	<p>Bank Branches</p> <p>No. 226</p>	<p>Personal Financial Advisers' Offices</p> <p>No. 323</p>
 <p><b>Intellectual</b> Capital</p>	<p>Customers subscribed to Advanced Advisory Services</p> <p>No. 70,816</p>	<p>Advanced Advisory Service client assets</p> <p>€38,671<sub>m</sub></p>
 <p><b>Human</b> Capital</p>	<p>Personal Financial Advisers</p> <p>No. 5,950</p>	<p>Employees</p> <p>No. 3,126</p>
 <p><b>Relational</b> Capital</p>	<p>Fideuram and Sanpaolo Invest Network - Average length of customer relationship</p> <p>13<sub>years</sub></p>	<p>Intesa Sanpaolo Private Banking Network - Average length of customer relationship</p> <p>11<sub>years</sub></p>



**CUSTOMERS**

**Client Assets**

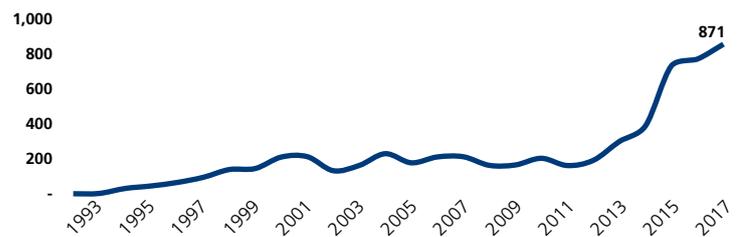
(€m)



**SHAREHOLDER**

**Consolidated net profit**

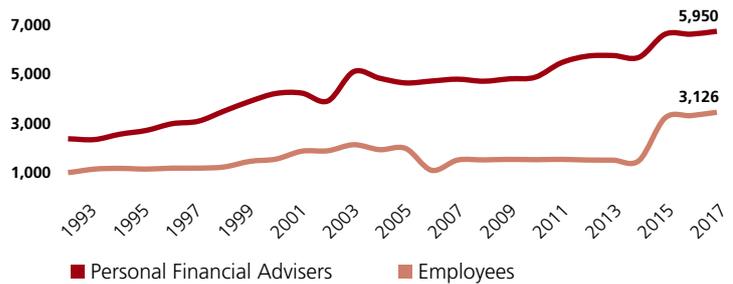
(€m)



**COLLEAGUES**

**Personal Financial Advisers and Employees**

(no.)



■ Personal Financial Advisers    ■ Employees

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- 1.1 Group structure
- 1.2 Business model
- 1.3 Key drivers
- 1.4 Key factors in the value-creation process
- 1.5 Business segments
- 1.6 Stakeholders

€**2.8**m wealth  
created in 2017  
(up €229m on 2016)

Fideuram - Intesa  
Sanpaolo Private  
Banking operates on  
a **business model**  
centred on the provision  
of **financial advisory  
services**

#### Client Assets 2017



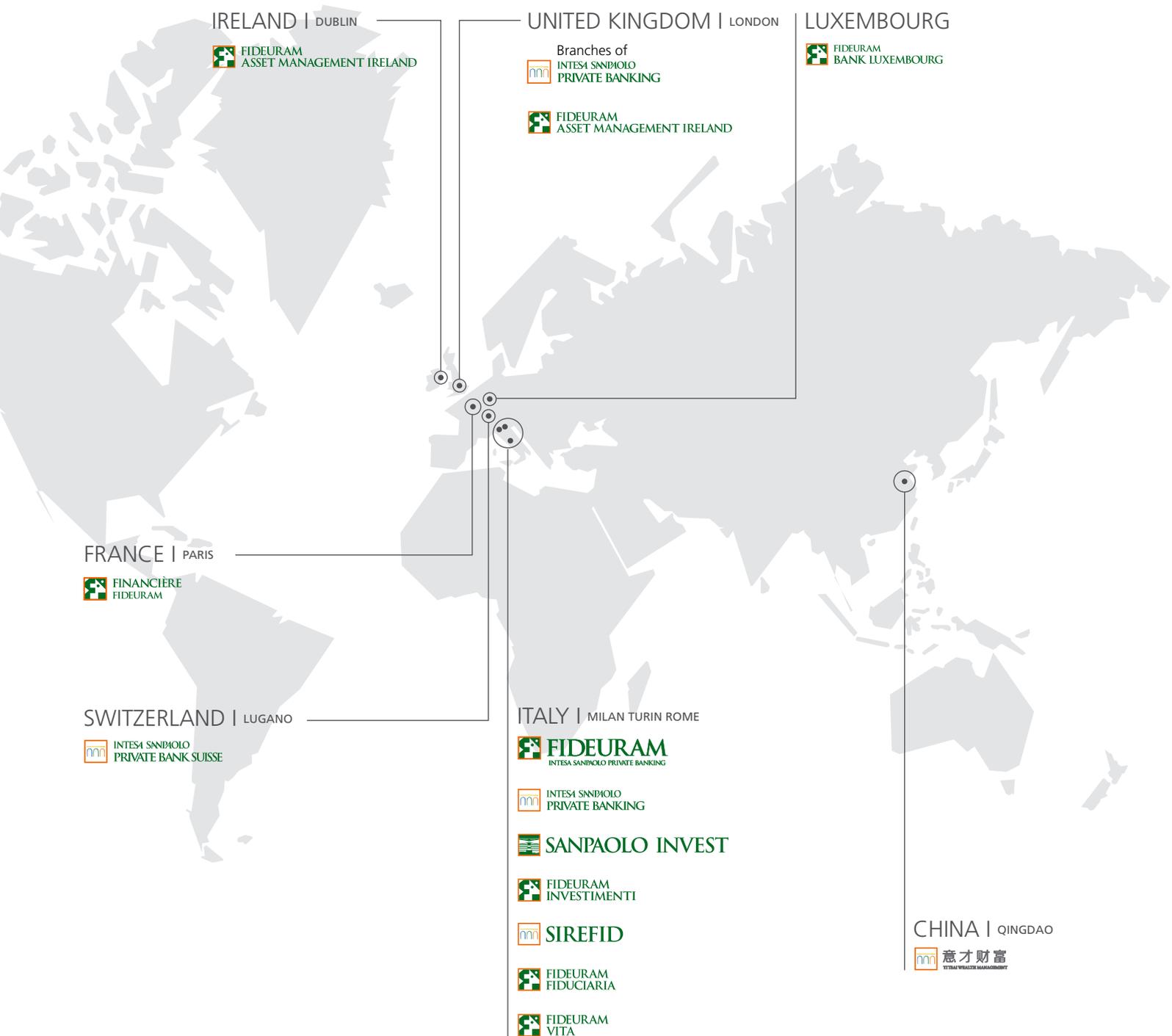
■ Non-Managed assets ■ Managed assets



## 1. Business model

# 1.1 Group structure

The Fideuram - Intesa Sanpaolo Private Banking Group operates in seven different countries (Italy, France, Switzerland, Ireland, the United Kingdom, Luxembourg and China) and comprises parent company **Fideuram - Intesa Sanpaolo Private Banking** ("Fideuram"), nine subsidiaries and two associate companies.



**Fideuram - Intesa Sanpaolo  
Private Banking S.p.A.**

**ASSET MANAGEMENT**

Fideuram Investimenti  
SGR S.p.A.

99.50%

Fideuram Asset  
Management (Ireland) dac

100.00%

Fideuram Bank  
(Luxembourg) S.A.

100.00%

Fideuram Vita S.p.A.

19.99%

*Fideuram Asset Management (Ireland)  
- London Branch*

**PRIVATE BANKING**

Intesa Sanpaolo  
Private Banking S.p.A.

100.00%

Sanpaolo  
Invest SIM S.p.A.

100.00%

Intesa Sanpaolo  
Private Bank (Suisse) S.A.

100.00%

Qingdao Yicai Wealth  
Management Co. Ltd

25.00%

*Intesa Sanpaolo Private Banking -  
London Branch*

**FIDUCIARY AND TREASURY SERVICES**

SIREFID S.p.A.

100.00%

Fideuram Fiduciaria S.p.A.

100.00%

Financière Fideuram S.A.

99.99%

## 1.2 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 €214bn.

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 the high-end customer segment, creating value through products and services conceived for excellence, while ensuring the increased profitability of client assets through the constant development of our product range and service delivery solutions.

The Fideuram Group specialises in particular in the provision of financial advisory services and the development, management and distribution of financial, insurance and banking products and services.

The Group's positioning is principally focused on the Private Banking and High Net Worth Individual customer segments. Our products and services are provided through approximately 6,000 highly-qualified professionals in three separate Networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking) with their own brand identities, service models and customer profiles. They guarantee complete geographical coverage of the Italian market. The Group's service model is centred on professional advisory services and the creation of longstanding relationships of trust between our customers and Personal Financial Advisers. The Group benefits from a strong and stable retail customer base, which can depend on a dedicated service model and tailored product offering.

Our advisory services take the form of "Basic Advisory Services", which we provide for all customers free of charge in line with the requirements of the Markets in Financial Instruments Directive (MiFID 2), and three "Advanced Advisory Services" (SEI, VIEW and Private Banking 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..

“A business model focused on financial and asset management advisory and on the trust relationship between customers and Personal Financial Advisers”



BRANCHES

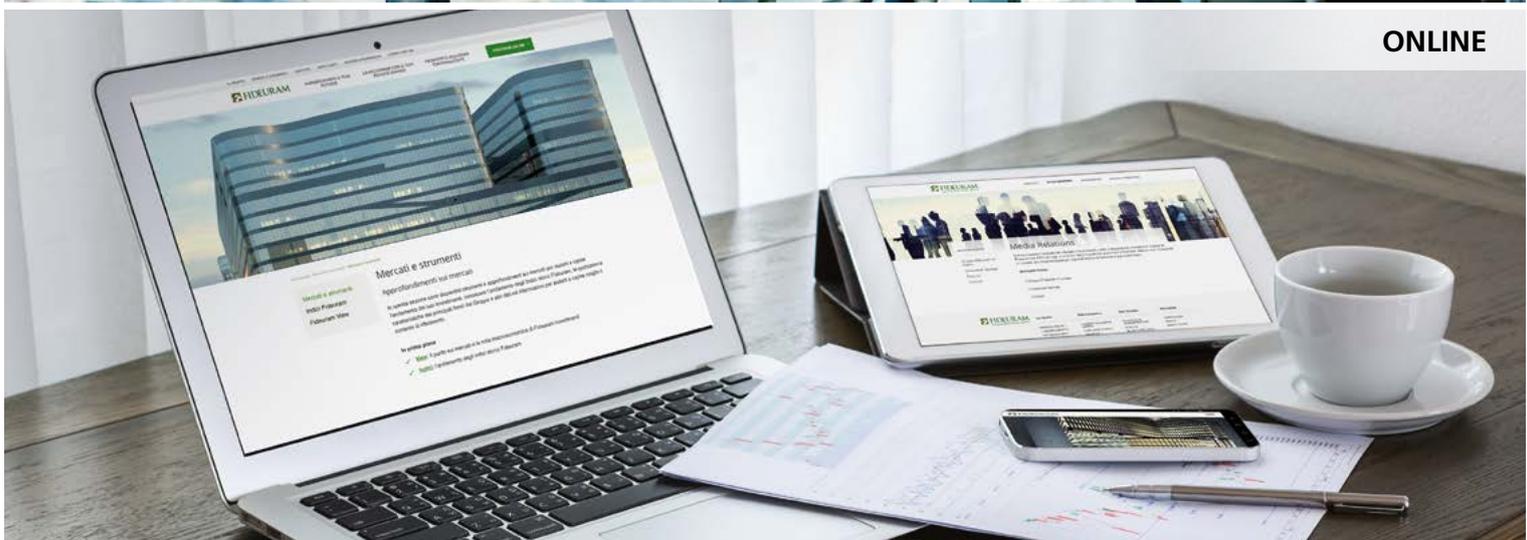


HUB

 INTESA SANPAOLO  
PRIVATE BANKING



PERSONAL FINANCIAL ADVISER



ONLINE

## OUR BUSINESS MODEL



### CUSTOMERS

#### High Net Worth Individuals

Customers with financial assets potentially totalling in excess of **€10,000,000**

#### Private Banking customers

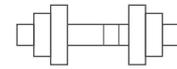
Customers with financial assets totalling between **€500,000** and **€10,000,000**

#### Affluent customers

Customers with financial assets totalling between **€100,000** and **€500,000**

#### Mass-Market customers

Customers with financial assets of less than **€100,000**



### STRENGTHS

Integrated Group

Distribution networks with well-known distinctive brands

Service model based on advanced advisory support

Guided Open Architecture Approach

Focus on Private Banking customers and High Net Worth Individuals



## GOVERNANCE

## CREATION OF VALUE



### THE MAIN STRATEGIES

#### 1 Dedicated service models

The Networks' service models are specialised according to the different needs of the Personal Financial Advisers and Customers

#### 2 Advisers Factory

Expanded recruiting and upgraded training courses to create the "Future Personal Financial Advisers"

#### 3 Upgrading of products and services offered

Expansion of products offered and development of Advanced Advisory Service

#### 4 Growth of foreign operations

Development of presence abroad and recruiting of Personal Financial Advisers having international experience and customers

#### 5 Digital champion

Development of a digital platform to facilitate the acquisition of new customers



### THE MAIN OBJECTIVES

#### Reinforce its leadership position

by accelerating the growth rate on the Italian market, while maintaining cost efficiency

#### Support foreign growth

through the development of the Group's presence on large markets

#### Expand the customer base

through the use of digital channels and development of brand visibility

#### Boost the level of innovation

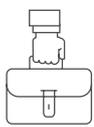
through improved digitalisation and advanced analytics initiatives

#### Increase the focus on Corporate Social Responsibility

through the commitment to sustainable finance

# 1.3 Key drivers

## OPERATING RESULTS



Personal  
Financial  
Advisers

No. **5,950**



Customers

Fideuram  
No. **547,891**

Sanpaolo Invest  
No. **146,704**

Intesa Sanpaolo  
Private Banking  
**36,356**  
No. of households

Sirefid  
**2,177**

Intesa Sanpaolo  
Private Bank (Suisse)  
No. **396**

No. of mandates

Total Net Inflows

**€12.4**  
bn

of which *Net Inflows Into  
Managed Assets*

**€11.8**  
bn

Client Assets

**€214.2**  
bn

of which *Managed Assets*

**€151.4**  
bn

of which *Advanced Advisory Services*

**€38.7**  
bn



Average length of customer relationship

Fideuram Network and Sanpaolo Invest Network

**13 years**

Intesa Sanpaolo Private Banking Network

**11 years**

## FINANCIAL RESULTS



Net recurring fees

**€1.6**  
bn  
+12%

Cost / Income Ratio

**29%**  
(30% in 2016)

Consolidated Net Profit

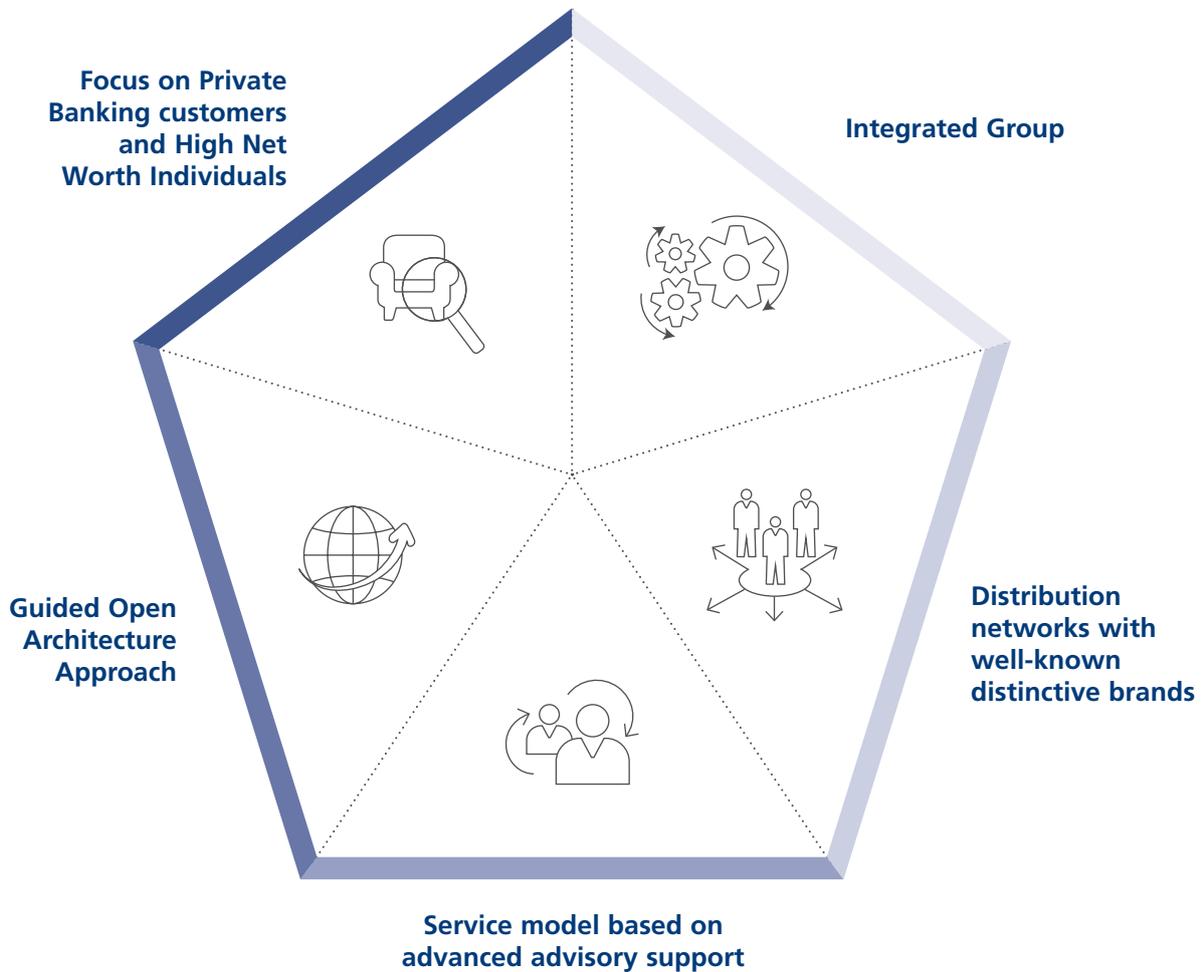
**€871**  
m  
+11%

R.O.E.

**37%**  
(41% in 2016)

## 1.4 Key factors in the value creation process

The core distinctive elements of success underlying the value creation process are:



An **Integrated Group** of companies based inside and outside Italy, with product companies that enable both prompt responses to changes in the market, exploiting the related opportunities, and the maintenance of management margins. This model of integration is based on a strategy of specialisation that allocates each Group company its own professional expertise. Through direct interaction with the Personal Financial Adviser Networks, the product companies are kept constantly updated on any changes in customer needs and are able to create the most appropriate investment solutions. This is also accomplished through the Group Investment Center, whose aim is to establish a unified market view that uses different types of asset allocation approaches according to customer profile, risk appetite and distribution network.

Three **Distribution networks with well-known distinctive brands**: a model centred on the professional relationships between our Personal Financial Advisers and Customers, underpinned by the strength of the Fideuram, Sanpaolo Invest

and Intesa Sanpaolo Private Banking brands and their consolidated longstanding reputation on the Italian market. The latter are key to attracting new customers and top professionals in the sector with a complete offering of products and services, bank branches and leading-edge expertise. A bricks and mortar presence, with 226 bank branches and 323 Personal Financial Advisers' offices, enables us to offer our customers a complete service that secures their loyalty and strengthens the Group's role as a one-stop-shop provider of banking products and services.

- A **service model based on advanced advisory support**: the professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. These services are delivered in the following two ways:
  - **Basic Advisory Services**: provided free of charge to all customers and consisting in personalised advisory services regard-

ding the customer's investments, paying careful attention to risk management and the suitability of their overall portfolio;

- **Advanced Advisory Services:** paid services provided on the basis of a dedicated contract:
  - *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 that takes all of a customer's assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, classified by area of need, including with the assistance of guideline customer "archetype" profiles. The "View" service enables 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 Advisory Advanced Advisory Service:* a personalised advisory service with high added value for customers who want to be actively involved in their asset allocation choices with the assistance of their Personal Financial Adviser and the support of one of our Financial Advisory Unit specialists.

In addition, the Group also offers the following specialist advisory services:

- Tax, legal and succession advisory services for asset planning.
- fiduciary services, supported by Sirefid and Fideuram Fiduciaria.
- Advisory support to assist entrepreneurs manage the liquidity generated during significant business transitions, such as Mergers & Acquisitions or Initial Public Offerings;
- Art Advisory services provided with the support of external consultants.
- Real Estate Advisory services to support customers' real estate management needs both regarding disposable property and property of potential interest, conducting the related needs analyses internally or with the support of external consultants, including international consultants, for valuation and agency services.

A **Guided Open Architecture Approach:** a model that offers third-party products alongside our Group products to complement them, satisfying even the most sophisticated needs through partnerships with world-leading third-party investment companies.

A clear **focus on Private Banking customers and High Net Worth Individuals (HNWI)**, segments that account for over 74% of the Group's Client Assets and which have high growth prospects in the Italian market. The related Client Assets are, moreover, substantially above the threshold necessary to obtain significant economies of scale and ensure the creation of value in a manner that is sustainable over time.

The Private Wealth Management unit was consolidated in 2017, in view of developing and serving the Private Banking and High Net Worth Individuals segment of the Fideuram and Sanpaolo Invest Networks, through a pro-active approach and dedicated business model.

The Private Wealth Management unit supports the Personal Financial Advisers in assessing the needs of Private Banking customers through a dedicated service model and an array of special products and services targeted principally at business owner and professional households, who tend to demand solutions that protect value in its various forms, while also being highly articulate about their varied and complex requirements. The dedicated business unit within Fideuram is broken down into units having various focuses as described below:

- **Private Advisory Unit,** which develops the array of financial services offered to Private Banking Customers, by coordinating with the delegated structures and specialised Group units, creating solutions to develop and protect the Customer's total assets;
- **Wealth Solution Competence Center,** which provides value added services (e.g. household wealth protection analyses, corporate finance, luxury goods management, property management, etc.) by using the Group's central departments or companies or competent, select providers for their realisation;
- **Services Monitoring and Development,** which monitors the distribution of services offered by the Unit to the Networks, analyses the market trends for Private Banking services, and gives input for the development of services offered and the overall model.

Fideuram has local Private Banking Centres for meetings with Customers.

The Group enhances its provision for High Net Worth Individual customers through an Intesa Sanpaolo Private Banking Department that supports the Personal Financial Adviser Network with dedicated products and strategies, operating as an HNWI Hub made up of the following units:

- **Competence Centre,** offering specialist advisory support providing investment, wealth advisory, real estate and related solutions;
- **Client Business Development,** responsible for developing the support provided to existing customers and for acquiring new ones, including through the establishment of a network of relationships with private sector operators and external professionals, and through offering ordinary and extraordinary financial services and lending services to business customers.
- **Business Model and Initiatives,** tasked with managing the dedicated service model and related risks, as well as providing business planning to support the model of interaction between the Department and specialist network.

The HNWI customer service model, delivered through specialisation of the network with dedicated resources and HNWI Branches, aims to bring the most important relationships together in a small number of operating centres and to strengthen our market coverage of the HNWI segment through the creation of ad hoc organisational solutions. These branches will liaise with the HNWI Competence Centre on a regular basis in order to resolve any issues typical of a dedicated service model, including with regard to product and service offerings, business practices and pricing.

## 1.5 Business segments

The Group's business model, based on financial advisory, covers three business segments:

**MANAGED FINANCIAL ASSETS SEGMENT**, which extends from mutual funds to SICAVs, alternative 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.

### MANAGED FINANCIAL ASSETS SEGMENT

The Group offers its customers:

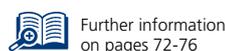
#### MUTUAL FUNDS

The Group's mutual fund products are developed following an "Open Architecture" approach and comply both with the UCITS Directive (mutual funds and SICAVs) and AIFM Directive (alternative investment funds - AIF), whether Group products or offered by third-party asset managers, and whether based in our outside Italy.

The range covers the following different types of funds:

- **Benchmark funds**, with a return objective linked to a market index.
- **Flexible funds**, which seek to obtain positive absolute returns for different levels of risk without being linked to a reference benchmark.
- **Alternative funds**, which seek to obtain absolute returns through a wider range of investments than traditional funds, mainly Hedge Fund and AIF products that provide access to private markets, enabling greater portfolio diversification and market decorrelation. These funds have high subscription thresholds and are intended for Private Banking customers.

Each of these different types of funds offers a choice of asset classes (equity, fixed-income, money market and balanced products), investment policies and portfolio structuring. Examples of the latter include ethical funds, capital-protected funds, and target maturity funds.



The discretionary account solutions offered differ by **management style** and the **types of financial instruments** in which they can invest.

## DISCRETIONARY ACCOUNTS

### MANAGEMENT STYLES

#### Flexible lines

- These are lines that have the objective of obtaining positive absolute returns with limited correlation with the financial markets. As such, they are products with a risk control policy based on respecting a maximum potential loss level that constitutes a management limit.

#### Benchmark lines

- Lines that aim to generate an excess return with respect to a market index. This category also includes discretionary accounts that invest in Group and third-party funds and funds that invest in securities, both with a range of risk profiles.

#### Personalized lines

- Lines built around a customer's specific requirements which may aim to generate an excess return with respect to a customer-specific market index or to obtain positive absolute returns through a risk control policy that reflects the customer's specific requirements with the option of reviewing the parameters over time in relation to their changing needs.

### TYPES OF FINANCIAL INSTRUMENTS

#### Multimanager Asset Management Funds

Mainly invest in mutual funds and SICAVs offered both by the Group and third-party fund managers.

#### Portfolio Management

Mainly invests in financial instruments other than units/shares in funds/SICAVs.

The Group offers a flexible range of solutions in this area that can be tailored to different customer needs in terms of the service, operational efficiency and tax efficiency required (Fideuram OMNIA / Sanpaolo Invest OMNIA, Fideuram Tesoreria and the Intesa Sanpaolo Private Banking Portfolio Management Contract).

The Fideuram and Sanpaolo Invest offering is based on a "single management contract" with Fideuram Investimenti SGR, which provides access to a wide range of investment lines offering different management styles, geographical areas and investment instruments that can be combined following what is known as a "Core-Satellite" approach to diversify the investment type and risk. This service offers solutions that provide increasing levels of customisation in relation to the amount which may be invested and can extend to the construction of "dedicated" lines for Private Banking customers, supported by a specialist team. Completing the support provided, the Group also offers the Symphonia SGR portfolio management service.

Intesa Sanpaolo Private Banking offers a wide spectrum of investment lines organised by customer type, management style and investment risk. Customers of high standing who wish to receive constant updates on the investment choices made are served by the "**Linee Dinamiche**" (Dynamic Lines) managed by Intesa Sanpaolo Private Banking, which offer a highly-personalised service in terms of management style and underlying assets, and the "**Linee Private**" (Private Banking Lines) managed by Eurizon Capital using a specialist team dedicated to High Net Worth Individuals. The "**Linee Navigabili**" (Navigable Lines), which complete the range, enable customers to combine balanced solutions with solutions dedicated to specific categories of financial assets, in accordance with their investment profile.

Fideuram Tesoreria is a treasury management service designed specifically for the Division's institutional customers.

## LIFE INSURANCE ASSETS SEGMENT

The Group provides its customers with a wide range of insurance products, including:

- Life insurance asset products (traditional insurance products, unit linked insurance products and multi-class insurance asset products combining both the former) that pay a capital sum or an annuity upon the occurrence of a life-related event (survival or death).
- Pension products (personal pension plans and open pension funds) that pay a capital sum or an annuity on retirement.
- Protection products that insure against the risk of certain specified events.

### INSURANCE PRODUCTS – TRADITIONAL

Traditional insurance products provide for the payment of a premium by the policyholder in return for the payment of a revalued capital sum, with the option of conversion into a life annuity which may be reversible (the latter being a form which allows the annuity to continue being paid to another person on the death of the beneficiary), upon the occurrence of a life-related event (survival or death). Products in this category include "Fideuram Vita Garanzia e Valore" offered by Fideuram and Sanpaolo Invest, and "Penso a te" and "Base sicura Tutelati" offered by Intesa Sanpaolo Private Banking.

### INSURANCE PRODUCTS – UNIT LINKED

Unit linked insurance products provide for the payment of a capital sum upon the occurrence of a life-related event (survival or death), in return for the payment of a premium by the policyholder. The value of the capital sum is linked to the value of the internal funds or mutual funds in which the premiums paid by the policyholder have been invested. These policies thus provide a financial management service, while simultaneously offering optional basic insurance coverage.

Products in this category include the "Fideuram Vita Insieme" family of policies offered by Fideuram and Sanpaolo Invest, and the "Fideuram Vita Private Mix" and "Selezione Private" policies offered by Intesa Sanpaolo Private Banking. These are flexible solutions combining investment opportunities and insurance coverage.

The "Fideuram Vita Insieme" family of products offers different versions tailored to different customer segments, with the highest level of personalisation being offered by "Fideuram Vita Insieme Private", the version offered to Private Banking customers.

The insurance products offered also extend to multi-class policies, which allow the customer's investment to be allocated in varying percentages to a traditional segregated insurance fund and to the Group's mutual and unit-linked funds. This category includes the policy "Fideuram Vita Sintonia" distributed by the Fideuram and Sanpaolo Invest Networks, the policies "Synthesis" and "Synthesis HNWI", a version of the latter expressly for Private Banking customers of high-standing, distributed by Intesa Sanpaolo Private Banking.

### PENSION AND PROTECTION PRODUCTS

The Group offers its customers personal pension plans and open pension funds that pay the policyholder, upon retirement, a life annuity which can also be reversible ("pension products"). This category includes the "Fondo Pensione Fideuram" open pension fund offered by Fideuram and Sanpaolo Invest, as well as the "Il Mio Domani" open pension fund and the "Il Mio Futuro" personal pension plan offered by Intesa Sanpaolo Private Banking.

The Group also offers its customers insurance products that cover the policyholder against the risk of certain specified events ("protection products"). These are "pure risk" life or accident products such as Term Life Insurance policies, which pay a capital sum upon the death of the policyholder within the contractual term of the policy in return for the payment of regular premiums, and health insurance policies, which reimburse the expenses required due to accident or illness. Products in this category include "Fideuram Vita Attiva" and "Salute Fideuram" offered by Fideuram and Sanpaolo Invest, and "AcasaConMe", "Polizza Tutela Famiglia", "Polizza Infortuni", "Polizza Prevenzione e Salute", "Polizza Interventi Chirurgici" and "Polizza Malattie Gravi" offered by Intesa Sanpaolo Private Banking.

## BANKING SERVICES SEGMENT

The Group offers its customers the following services in this segment:

- Banking services and in particular current accounts with ancillary services for the lodging of securities, debit cards (issued by Fideuram and Intesa Sanpaolo Private Banking), credit cards (issued by Mercury Payment Services with the Fideuram and Intesa Sanpaolo Private Banking logos, and by CartaSi and American Express), mortgages (issued by the Intesa Sanpaolo Group) and lease products for Intesa Sanpaolo Private Banking (provided by Mediocredito Italiano), and lending products (principally secured by assets held with the Group itself).
- Non-managed asset investment opportunities.

The products and services offered in the Banking Services segment complement and complete the products and services offered in the Managed Financial Assets and Life Insurance Assets Segments.

The Group offers a range of current accounts with different conditions to suit different customer needs and levels of financial assets.

These accounts include our "Zero Spese" (no fee) current accounts and our accounts for Private Banking customers (the "Conto Zero Spese" and the "Fideuram Private Banking" and "Fideuram Private Wealth Management" accounts from Fideuram and Sanpaolo Invest, and the "Conto Private Zero Spese" and "Conto Private Flessibile" accounts from Intesa Sanpaolo Private Banking). The main differences between these two types of accounts consist in whether or not they incur management fees and the rate of credit interest paid, and the dedicated credit cards offered.

The Group offers a range of different credit card solutions tailored for different customer profiles.

### CURRENT ACCOUNTS

The Group offers its customers lines of credit that afford them cash flow flexibility, secured by investment products held with the Group or substantial assets managed by the Group and, for Intesa Sanpaolo Private Banking, short-term and medium-long term loans for up to fifteen years.

Credit services consist of two types: those provided by granting lending products secured by collateral in the form of securities or other assets held with the Group, and lines of credit secured by assets the customer has invested with the Group.

### CREDIT SERVICES

The Group offers its customers the option of investing directly in shares, bonds, structured bonds, certificates and other financial instruments on both the primary and secondary markets. It is also possible to make trades in repurchase agreements and, for Intesa Sanpaolo Private Banking, securities lending. A financial service is also provided by Intesa Sanpaolo Private Banking for the purchase on the primary market of certificates and bonds conceived expressly for Private Banking customers in investment areas of particular interest. The investment approaches are conceived by the Intesa Sanpaolo Private Banking Financial Issues service and the financial instruments are developed by Banca IMI. They are issued by Banca IMI, Intesa Sanpaolo, supranational institutions or leading international issuers.

### NON-MANAGED ASSETS

## 1.6 Stakeholders

The Group considers it crucial to pursue its growth objectives through constant interaction with all the stakeholders encountered in the course of its business. Moreover, having the creation of sustainable value as a prime objective, it is a strategic imperative for us to identify our reference stakeholders accurately and engage each of them in an ongoing dialogue.

The Group's core business objective is to satisfy each and every one of its **customers**, assisting them in the informed management of their assets, offering them financial and insurance advisory services and building longstanding relationships of trust. Our customers thus play a central role in the Group's mission.

Our commitment to our **Shareholder** is the starting point in our pursuit of quantitative and qualitative growth that is both sustainable over time and distinguished by consistently excellent profitability.

Our **colleagues** play a prime key role in enabling us to achieve our corporate objectives. The Group invests in them constantly to enhance their individual competencies and foster their professional growth. Our colleagues include our **Personal Financial Advisers**, who are at the centre of our business model. Our Personal Financial Advisers are professionals registered in the Italian National Register of Personal Financial Advisers and committed to the Group through agency contracts or (in the case of the Intesa Sanpaolo Private Banking Network) employed by the Group.

Our **suppliers** are business partners with whom the Group works to our mutual benefit to achieve the objective of satisfying every need connected with the purchase of goods and services.

Our **community** comprises all the social and cultural entities with which the Group interacts in the performance of its business, including the leading investment companies with which it has strategic relations.

The **environment** is the set of ecological and energy variables which the Group may affect in the performance of its business. The Fideuram Group believes that its work to create sustainable value can only proceed hand in hand with a commitment to reducing its ecological footprint.

Effective stakeholder engagement has numerous benefits for the development of the Group's strategy:

- promoting more effective risk management and enhancing our reputation;
- enabling us to take all resources (knowledge, people and technologies) into account to achieve our strategic objectives;
- helping us to achieve a more in-depth understanding of the social environment in which the Group operates, including market developments and new business opportunities;
- building a climate of trust with its many reference interlocutors;

- leading to more equitable and sustainable social development by involving more parties in the decision-making processes;
- allowing us to play a social role through the management of our customers' assets and the succession management of their financial assets.

Our stakeholders interact with the Group in the course of its business and collectively play a key role in influencing strategic management decisions. The graph below shows the importance of our main stakeholders in relation to our business model, measured in terms of their influence/dependency on the Fideuram Group.



The Fideuram Group's principal stakeholders are mapped below.

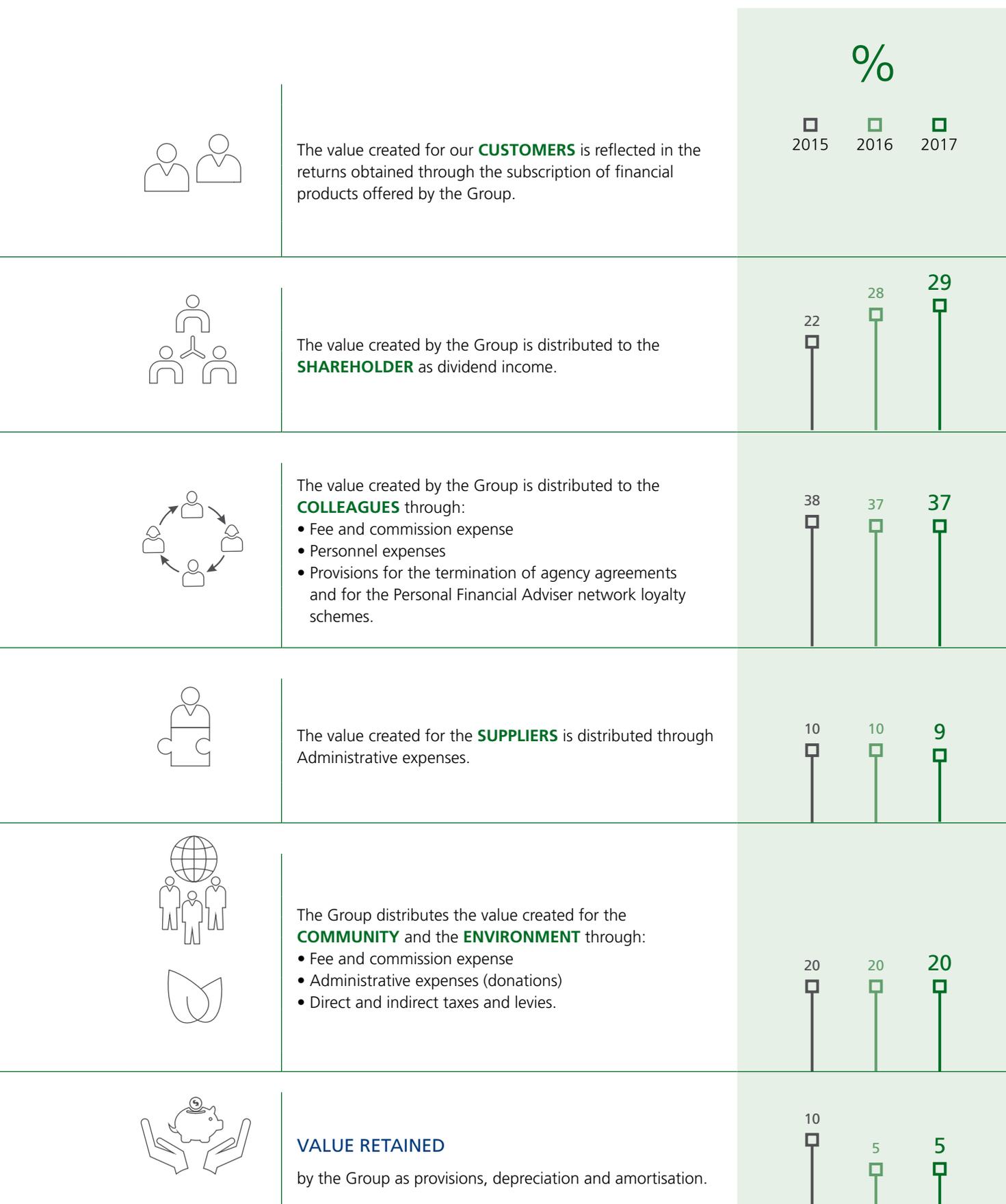
## STAKEHOLDER MAP

		2017	2016
<b>CUSTOMERS</b>			
	Fideuram customers (No.)	547,891	528,091
	Sanpaolo Invest customers (No.)	146,704	140,737
	Intesa Sanpaolo Private Banking customers (No. of households)	36,356	35,933
	Sirefid Customers (No. of mandates)	2,177	2,404
High Net Worth Individuals	Intesa Sanpaolo Private Bank (Suisse) customers (No.)	396	377
Private Banking customers	Client Assets (€m)	214,214	198,026
Affluent customers	Average length of customer relationship Fideuram and Sanpaolo Invest Networks (years)	13	13
Mass Market customers	Average length of customer relationship Intesa Sanpaolo Private Banking Network (years)	11	11
<b>SHAREHOLDER</b>			
	Fideuram ordinary shares (No.)	1,500,000,000	1,500,000,000
	Par value (€)	no-par shares	no-par shares
Intesa Sanpaolo S.p.A.	Shareholders' equity (€m)	2,778	1,981
	Consolidated pay-out (%)	90.39	90.87
	Separate pay-out (%)	99.96	99.75
	Counterparty rating (Standard & Poor's)	BBB/Stable	BBB-/Stable
<b>COLLEAGUES</b>			
	Employees: men (No.)	1,737	1,676
	Employees: women (No.)	1,389	1,334
Employees	Graduate employees (%)	48	46
	Turnover (%)	10	10
	Average training hours per employee (No.)	26	41
	Personal Financial Advisers (No.)	5,950	5,848
Personal Financial Advisers	Client Assets / Number of Personal Financial Advisers (€m)	36	34
	Average training hours per Personal Financial Adviser (No.)	55	66
<b>SUPPLIERS</b>			
	IT services (€m)	21	18
Business partners	Building management (€m)	54	54
	Third-party services (€m)	105	105
Large Suppliers	Professional and insurance costs (€m)	18	21
	Advertising and promotional costs (€m)	7	8
Small Suppliers	Other expenses (€m)	32	45
<b>COMMUNITY</b>			
Leading investment companies	Charitable and other donations (€m)	0.6	0.3
Non-profit organisations	Current taxes (€m)	315	292
Public institutions	Indirect taxes and levies (€m)	235	223
Local			
Media			
<b>ENVIRONMENT</b>			
Environmental organisations	Paper consumption per employee (kg)	63	70
Future generations			

## Creating value for our stakeholders is one of the Fideuram Group's prime objectives.

The distribution of the wealth created by the Group and transferred to its stakeholders is shown below:

### DISTRIBUTION OF WEALTH CREATED



- 2.1 Chairman's Statement
- 2.2 Managing Director's Statement
- 2.3 Group strategy

Client Assets  
totalled  
**€214.2 bn**  
up **€16.2 bn**  
on 2016

Client Assets managed  
through our Advanced  
Advisory Services  
totalled  
**€38.7 bn**,  
up 13% on 2016

Wealth created  
(€m)





## 2. Strategies

## 2.1 Chairman's Statement



**Matteo Colafrancesco**  
Chairman

### Never before has our country so needed highly-skilled financial advisors.

Many factors confirm society's need for highly qualified professionals capable of assisting households to build, grow, and hand their wealth down to the future generations.

Let me mention a few of these: increasingly complex markets, the evaporation of risk-free returns, the growing correlation between the private and professional spheres of wealth, and the intensifying need for protection. All of these issues make financial planning essential to the present and future well-being of our fellow citizens.

Our profession is undoubtedly the best-equipped to meet these challenges, even in the face of ever-stricter regulations. Lawmakers have fully recognised the important role that we play and have finally allowed us to call ourselves by our proper name, financial advisers, within an increasingly clearer and transparent regulatory framework.

Founded 50 years ago to provide Italian investors with an alternative to the traditional banking channel, Fideuram boasts a history, credibility and numerical size beyond compare today on the Italian market.

Based on this wealth of values, experience, and professional expertise, Fideuram will remain a benchmark for the entire financial services industry and an irreplaceable partner for all of its customers.

// Fideuram, founded 50 years ago, is a benchmark for the entire financial services industry //

## 2.2 Managing Director's Statement

### The year just ended, 2017, represents an extraordinarily important one for us.

The Business Plan undertaken in 2014 was completed this past year. That was the first plan to cover Fideuram - Intesa Sanpaolo Private Banking in its new corporate arrangement, having brought together all the private banking activities of the Intesa Sanpaolo Group under one roof.

Over the past four years, we have created the top player in the Italian private banking business, making it one of the leaders in Europe. We have achieved this by implementing a single approach that unifies and develops strong brands for use in distribution and the product or services companies, which are reinforced by a unified operating machine.

The targets were challenging, both in numerical terms and in terms of the complexity of a uniquely original operation on the European market.

We can now say that every target has been met, and every goal achieved. A success of this magnitude was possible only through the contribution made by all of our stakeholders: shareholders, customers, personal financial advisers, employees, partners, and suppliers. I want to thank everyone for their trust and determination, which have permitted us to realise a success story on every front, quarter after quarter.

The strength of the results we have achieved lies in their continuity and sustainability, both in terms of revenue and of costs: constant growth in client assets, exponential growth in new inflows, and focus on managed assets while maintaining efficiency levels without compare in Europe. This has given a big boost to profits and allowed us to maintain our investing capacity unchanged.

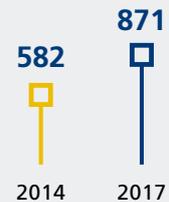
Now, a new development phase is opening up for us with the Group Business Plan 2018-2021. The results achieved allow us to take on new challenges with calm and determination. This calm stems from our winning model and the awareness of relying on the best professionals on the market. Our determination expresses the desire to establish ourselves in new market segments, where we can offer the quality of our services to our present and future customers inside and outside Italy.

*Paolo Molesini*



**Paolo Molesini**  
Managing Director

### Consolidated net profit (€m)



### Total net inflows (€m)



### Client Assets (€bn)



## 2.3 Group strategy

The international Private Banking market is characterised by growing complexity and competitiveness. Forecasts predict that client assets will enjoy positive growth over the next few years, though less than in previous years, with steady growth in the importance of emerging markets.

The returns on client assets, which have already begun to slip from their largely stable performance during the past ten years, are expected to shrink over the coming years, both due to regulatory pressures (e.g. MIFID 2) and the aggressive commercial strategies of new competitors. On the base cost side, statutory and regulatory changes are driving upgrades to infrastructure, processes and general resources to be allocated to corporate control functions (Risk, Compliance and AML). Additional huge investments will then have to be made to meet the steady digitalisation of relationships between customers, Personal Financial Advisers and other market players. The operators that manage to make effective investments in digitalisation will then be able to reap benefits in terms of competitiveness, productivity and efficiency.

These trends are steadily squeezing profitability. This phenomenon is a sensitive issue, especially for smaller players. Conditions are creating a market window favourable to those entities with a larger scale of operations and a business model focused on meeting the new demands made by customers and providing quality, specialised, and personalised services.

In this context, Fideuram - Intesa Sanpaolo Private Banking can exploit its large size and a business model focused on providing cutting-edge financial and asset management advice, as well as the trust relationship between customers and Personal Financial Advisers. That model has enabled Fideuram - Intesa Sanpaolo Private Banking to become the undisputed leader in the Italian Private Banking sector, with extremely high market shares, profitability, and efficiency. On the other hand, its international presence is still marginal.

In this context and in line with the Intesa Sanpaolo Group Strategic Plan, the Private Banking Division has set itself **important goals** for the period **2018-2021**:

- **Reinforce its leadership position on the Italian market** by accelerating its growth rate from past levels and maintaining its cost efficiency levels
- **Support foreign growth and international expansion.**
- **Evolution of the Division into a “digital champion”.**
  - by reinforcing the digital channels and brand visibility, thereby expanding the customer base.
  - boosting the Bank’s level of innovation both through improved digitalisation and through Advanced Analytics initiatives.

Based on these goals, five priority initiatives have been identified for the Private Banking Division over the next few years:

- 1. Dedicated Service Models:** the specialisation of the service models for Division Networks will be upgraded. The Intesa Sanpaolo Private Banking Network will not only complete its operational implementation of the service model for HNWI customers, through seven dedicated centres, focusing on the extension of services and standardisation of Network practices, but will also continue developing the tools and offering of specialised products and services. The Fideuram and Sanpaolo Invest Networks will also introduce new service models to cover specific Network needs (e.g. generational change, new advisers) and the customer base (e.g. affluent) with differentiated commercial targets, products and services.
- 2. Recruitment and Advisers Factory:** the recruitment of Financial Advisers and Personal Financial Advisers will increase significantly, and training activities will be upgraded. Specific initiatives will be undertaken according to the type of recruitment. For example, efforts to recruit high-level staff with large portfolios will follow a different process from that used to recruit other staff. A programme to recruit about 60 talented graduates a year from top universities will also be launched, further enhancing the role of Fideuram-Intesa Sanpaolo Private Banking as a top employer brand. The training of Financial Advisers and Personal Financial Advisers will be improved by exploiting the experience of the Fideuram Campus, borrowing existing best practice and adapting training courses to the new needs of the Networks and customers. To create an “Advisers Factory” for the training of the “Future Personal Financial Advisers”, a Division “Learning Factory” will also be developed to offer digital content that can be used at any time on different devices (e-learning online).
- 3. Upgrading of products and services offered:** advanced advisory services will be further upgraded, with a focus on boosting the penetration of a specific set of products. Consolidation of Fideuram’s leadership in the field of advanced advisory services will be pursued through further development of wealth management advisory services targeting the Private/HNWI customer segment, through the launch of an advisory service for non-managed asset products (mainly securities and stock custody accounts) for the Private customers of Fideuram and Sanpaolo Invest (by developing the advisory method at Intesa Sanpaolo Private Banking) and by developing an advisory method dedicated to the Affluent/Lower Private segment. Efforts will also be focused on developing the range of products and services offered by reinforcing, for example, in-house investment products (e.g. multi-authorisation products, alternative products) and increasing marketing efforts

for lending and the range of banking and insurance products aimed at specific customer segments.

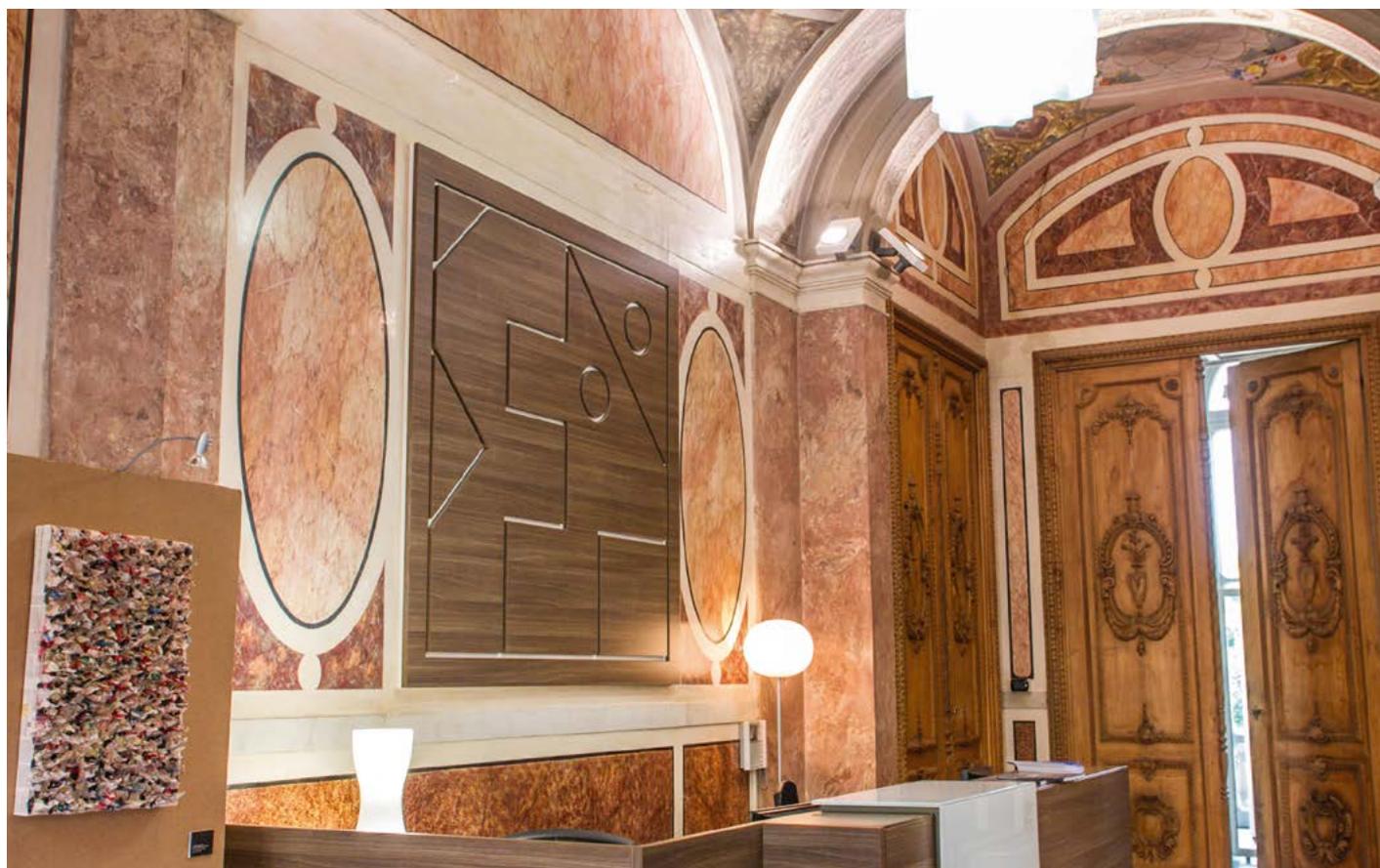
**4. Growth of foreign operations:** the international presence of the Private Banking Division will be expanded on large markets with high growth rates, including the opening of new branches or legal entities (“Investment Advisory Companies”) in countries of interest. International development, supported by the deeply rooted risk governance culture at the Intesa Sanpaolo Group and its subsidiaries, will leverage the Group’s presence in Switzerland. That country has been chosen to be the centre for development, policymaking and governance of the International Private Banking initiatives of the Division. The Group’s position in Switzerland has already been strengthened through the recent acquisition of the Morval Group, a plan to hire Personal Financial Advisers having international experience and customers, qualitative and quantitative upgrading of its Control and Governance units, and the creation of a new IT and operating platform. All of these are important factors that make it possible to support the new service and product model. The Group’s activities in London will also be increased, in conjunction with development of its activities in Luxembourg.

**5. Evolution of Fideuram - Intesa Sanpaolo Private Banking into a “digital champion”:** new, evolved digital functions will be developed to acquire “self-directed” customers, while the existing digital platform for Personal Financial Advisers (“Alfabeto”) will be upgraded. Development of the new digital channel calls for immediately assigning newly acquired “self-directed” customers to a Perso-

nal Financial Adviser in charge of the relationship, including investment management. The digital customer interaction functions on the current Alfabeto platform will be extended (from the drafting to signing of commercial proposals, the integration of online banking services within a single digital channel), and specific offers will be defined, including in the form of packages, for digital customers. Digitalisation will also include revision of the Division’s main processes to boost their effectiveness and efficiency through end-to-end automation. Continuous optimisation of the digital platform will also enable the development of distinctive analytical skills for data that can be used for deeper understanding of what is happening at the company and identifying performance improvement measures (advanced analytics).

**A strong focus on issues related to Corporate Social Responsibility** is an integral part of all the initiatives of the Group and lies behind its objectives. The Group will increase its commitment to sustainable finance by developing funds and discretionary account solutions which implement ESG investment strategies. It will continue to play an active role supporting and working with area bodies and local communities, taking part in scientific, cultural, humanitarian and welfare initiatives. Finally, activities promoting financial awareness and actions to reduce the environmental footprint of corporate activities will continue.

As part of the five initiatives and CSR commitments described above, the Group intends to achieve as many strategic objectives as will collectively enable the Group to achieve its prime goal of creating value sustainably over time.



- 3.1 Economic scenario
- 3.2 Growth prospects
- 3.3 Group competitive position
- 3.4 Financial risk
- 3.5 Non-financial risk

The **MSCI ACWI** (in dollars) stood at **513.03** at the end of 2017 (421.84 at the end of 2016)

Source: Bloomberg

Drivers of the managed assets market 2018-2020:

- **Greater propensity** for managed assets
- **Increased investment** in financial assets
- **Growth** in professional managed asset services



### 3. Operating and market context

## 3.1 Economic scenario

In 2017, the global economy grew faster than expected, due both to more buoyant growth than expected in the eurozone and in Japan, and to the end of the Chinese economic slowdown that began in 2013.

Buoyant and synchronised growth in the global economy was associated with relatively moderate inflation that largely tracked forecast trends, with the notable exception of the United States, where especially the core inflation rate (which excludes energy and food), unexpectedly slowed down in the spring, despite the steady decrease in the unemployment rate. The strengthening global recovery and declining risk of deflation were accompanied by a less accommodating approach by the main central banks.

Geopolitical events impacted market performance over the course of the year. Fears of a populist turn in the eurozone were largely dispelled after the presidential election in France, with Emmanuel Macron winning on a reformist and Europe-oriented platform. However, political risk reappeared in the eurozone at the end of the year, albeit to a lesser extent, in connection with the events surrounding the Catalan independence referendum. Elsewhere in Europe, the snap election held in the United Kingdom weakened

the Conservative Party, rendering the British position more tenuous in Brexit negotiations. After failing in its attempt in the first part of the year to abrogate the health care law passed under President Obama, the Trump Administration chalked up a victory with passage of the tax reform act, which sharply reduced corporate income tax. Geopolitical tensions intensified during the summer, with escalation of the North Korean nuclear programme.

Growth in the **United States** was fairly tepid at the beginning of the year, although business and consumer confidence was far higher, accelerating during the second and third quarters to more than 3% on an annualised basis, before slowing down in the fourth quarter. Growth was sustained by a strong recovery in non-residential investment spending, while consumer spending grew at the same rates as in the previous year. Continued improvement in labour market conditions reflects this robust growth. Employment growth remained strong, causing

a sharper than expected decrease in the unemployment rate (4.1% at year end, compared with 4.7% at 31 December 2016). However, the higher rate of utilisation of human resources has not translated into wage and price growth, notwithstanding their acceleration at the beginning of the year. Surprisingly, the core inflation rate fell sharply beginning in March, before stabilising at the end of the year. Although inflation remained lower than forecast, the Federal Reserve Bank decided to raise interest rates by 25 basis points at its March, June and December meetings, while also initiating a gradual reduction of its own assets beginning in October, by deciding not to reinvest a portion of maturing Treasury notes and securitised loans.

In 2017, growth in the **Eurozone** accelerated vigorously. Even Italy participated in the recovery, growing at a pre-crisis pace, beating expectations. However, the year began with a certain degree of nervousness on the markets, due to the risks posed by the French presidential elections, although the reformist, pro-Europe candidate scored a decisive win. This result re-energised the euro, with it appreciating until the end of the summer (rising from 1.05 dollars to about 1.20 dollars and then stabilising at that level until the end of the year). Domestic demand remained the main driver of growth, not only through consumer spending buoyed by rising employment, but also through stronger investments. Finally, the recovery in international trade re-energised exports, with prices reversing the trend of the previous two years, when inflation was zero or slightly negative. Inflation rose unexpectedly at the beginning of the year but then, over the next several months, it saw a new downward correction, notwithstan-

### 10-year Bund and BTP yields



ding significant volatility. However, the increase at the beginning of the year was caused largely by energy and food. The core inflation rate ended 2017 at 0.9%, which was the same level as at the beginning of the year. The European Central Bank did not significantly alter its own behaviour at the beginning of the year, but at the end of June, President Draghi began issuing cautious statements that a strategy to abandon ultra-expansionary monetary policies would likely be implemented. The most important decision was taken in October, with the announcement that the quantitative easing programme would be cut back beginning in January 2018, with monthly purchases falling from €60bn to €30bn.

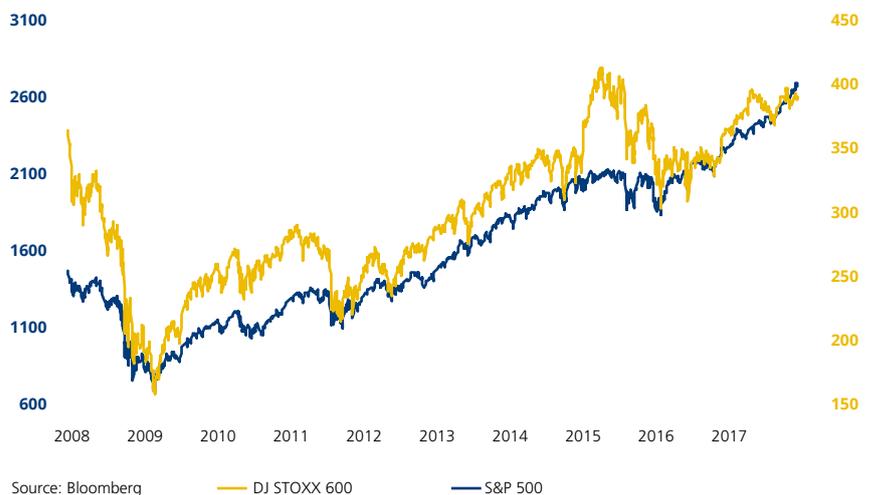
Economic growth in **Asia** was brisk, due to recovering export activity, while inflationary pressures remained weak, permitting expansionary monetary policies. The Chinese GDP accelerated slightly. Production prices made a strong recovery, supporting corporate profits without passing on price increases to consumers. In fact, consumer price growth slowed down slightly due to a steep drop in food prices. Stronger growth was associated with a more restrictive approach by economic policy makers, aimed primarily at attenuating any risks to financial stability. Economic authorities also managed to curb the volume of capital outflows after their sharp growth over the previous two years, and foreign currency reserves resumed regular growth over the course of the year. GDP growth accelerated strongly in Japan, with it far outstripping market expectations. The recovery in growth rates was driven mainly by internal private demand, both for consumption and for investments. Notwithstanding another decrease in the unemployment rate, wage and price pressures remained weak, although some signals of recovery for the core inflation rate remained. The low inflation rate, far from its target rate, induced the Bank of Japan not to make any significant changes to its own monetary policy strategy.

The context of a synchronised acceleration in global growth, anaemic inflation, and gradual normalisation of monetary policies was reflected in absolutely positive performance on the stock markets. In the United States

and Japan, stock markets rose by nearly 20% (+19.4% for the S&P500 and +19.7% for Topix), while the performance of emerging markets was even more brilliant (+34.3% for the MSCI dollar index). European markets turned in more modest results (+7.7% for the DJ-Stoxx-600 index), also considering the significant appreciation of the euro against the dollar during the year. The Italian market performed better than any other in Europe (+13.6% for the FTSE MIB). More modest changes occurred on the bond market, with long-term returns moving only slightly between the beginning and the end of the year. In the United States, the 10-

year Treasury rate closed the year at a slightly lower level than its level at the beginning of the year (2.45%), after having come close to 2% in September. The yield on 10-year Bund bonds rose by about 20 basis points while remaining at historically depressed levels, while the spread on 10-year Italian government bonds from German rates ended the year largely unchanged.

### Stock market performance



### Bond market performance (10-year government bond yields)



## 3.2 Growth prospects

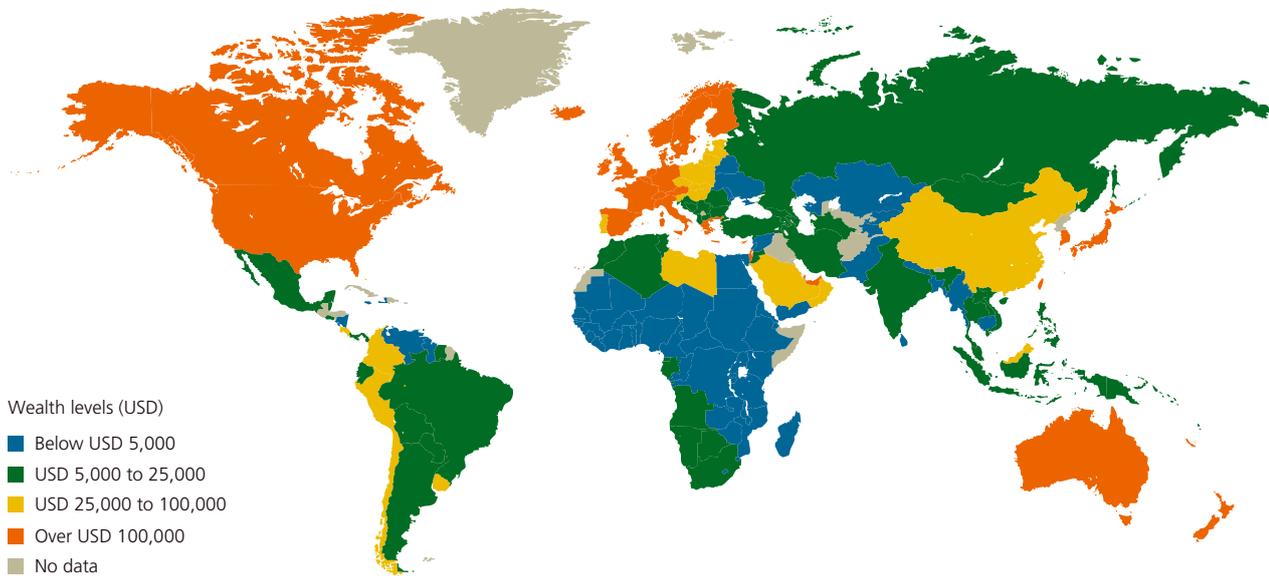
### THE GLOBAL MARKET<sup>1</sup>

The global financial crisis in 2008 ended a period of strong growth for both financial and non-financial wealth. Notwithstanding the devastating effects that provoked, growth rates immediately began recovering in 2009, although at a slower and more fragile pace.

More encouraging signals were received during the twelve months preceding the middle of 2017, with global wealth having grown by USD 16,700bn (+6.4%) to reach a total of USD 280,000bn. Furthermore, non-financial assets topped their 2007 levels for the first time.

During this period, wealth creation outstripped population growth, lifting average pro capita wealth to its historic high of USD 56,540 compared with USD 52,800 in 2016 (+4.9%).

### World wealth levels 2017



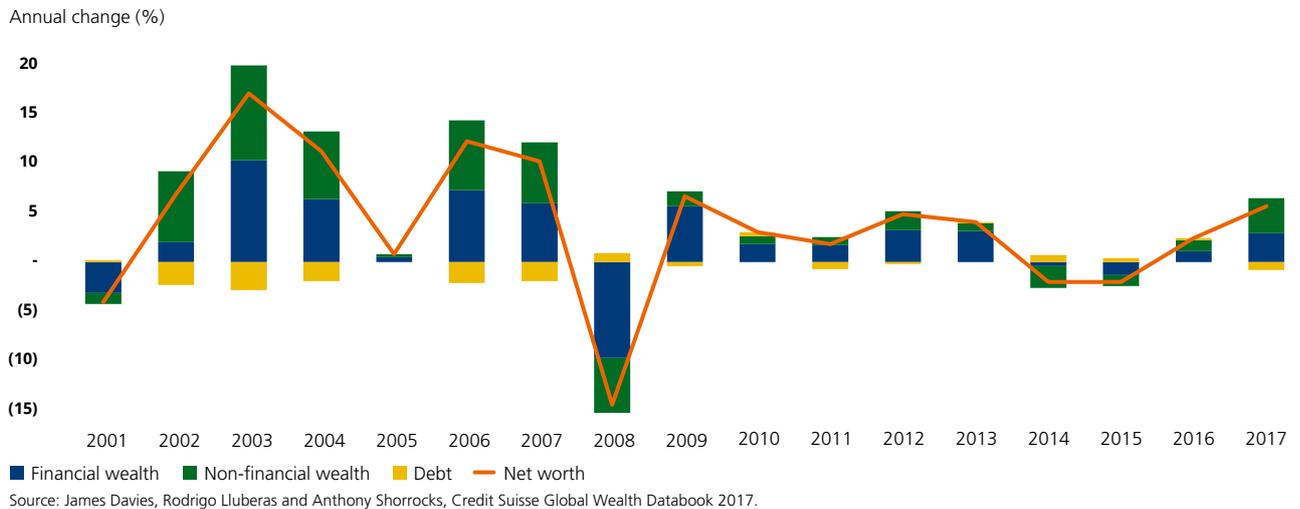
Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2017.

At the geographical level, among the world's major economies, the wealth of the United States rose considerably, with growth totalling USD 8,500bn, followed by Europe and China, whose wealth increased by USD 4,800bn and USD 1,700bn, respectively, with both of them posting growth rates close to the 6.4% global growth rate. Latin America had a growth rate of 3.9%, which is a good result compared with previous years. The laggard regions are Asia (excluding China and India) and Africa, where the total growth rate comes to less than 1%.

1. The information presented in this section has been taken from the "Global Wealth Report 2017", published by Credit Suisse in November 2017.

The Global Wealth Report states that since 2008 gains in household wealth have been driven by an increase in financial investments. This trend reversed in 2016, with the portion represented by non-financial assets growing for the first time. The trend continued in 2017, topping pre-crisis levels and representing the main driver for growth in most regions.

### Annual contribution (%) to growth of wealth per adult by component, 2000 – 2017

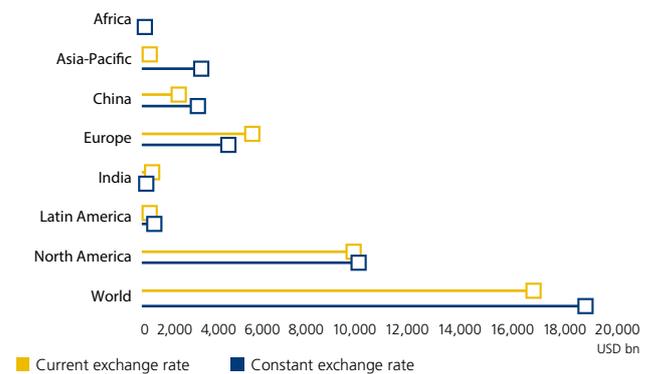


Elsewhere, the pattern across each region was quite similar on a constant exchange rate basis for measuring global wealth. The results in the Asia-Pacific region and in Africa are positive instead, on the assumption of constant rates growing 4.7% and 6.1% respectively. The exchange rate impact was neutral instead in the other regions. Europe and India slightly benefited from them, while China and Latin America suffered a slight negative effect.

Credit Suisse estimates that over the next 5 years, global financial wealth will grow at an annual rate of 3.9%, to reach USD 341,000bn. This is a conservative estimate as compared with the estimate made last year, which forecast annual growth of 5.4%, but which is more consistent with the recent trend. The adjustment was made necessary by the overly positive projections made on the performance of financial assets. Since 2000, global wealth in dollars has grown at an average annual rate of 5%. However, there were two distinct sub-periods. Prior to the global financial crisis, global wealth grew at 9.5% p.a. Then, after 2008, after a -12.6% contraction in the crisis year, wealth resumed growing at 3.8% p.a., reflecting the low rate of GDP growth in the global economy.

### Change in total wealth (USD bn) by region, 2016-2017:

#### Current vs constant exchange rates

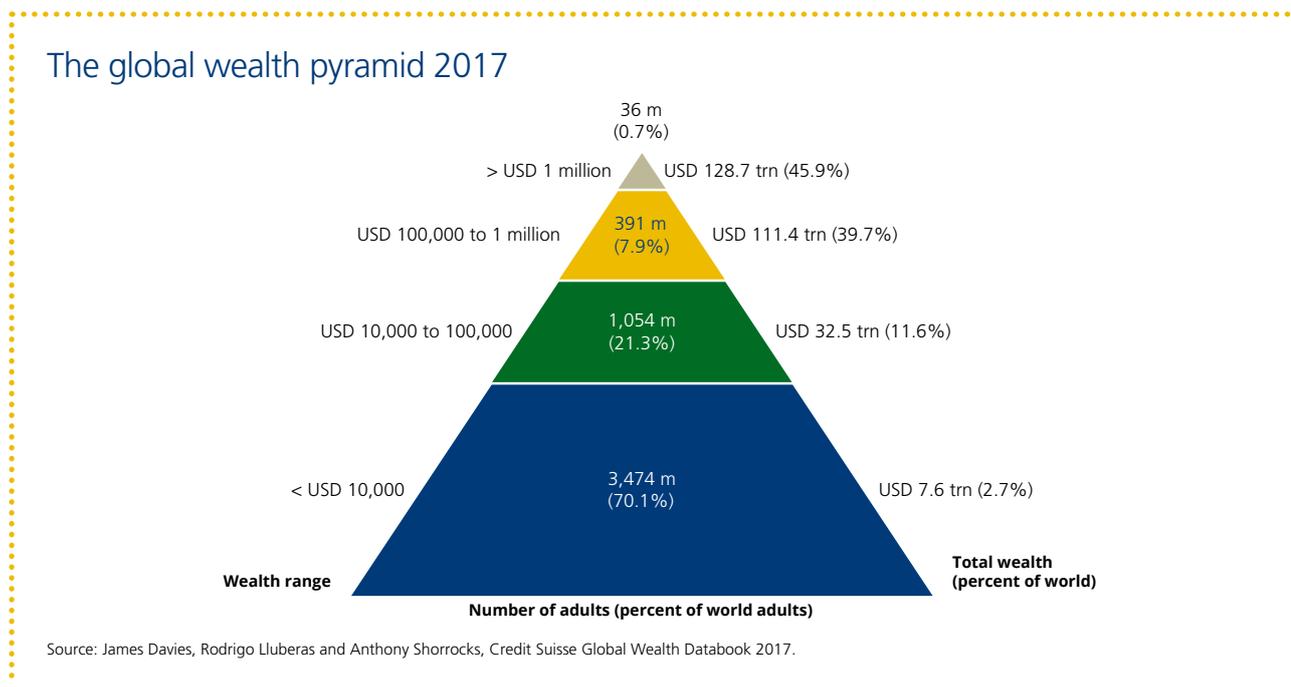


## REGIONAL DISTRIBUTION

Since the beginning of the century, emerging economies have significantly influenced the global allocation of wealth. In 2000, emerging economies accounted for a mere 11% of global wealth, but now contribute nearly 25% towards global growth. Today, emerging nations are home to 18% of the world's ultra-high-net-worth population. China alone accounts for 9% of the top decile of global wealth holders, which is well above France, Germany, Italy and the United Kingdom.

The United States is destined to remain the driver for global wealth over the coming years. Credit Suisse expects relatively few changes in the rankings of the wealthiest developed economies and forecasts that emerging economies will show more dynamism.

## WEALTH CONCENTRATION



Wealth concentration can be shown as a pyramid where the largest number of people are in the base tier, comprised of adults with wealth below USD 10,000. In 2017, approximately 3.5bn individuals, equivalent to 70% of the world's adult population, were estimated to live in these conditions. In developed countries, about 30% of adults fall in this category. For most of them, this is a transitory condition, for reasons connected with, for example, the poor performance of various businesses or labour market dynamics, or it is associated with the age category of the individual (young and old people). In contrast, approximately 90% of the adult population in India and Africa falls within this range.

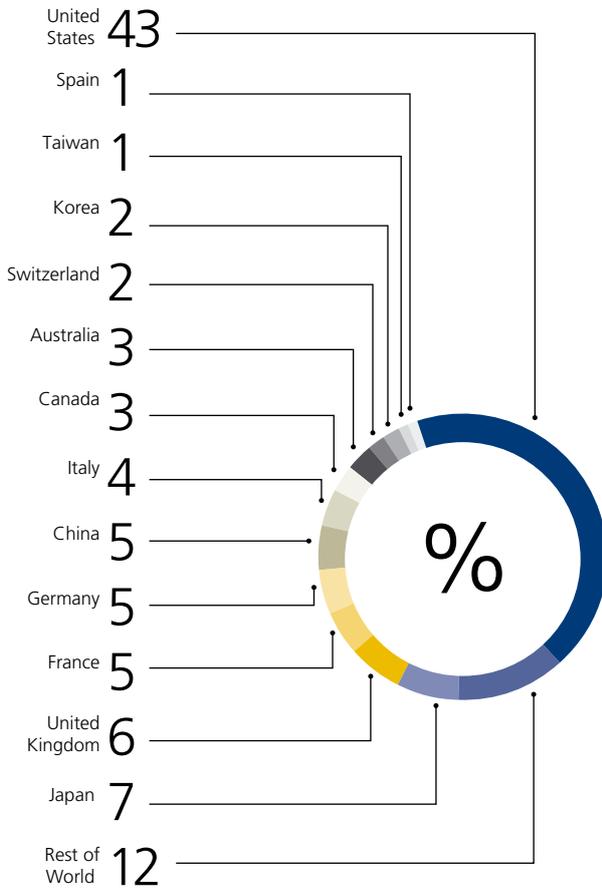
A further 1.1 billion adults (21% of the global population) fall in the USD 10,000–100,000 range of average wealth. The middle classes of many developed countries fall within this category, with average aggregate wealth of USD 33,000bn. Of the developing countries, India and Africa are under-repre-

sented in this segment, whereas China's share is disproportionately high, accounting for around 35% of this tier, roughly double the proportion in 2000.

Taking these two tiers together, 91% of the global adult population have a combined net worth of approximately USD 40,000bn, accounting for 14% of the global total.

At the top of the pyramid are the 427m individuals with wealth over USD 100,000. From this we can see that around 8% of the world's population owns 86% of total wealth (USD 240,000bn). Looking at the number of adult millionaires by geographical area, 89% are in Europe, North America and Asia-Pacific (excluding China and India). The United States is in first place with the most millionaires, 15.4m, or 43% of the worldwide total. Japan comes in second place, although its share fell from 13% in 2011 to 7% in 2017, while the United Kingdom holds third place, with 6%, followed by Germany, France, and China, with 5%, by Italy with 4% of millionaires, and by Canada and Australia with 3%.

### Number of dollar millionaires (% of world total) by country, 2017

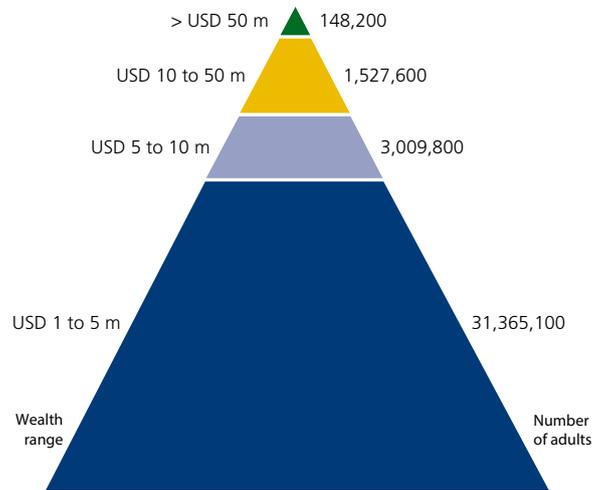


Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2017.

### HIGH NET WORTH INDIVIDUALS

The breakdown of the top of the global wealth pyramid - individuals with wealth of more than USD 1m - is shown below.

#### The top of the pyramid



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2017.

Credit Suisse estimates that there are more than 148 thousand ultra-high net worth individuals (UHNWI) worldwide, with this referring to individuals possessing net assets of more than USD 50m. Approximately 36m adults have net assets of between USD 1m and over USD 50m. Of these, approximately 31.4m adults fall into the USD 1-5m band, 3m into the USD 5-10m band and 1.6m into the over USD 10m band.

High-net-worth individuals are concentrated in particular regions and countries, and tend to share more similar lifestyles, for instance participating in the same global markets for luxury goods. The wealth portfolios of these individuals are also likely to be more similar, with a focus on the same financial assets. North America heads the ranking with 16.4m high-net-worth adults (46%), followed by Europe with 10.8m (30%). Asia-Pacific (excluding China and India) is the third region for millionaire numbers with 6.1m, or 17% of the total. China alone has 2m millionaires, accounting for 5%. The remaining 2% are in India, Africa and Latin America.

Credit Suisse estimates show a 22% increase in the number of HNWI, which will reach 44 million in 2022. North America is expected to remain the region with the highest number of millionaires, who will grow from 15.3m to 17.8m. Even Japan should see the number of its own HNWI grow by about one million. Instead, unlike Canada and Australia, it is forecast that the United Kingdom will suffer a slight decline due to the negative performance outlook after Brexit.

## THE ITALIAN MARKET<sup>2</sup>

### Managed assets overview

(€bn)

	2016 (*)	2015	2014	2013	2012
<b>ASSETS</b>					
<b>Household financial assets in Italy (HFA)</b>	<b>4,185</b>	<b>4,177</b>	<b>4,070</b>	<b>3,979</b>	<b>3,801</b>
Consolidated managed assets (MA)	1,415	1,335	1,257	1,086	1,020
- Mutual funds	302	286	251	206	189
- Discretionary accounts	858	801	737	639	625
- Life insurance technical reserves	623	581	529	514	468
- Pension funds	105	94	84	75	69
- Adjustments	(473)	(427)	(344)	(348)	(331)
<b>MA as % of HFA</b>	<b>34%</b>	<b>32%</b>	<b>31%</b>	<b>27%</b>	<b>27%</b>
<b>FLOWS</b>					
<b>Household financial assets in Italy (HFA)</b>	<b>34</b>	<b>3</b>	<b>33</b>	<b>16</b>	<b>33</b>
Consolidated managed assets (MA)	65	98	111	(34)	3
- Mutual funds	17	32	40	(30)	(19)
- Discretionary accounts	26	42	25	(16)	6
- Life insurance technical reserves	42	52	15	46	(9)
- Pension funds	4	4	5	5	5
- Adjustments	(24)	(32)	26	(39)	20
<b>MA as % of HFA</b>	<b>n.s.</b>	<b>n.s.</b>	<b>n.s.</b>	<b>n.s.</b>	<b>9%</b>

(\*) The 2016 data are estimates.

n.s.: not significant

Source: Bank of Italy

In 2017, the propensity to save of consumer households, i.e. the portion of available income not earmarked for necessary expenses, fell from 2016, going down to 8.2% in the third quarter for consumer families (from 8.5% for the same period of 2016) (Fig. 1).

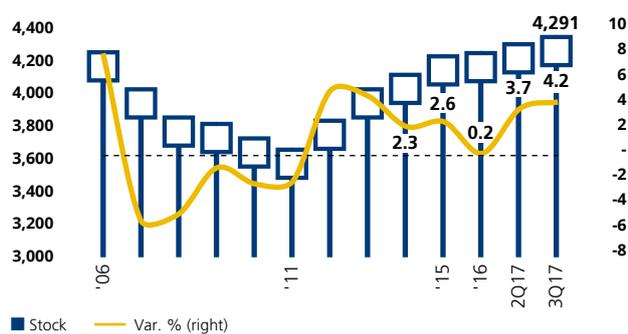
### Propensity to save of consumer households in Italy (quarterly figures, % values) and available income (yoy % change, real data) (Fig. 1)



Source: Prometeia processing of ISTAT data.

### Household financial assets in Italy (Fig. 2)

(€bn and % change)



Source: Prometeia processing of Bank of Italy data.

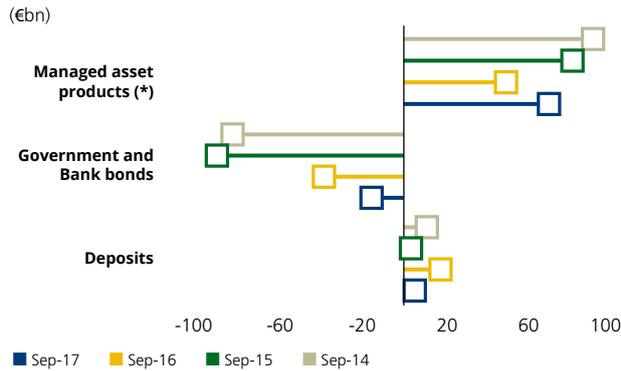
During the year, the accumulation of savings, when combined with the positive contribution still being made by the markets, caused the growth of Italian households' financial wealth to accelerate. That amounted to 4.2% in September 2017, with stock close to €4,300bn. As a result, for the first time the maximum levels reached in 2006 have been broadly beaten (Fig. 2).

2. The information contained in this section is taken from the publication "Analisi e previsioni - mercato del risparmio in Italia" edited by Prometeia.

In terms of wealth allocation, the data show that households have upped their investments in managed asset instruments (mutual funds, discretionary accounts, life insurance products and pension funds) broadly exceeding €70bn, with a major reduction in accumulated cash and a further reduction in the securities portfolio (Fig. 3).

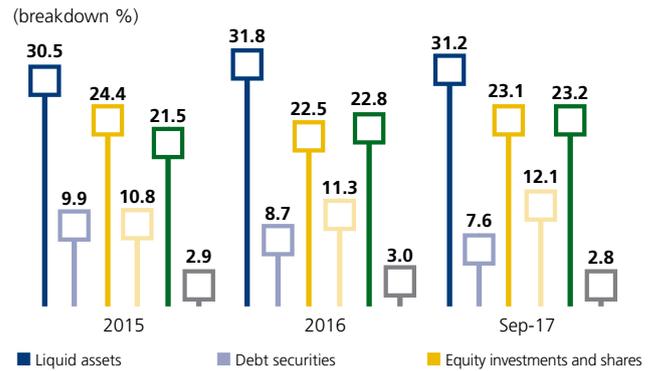
According to Bank of Italy statistics on managed assets of banks, the stock of Government securities held by Italian households amounted to €130bn in September. They represent about 3% of household financial assets. Therefore, the weight of all debt securities held in the portfolio fell by over one percentage point during the first nine months of the year, in favour of mutual funds (+0.8% to over 12% of the total) and, to a lesser extent, insurance and pension fund products (+0.4% to 23.2%). The weight of liquid assets has also fallen. However, they will remain the largest single component in the portfolio, accounting for 31.2% of the total (Fig. 4).

### Italian household investments in the principal financial instruments (Fig. 3)



(\*) Mutual funds, discretionary accounts, life insurance policies and pension funds.  
Source: Prometeia processing of and estimates using Bank of Italy, Assogestioni, Assoreti and ANIA data.

### Household financial assets in Italy (Fig. 4)



Source: Prometeia processing of Bank of Italy data.

In the second half of 2017, the Italian economy grew even stronger, benefiting from the improvement in the global economy, the reduction of political risk in the eurozone, the extension of quantitative easing by the European Central Bank, and the expansionary effects of tax policies. The Italian GDP should grow by 1.6% p.a. on average, which would be the highest level over the last seven years, and conditions should remain favourable for 2018 and most of 2019. Monetary policies will be modified cautiously, to avoid a brusque interruption in the recovery. Therefore, GDP growth in 2018 could continue at a rate that is only slightly less than in 2017, and then settle at 1% over the subsequent two years. In this scenario, household spending (in real terms) in 2018 should keep up the same pace of growth as in 2017, and then slow moderately during the next two years, in line with the trend for creation of available income. The propensity to save of consumer households in Italy dipped in 2017 but should recover marginally over the next few years, while remaining below 8% in 2020. Against the backdrop of a stable propensity to save, the improvement in family economic conditions will drive an improvement in financial asset investment flows, which may explain about half the aggregate growth of financial assets over the next three years (Fig. 5).

### Contribution of cash flows and markets to growth of household financial assets (Fig. 5)



Source: Prometeia, Forecast Report (December 2017).

After the sudden increase in 2017 that was tied to the positive performance of equity markets, the growth in financial assets should settle at an average 2.4% p.a. over the next three years, coming close to over €4,642bn at 31 December 2020 (Table 1).

## Household financial assets in Italy (Tab. 1)

(% and €bn)

	2013	2014	2015	2016	2017	2018	2019	2020	('20-'17)
Liquid assets	30.6	30.6	30.5	31.8	31.2	30.9	30.7	30.4	-0.8
- of which demand deposits	15.8	16.6	17.4	19.1	19.3	19.2	19.1	18.9	-0.3
Total securities	15.6	12.6	9.9	8.7	7.0	6.0	5.3	4.9	-2.1
- of which private residents	8.7	6.3	4.6	3.4	2.2	1.4	0.9	0.5	-1.7
Equity investments and shares	22.9	23.1	24.4	22.5	23.5	23.9	23.9	24.1	0.5
Managed assets	23.0	25.9	27.6	29.3	30.9	32.1	33.1	33.9	3.0
- Units in mutual funds	8.6	10.1	10.8	11.3	12.2	12.9	13.4	13.8	1.6
- life insurance reserves (*)	11.5	12.6	13.5	14.4	15.0	15.2	15.5	15.8	0.8
- Pension funds / Personal Pension Plans	2.9	3.2	3.4	3.6	3.8	4.0	4.1	4.3	0.6
Other (^)	7.9	7.8	7.6	7.8	7.3	7.1	7.0	6.8	-0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Total FA (€bn)	3,979	4,070	4,177	4,185	4,329	4,440	4,533	4,642	
% change	4.7	2.3	2.6	0.2	3.4	2.6	2.1	2.4	

(\*) Net of Personal Pension Plans.

(^) includes other reserves, employee termination indemnities, and other asset and liability accounts.

Source: Prometeia, Forecast Report (Dec 17) and Prometeia forecasts using Bank of Italy, COVIP, ANIA, and Assogestioni data.

In terms of wealth allocation, the financial context in 2017 was very favourable to the managed asset components, which gained an additional 1.5% of share in the portfolio, coming close to 31% of the total and displacing debt securities, especially bank bonds. With the gradual depletion of debt securities in reallocated financial assets, new household investments in managed asset instruments will be more correlated to the creation of a new asset, which may be channelled more stably than in the past towards managed asset instruments, by favouring greater diversification according to household needs.

The managed asset market ended 2017 with extremely high volumes of net inflows, due to the positive performance of equity markets, which drove greater demand, especially by households. Among the various products offered, mutual

funds ended the year at new record highs, with net inflows at the same high levels attained in 2014 and volumes that were more than double those in 2016. For the fifth consecutive year, the funds benefited from the greater recourse made by managers to this type of investment in asset management services, in view of diversification and improvement of product performance. The component of discretionary accounts invested in securities was weak instead. The low returns on bond investments weighed more than expected on institutional demand, which turned negative for the first time since 2011. Overall, the Italian asset management market, with annual average growth exceeding 5%, might approach €1,650bn in 2020, mainly due to the mutual funds which, supported by both retail and institutional demand, should easily exceed €1,100bn (figure net of duplications, for products held by Italian investors) (Table 2).

## The managed assets market (Tab. 2)

(bn and % change)

STOCK	2014	2015	2016	2017	2018	2019	2020
Italian and non-Italian mutual funds (*)	695.3	780.4	819.9	920.3	997.7	1,053.0	1,116.5
% change	21.4	12.2	5.1	12.2	8.4	5.5	6.0
Discretionary accounts	574.5	625.6	665.6	679.5	701.4	717.8	746.3
% change	14.3	8.9	6.4	2.0	3.2	2.3	4.0
- of which in mutual funds	133.3	154.5	167.8	179.8	192.3	203.3	216.3
% change	16.0	15.9	8.6	7.0	7.0	5.7	6.4
- of which in securities	441.2	471.0	497.8	499.7	509.1	514.5	530.0
% change	13.8	6.8	5.7	0.4	1.9	1.1	3.0
Total (net of duplications)	1,136.6	1,251.4	1,317.8	1,420.0	1,506.7	1,567.5	1,646.5
% change	18.4	10.1	5.3	7.8	6.1	4.0	5.0
<b>Net inflows</b>							
Italian and non-Italian mutual funds (*)	81.8	76.4	35.8	81.5	55.8	44.8	41.7
Discretionary accounts	22.5	37.4	17.5	10.3	17.1	17.2	19.9
- of which in mutual funds	10.0	17.5	8.0	7.9	7.4	7.6	8.1

(\*) Net of duplication. For mutual funds outside Italy, Prometeia estimates using Assogestioni data.

Source: Prometeia estimates and forecasts using Bank of Italy and Assogestioni data.

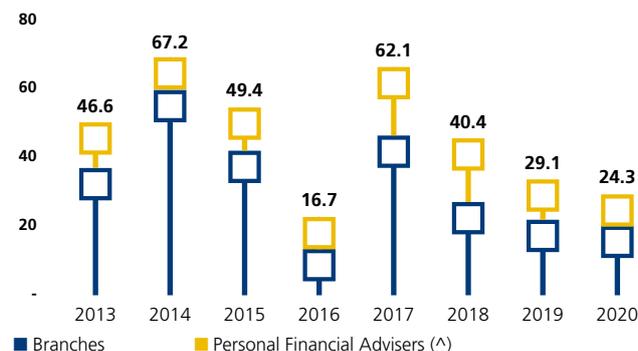
The asset management market benefited from the strengthening of bank networks and financial adviser networks. In 2017, net inflows on the bank networks quintupled from the previous year, easily topping €40bn, while the net inflows on financial adviser networks reached €20bn for the first time. This resulted from outstanding performance by various operators. Overall, it is confirmed that retail investments in mutual funds and discretionary accounts might have reached about €60bn in 2017, at levels slightly below the record high set in recent years, and specifically in 2014.

For the next three years, retail demand for managed asset instruments will remain positive but gradually decline to about €25bn in the last year of the forecast. On the one hand, the margins for reallocation of financial assets will close and the demand for government securities will revive, due to the expected increase in returns on maturity. On the other hand, the formation of new assets will slowly improve, and thus might only partly offset the cessation of asset reallocation, which has largely explained the investments in managed asset instruments over the last several years.

Moreover, it is confirmed that net inflows will gradually decline both for bank distribution, mainly due to cessation of activities to reallocate client assets, and for the financial adviser networks, due to changes in the competitive context, with the entry into force of MiFID 2, while assuming that this distribution channel will be more resistant, given the importance assumed by financial advisory services in providing guidance on how to make investment decisions (Fig. 6).

## Flows invested by retail customers in mutual funds and discretionary accounts by distribution channel (\*) (Fig. 6)

(€bn)



(\*) total net of duplications;

(^) authorised to provide products and services outside bank premises.

Source: Prometeia estimates and forecasts using Bank of Italy, Assogestioni and Assoreti data.

The overall stock of mutual funds and discretionary accounts placed by the financial adviser networks, generating annual average growth of 8% during the next three years, should easily top €250bn at the end of 2020, with a more than 1% increase in market share. After rising by 0.8% in 2017, the market share of bank branches would fall over the next few years, and the stock would hit €600bn at the end of 2020, double the amount reported at 31 December 2012 (Tab. 3).

### Client assets by distribution channel (\*) (Tab. 3)

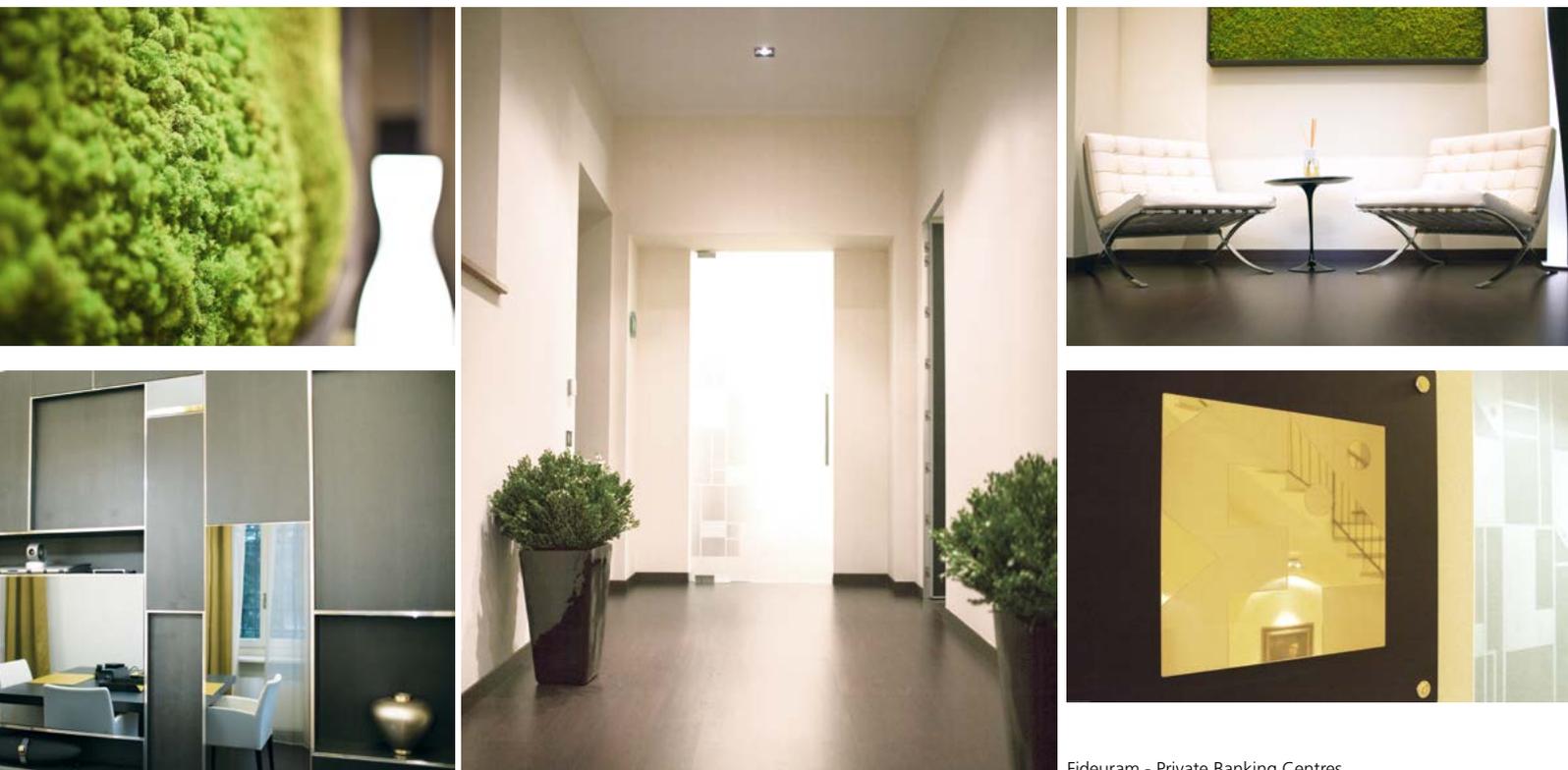
(€bn and %)

	2013	2014	2015	2016	2017	2018	2019	2020
Bank branches	346.4	428.5	469.7	481.0	529.9	560.9	578.6	600.2
% change	15.7	23.7	9.6	2.4	10.2	5.9	3.2	3.7
MS	36.1	37.7	37.5	36.5	37.3	37.2	36.9	36.5
Personal financial advisers (^)	143.4	161.8	171.1	181.5	203.5	225.5	240.8	255.8
% change	11.8	12.8	5.8	6.1	12.1	10.8	6.8	6.3
MS	14.9	14.2	13.7	13.8	14.3	15.0	15.4	15.5
Institutional sellers	470.5	546.3	610.7	655.2	686.6	720.3	748.2	790.5
% change	10.1	16.1	11.8	7.3	4.8	4.9	3.9	5.7
MS	49.0	48.1	48.8	49.7	48.4	47.8	47.7	48.0

(\*) Mutual funds sold directly and discretionary accounts, net of duplication.

(^) Authorised to provide products and services outside bank premises.

Source: Prometeia estimates and forecasts using Bank of Italy, Assoreti and Assogestioni data.



Fideuram - Private Banking Centres

## 3.3 Group competitive position

The Fideuram - Intesa Sanpaolo Private Banking Group is a leader in the provision of advisory support and distribution of financial products and services for upper affluent customers.

The Group's distribution model is built on three well-known brands, Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest. All three have long-standing, consolidated reputations on the Italian market among customers and Personal Financial Advisers alike, strengthened by their networks' constant ability to act as a melting pot, synergistically bringing together not just individual professionals in the sector but entire companies as well.

Completing the picture is our strong profitability (the highest Return on Equity in our market), which leverages the economies of scale resulting from average client assets per Personal Financial Adviser of approximately €36m.

The Group has a leading position in its reference market (Asset Gathering), being ranked seventh in Europe and third in the euro area for client assets.

Moreover, the Group is the undisputed leader on the Italian managed assets market and in the distribution of financial products through networks of financial advisers registered in the Unified Register of Financial Advisers, taking a very solid first place in the Assoreti ranking with a 40.4% market share at 31 December 2017 (amounting to approximately €209.3bn). In 2017, the Group was also ranked first for total net inflows (€12.2bn) and for net inflows into managed assets (€11.5bn).

The tables below analyse the client assets market shares and net inflows by the main Groups operating in Italy.

### Top 10 Private Banking operators in Europe

(at 30.6.2017 – €bn)

	AUM
UBS <sup>(1)</sup>	951
Credit Suisse <sup>(2)</sup>	655
BNP Paribas	355
Julius Bar	325
HSBC	277
Deutsche Bank <sup>(3)</sup>	215
<b>Fideuram - Intesa Sanpaolo Private Banking</b>	<b>207</b>
ABN-AMRO	191
Pictet <sup>(4)</sup>	171
Santander	160

(1) Invested assets; excluding Wealth Management Americas

(2) Assets Under Management (Private Banking)

(3) Invested assets

(4) Figures at 31.12.2016

Source: internal processing based on financial statements, presentations and press releases.

### Market shares for client assets

(€bn)

	31.12.2017		31.12.2016	
	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS	CLIENT ASSETS	% OF TOTAL CLIENT ASSETS
Fideuram Group (*)	209.3	40.4	192.9	41.0
Banca Mediolanum	69.3	13.4	64.3	13.6
Finecobank	57.9	11.2	51.4	10.9
Banca Generali Group	55.7	10.7	47.5	10.1
Allianz Bank	45.3	8.7	40.3	8.6
Azimut Group	39.8	7.7	36.0	7.6
Finanza e Futuro	14.4	2.8	14.1	3.0
Unione di Banche Italiane Group	9.9	1.9	8.7	1.8
Banca Monte dei Paschi di Siena	6.5	1.2	5.9	1.3
Credito Emiliano Group	5.5	1.1	5.4	1.1

(\*) The figure includes the client assets in the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks.

Source: Assoreti

### Total net inflows and net inflows into managed assets

(€bn)

	2017		2016	
	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS	TOTAL NET INFLOWS	NET INFLOWS INTO MANAGED ASSETS
Fideuram Group (*)	12.2	11.5	7.8	2.6
Banca Generali Group	6.9	6.0	5.7	4.0
Banca Mediolanum	4.8	4.9	5.6	3.3
Finecobank	5.4	3.9	4.3	1.8
Allianz Bank	4.4	4.4	3.3	2.5
Azimut Group	2.3	1.8	3.2	2.4
BNP Paribas Group	1.0	0.8	1.2	0.8
Finanza e Futuro	0.9	0.7	0.6	0.5
Unione di Banche Italiane Group	0.8	0.4	0.7	0.3
Credito Emiliano Group	0.1	0.2	0.7	0.4

(\*) The figure includes the net inflows to the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks.

Source: Assoreti

## 3.4 Financial risk

The main risks and uncertainties that the Group faces in doing business in the current macroeconomic and market scenario are summarised below.

### CORPORATE CONTINUITY

The Group ended this year with a net profit of €871 million and R.O.E. of 37%. Financial resources acquired as customer deposits through current accounts, deposits and repurchase agreements totalled €30.6bn, up 11% from the end of 2016. Group shareholders' equity totalled €2.8bn, still impacted by valuation losses on the available-for-sale portfolio totalling €75m. Fideuram's own funds totalled €999m and its total capital ratio was 14.1%. The Fideuram Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 31 December 2017, our Common Equity Tier 1 Ratio was estimated to be 15.8%.

€871m

Consolidated net profit

€788m

Dividends paid

Fideuram is able to pay its shareholder a significantly higher dividend this year than last year (+€74m), with a total payout that has risen from €714m to €788m and a payout ratio of 90.39% of consolidated net profit and 99.96% of the net profit of Fideuram – Intesa Sanpaolo Private Banking S.p.A.

The Group's stability has 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 (the provision for litigation, securities in default and complaints totalled 4% of Group shareholders' equity).
- A risk monitoring system structured on different levels of control.
- Stable revenue deriving principally from recurring fees tied to managed assets.

### MANAGED ASSETS

Total net inflows contributed an extremely positive result, amounting to €12.4bn. That amount, which has to be considered particularly satisfactory, contributed to the growth of managed assets which, due in part to the market performance of assets (+€3.8bn), grew by 8%. Analysis of the item shows an increase in managed assets, which rose from €136.5bn to €151.4bn (+11%). Non-managed assets were also up on the previous financial year, rising from €61.5bn to €62.8bn (+2%).

The rise in average managed assets to above last year's levels (€144.3bn at the end of 2017, a €13.7bn increase on 2016), in addition to a shift in the assets' product mix, which made it possible to improve the volume of net recurring fees, which had increased to €1.6bn at year-end, up 12% on the previous financial year. Performance fees rose by €5m, while net front-end fees moved in the opposite direction (-€20m from 2016).



Further information  
on pages 297-331

## SECURITIES HOLDINGS AND RELATED FINANCIAL RISKS

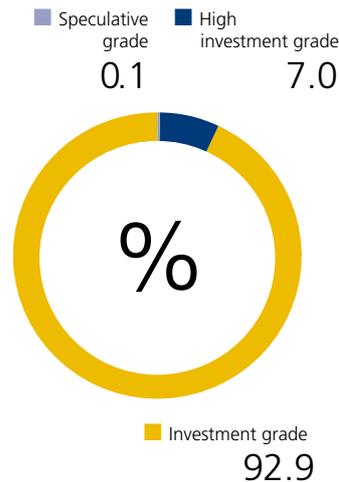
The Group continued to calculate the fair value of its bond holdings directly from their market value, and only made marginal use of financial models to price unlisted or illiquid assets.

The bank portfolio, which totalled €14.5bn at the end of 2017 (€12.1bn at 31 December 2016), consisted almost entirely of bonds, of which 20% were Italian government bonds and 64% bonds issued by Intesa Sanpaolo Group companies. As in prior years, a negative reserve for available-for-sale securities was recognised under shareholders' equity at year-end, totalling €75m (-€98m at 31 December 2016). The increase in this reserve was largely due to fair value losses on the government issues in the portfolio. Analysis of the securities holdings shows continued high loan quality, with 7% of the investments being rated high investment grade, 92.9% investment grade and only the remaining 0.1% speculative grade.

The Group's total exposure to interest rate risk (shift sensitivity) was mitigated through the purchase of asset swaps linked to the individual fixed-coupon bonds in the portfolio. Hedging derivatives totalling €1bn were reported under liabilities on the balance sheet at

31 December 2017, a decrease of 11% from the figure at 31 December 2016. The hedges regarded the Group's available-for-sale securities (46%) and the securities in the loan portfolio (24%).

### Composition of the portfolio



## LIQUIDITY RISK

Analysis of the Group's consolidated liabilities shows the prime role of customer deposits, which totalled approximately €30.6bn at year-end and principally comprised deposits that are highly stable over time. More volatile markets exposed to crisis of confidence situations, such as the money market (through inter-bank loans), are conversely allocated a more limited role in funding business activities.

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 has put in place a liquidity monitoring system based on the quantification of inflows and outflows, focusing its controls both on indicators quantifying short-term risk and on structural liquidity indicators, aiming to monitor and manage mismatch risk regarding the medium/long-term maturities of assets and liabilities.

## CONCLUSIONS

The Group's business model and the strategies adopted to put our future growth plans into effect leave us strongly placed to tackle the volatility of the financial markets without any impact on our business continuity.

## 3.5 Non-financial risk

The Group closely monitors its own exposure to non-financial risk.

During 2017, 1,260 complaints were received, up 3.8% from the 1,214 received in 2016. As for waiting times, the average number of days taken to respond to complaints is far lower than what is required by applicable regulations: 23 days for banking services complaints (as compared with the prescribed 30 days) and 35 days for investment services complaints (as compared with the 60 days prescribed by regulation).

Special attention is also dedicated to compliance with the Model of Organisation, Management and Control pursuant to Legislative Decree 231/2001, with 316 training hours in 2017.

In the area of health and safety, the Group constantly monitors compliance with the law and applicable standards through its own Accident Prevention, Safety and Environmental Protection Service. This made it possible to keep the workplace accident rate very low in 2017.

During the year, the Group continued pursuing its own energy consumption reduction policies. In regard to waste management, besides having brought its processes and procedures into compliance with the municipal directive on waste disposal through waste sorting, it also enrolled in the

SISTRI (System for Controlling the Traceability of Wastes) electronic register. The total pro capita waste output was 27 kg per employee, on par with the figure for 2016. The process of dematerialisation of paper documents has also permitted a significant reduction in paper consumption, which has fallen from 70 kg per employee in 2016 to 63 kg per employee in 2017.

During 2017, in continuation of past experience, no complaints or reports were received in regard to discriminatory practices or failure to respect human rights.



Fideuram and Sanpaolo Invest - Rome Office

The types of risk, adopted mitigation measures, and stakeholders involved are illustrated as follows for the Group's principal activities. The effects that each activity has on the Group income statement are also illustrated.

	ACTIVITY	TYPE OF RISK	RISK MITIGATION MEASURES	INCOME EFFECTS	STAKEHOLDERS INVOLVED
INCOME	The Group specialises in the provision of <b>financial advisory services</b> and the <b>development, management and distribution</b> of banking, insurance, pension and investment products through its Personal Financial Adviser Networks	Operational risk Reputational risk Performance risk Social risk	<ul style="list-style-type: none"> <li>- Application of Intesa Sanpaolo operational risk measurement, management and control guidelines</li> <li>- Establishment of a litigation fund for any legal proceedings</li> <li>- Insurance policy taken out to cover any offences by Personal Financial Advisers</li> <li>- Dynamic customised management of customers' financial assets</li> <li>- Commercial Due Diligence for Private Banking customers</li> <li>- in-depth knowledge of customers and counterparties and compliance with regulations regarding anti-money laundering and combating the financing of terrorism</li> </ul>	<ul style="list-style-type: none"> <li>- Fee and commission income</li> <li>- Other income</li> </ul>	CUSTOMERS PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
	The Group <b>operates on the financial markets</b> as a proprietary trader, buying and selling financial instruments and putting instruments in place to mitigate the related risks	Credit risk Liquidity risk Market risk Operational risk	<ul style="list-style-type: none"> <li>- Application of the Group Investment Policy which subjects the securities holdings to limits regarding asset allocation, rating, currency area, geographical area, sector and counterparty concentration</li> <li>- Monitoring current exposures and auditing hedge effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>- Net interest income</li> <li>- Net profit (loss) on financial assets and liabilities</li> </ul>	SHAREHOLDER
	The Group provides <b>loans</b> to its customers and operates on the interbank market	Credit risk Liquidity risk Market risk Operational risk Environmental risk	<ul style="list-style-type: none"> <li>- Acquisition of collateral and personal security or irrevocable mandates to sell financial instruments</li> <li>- Analysis of counterparty creditworthiness, monitoring of any deterioration in collateral and regular reviews of every position</li> <li>- Inclusion on environmental risk in the creditworthiness assessment, gathering specific supplementary information concerning customers belonging to the most risky sectors</li> </ul>	<ul style="list-style-type: none"> <li>- Interest income</li> </ul>	SHAREHOLDER CUSTOMERS COMMUNITY
COSTS	The Group's main sources of <b>inflows</b> are deposits and current accounts (banks and customers)	Liquidity risk Market risk Operational risk	<ul style="list-style-type: none"> <li>- Liquidity control, maintaining a balanced relationship between inflows and outflows in both the short and medium-to-long term</li> </ul>	<ul style="list-style-type: none"> <li>- Interest expense</li> </ul>	SHAREHOLDER CUSTOMERS
	The Group <b>invests in its people:</b> Employees Personal Financial Advisers	Operational risk Reputational risk Social risk	<ul style="list-style-type: none"> <li>- Training activities</li> <li>- Development of written procedures, circulars and regulations;</li> <li>- Personnel selection policies respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>- Personnel expenses</li> <li>- Fee and commission expense</li> <li>- Net provisions for risks and charges</li> <li>- Other operating expenses</li> </ul>	EMPLOYEES PERSONAL FINANCIAL ADVISERS SHAREHOLDER COMMUNITY
	The Group <b>invests in its operating departments</b>	Operational risk Reputational risk Environmental risk	<ul style="list-style-type: none"> <li>- Application of internal regulations regarding expenditure which aim to ensure continual improvement in quality standards and an attentive supplier selection process</li> </ul>	<ul style="list-style-type: none"> <li>- Other administrative expenses</li> <li>- Depreciation and amortisation</li> </ul>	CUSTOMERS EMPLOYEES PERSONAL FINANCIAL ADVISERS SUPPLIERS SHAREHOLDER
	The Group <b>procures goods and services</b> as part of its daily operations	Social risk Environmental risk	<ul style="list-style-type: none"> <li>- Ethical suppliers</li> <li>- Professional assignments respecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>- Administrative expenses</li> </ul>	SUPPLIERS SHAREHOLDER

- 4.1 Overview of 2017
- 4.2 Reclassified financial statements
- 4.3 Client financial assets
- 4.4 Inflows into managed and non-managed assets
- 4.5 Customer segmentation
- 4.6 Advanced advisory services
- 4.7 Economic, financial and sustainability results
- 4.8 Events after the reporting period and outlook

**Total net inflows**

came to € **12.4 bn**  
(including €11.8 bn  
inflows into managed assets)

**Return on Equity**

(R.O.E.) was

**37%**

and the

**Cost/Income ratio**

was **29%**



#### 4. Performance

## 4.1 Overview of 2017

The Fideuram - Intesa Sanpaolo Private Banking Group ended 2017 with consolidated net profit of €871m, up €85m (+11%) on 2016.

The wealth created by the Group's business totalled €2.8bn at 31 December 2017, up €229m from last year. The return on equity (R.O.E.) was 37%.

Analysis of the main income-statement items shows that profit before tax from continuing operations was up €122m on 2016. This change was mainly attributable to operating income, which was up €136m on last year (+8%), mainly due to net fee and commission income (+€143m, +9%). Operating expenses increased by €23m, while provisions for risks and charges decreased by €7m compared with last year. The Group's Cost/Income Ratio improved to 29% from 30% in 2016.



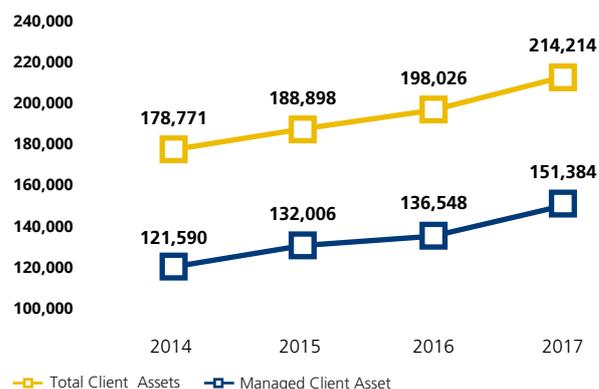
Fideuram - Intesa Sanpaolo Private Banking - Turin, Registered Office

At 31 December 2017, there were 5,950 Personal Financial Advisers, compared with 5,848 at 31 December 2016. Client assets per Personal Financial Adviser were approximately €36m at 31 December 2017, up €2m on the previous year. Group staff totalled 3,126, up from 3,010 at 31 December 2016, mainly as a result of the growth of our distribution and sales networks. Bank branches totalled 226 and Personal Financial Advisers' offices totalled 323.



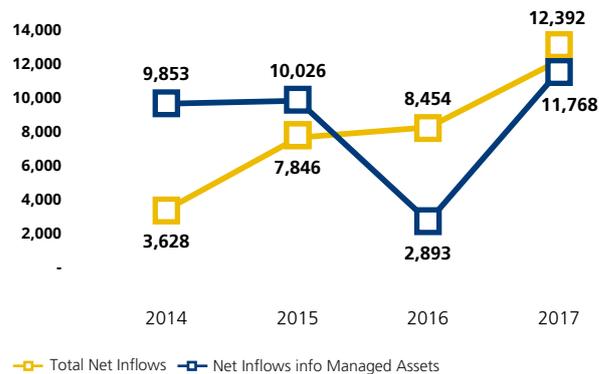
## Client Assets (\*)

(€m)



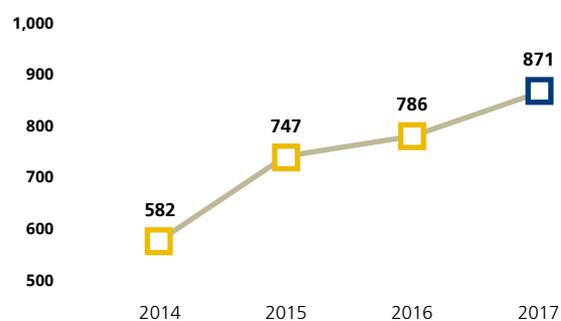
## Net inflows (\*)

(€m)



## Consolidated net profit (\*)

(€m)



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

## 4.2 Reclassified financial statements

### Consolidated balance sheet

(Reclassified - €m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
<b>ASSETS</b>				
Cash and cash equivalents	78	71	7	10
Financial assets (other than loans and held-to-maturity investments)	4,898	4,533	365	8
Held-to-maturity investments	-	125	(125)	-100
Loans and advances to banks	22,510	18,705	3,805	20
Loans and advances to customers	9,645	9,602	43	-
Hedging derivatives	5	3	2	67
Equity investments	148	141	7	5
Property and equipment	53	40	13	33
Intangible assets and goodwill	188	181	7	4
Tax assets	161	180	(19)	-11
Other assets	1,045	1,091	(46)	-4
<b>TOTAL ASSETS</b>	<b>38,731</b>	<b>34,672</b>	<b>4,059</b>	<b>12</b>
<b>LIABILITIES</b>				
Due to banks	2,641	2,665	(24)	-1
Due to customers	30,581	27,561	3,020	11
Financial liabilities held for trading	45	27	18	67
Hedging derivatives	981	1,103	(122)	-11
Tax liabilities	96	64	32	50
Other liabilities	1,150	813	337	41
Provisions for risks and charges	459	458	1	-
Equity attributable to owners of the parent company	2,778	1,981	797	40
<b>TOTAL LIABILITIES</b>	<b>38,731</b>	<b>34,672</b>	<b>4,059</b>	<b>12</b>

## Consolidated income statement

(Reclassified - €m)

	2017	2016	CHANGE	
			AMOUNT	%
Net interest income	159	161	(2)	-1
Net profit (loss) on financial assets and liabilities	26	35	(9)	-26
Net fee and commission income	1,686	1,543	143	9
<b>OPERATING INCOME BEFORE NET IMPAIRMENT</b>	<b>1,871</b>	<b>1,739</b>	<b>132</b>	<b>8</b>
Net impairment	2	(2)	4	n.s.
<b>OPERATING INCOME</b>	<b>1,873</b>	<b>1,737</b>	<b>136</b>	<b>8</b>
Personnel expenses	(314)	(286)	(28)	10
Other administrative expenses	(220)	(225)	5	-2
Depreciation and amortisation	(15)	(15)	-	-
<b>OPERATING EXPENSES</b>	<b>(549)</b>	<b>(526)</b>	<b>(23)</b>	<b>4</b>
Net provisions for risks and charges	(33)	(40)	7	-18
Profit (loss) on equity investments	9	10	(1)	-10
Other income (expense)	-	(3)	3	-100
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>1,300</b>	<b>1,178</b>	<b>122</b>	<b>10</b>
Income taxes for the year on continuing operations	(389)	(342)	(47)	14
Expenses regarding the banking system (net of tax)	(16)	(18)	2	-11
Non-recurring income (expenses) (net of tax)	(24)	(32)	8	-25
<b>NET PROFIT</b>	<b>871</b>	<b>786</b>	<b>85</b>	<b>11</b>

n.s.: not significant

## 4.3 Client financial assets

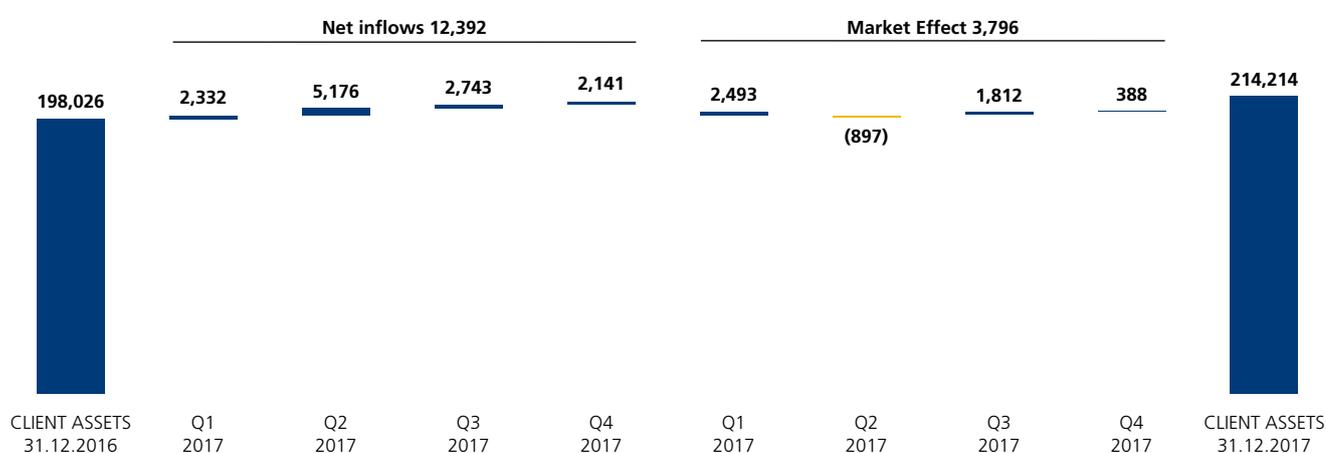
# €214.2bn

Assets Under Management  
(+8% on 2016)

**Client Assets** totalled **€214.2bn** at 31 December 2017, up €16.2bn (+8%) on the figure at 31 December 2016. This result is attributable to strong net inflows (€12.4bn) and, to a lesser extent, to the market performance of €3.8bn achieved by assets (€3.1bn in managed assets and €0.7bn in non-managed assets).

### Client Assets 2017

(€m)



Analysis of the item shows that **managed assets** rose to **€151.4bn** (71% of total client assets), an increase of €14.8bn on the figure at 31 December 2016. This growth, driven by excellent net inflows, occurred mainly in mutual funds (+€8.4bn), and, to a lesser extent, life insurance (+€3.8bn) and discretionary accounts (+€2.4bn). Non-managed assets totalled €62.8bn, up €1.4bn on the figure at year-end 2016.

### Client Assets

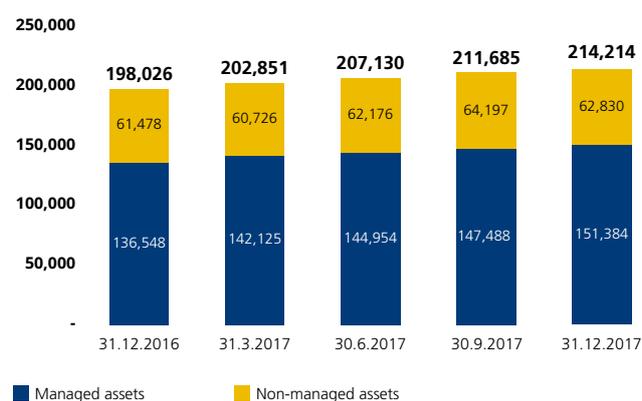
(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Mutual funds	56,653	48,263	8,390	17
Discretionary accounts	43,493	41,088	2,405	6
Life insurance	49,395	45,623	3,772	8
<i>including: Fideuram Vita / Intesa Sanpaolo Vita unit linked</i>	34,387	30,512	3,875	13
Pension funds	1,843	1,574	269	17
<b>Total managed assets</b>	<b>151,384</b>	<b>136,548</b>	<b>14,836</b>	<b>11</b>
<b>Total non-managed assets</b>	<b>62,830</b>	<b>61,478</b>	<b>1,352</b>	<b>2</b>
<i>including: Securities</i>	36,864	37,787	(923)	-2
<b>Total Client Assets</b>	<b>214,214</b>	<b>198,026</b>	<b>16,188</b>	<b>8</b>

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

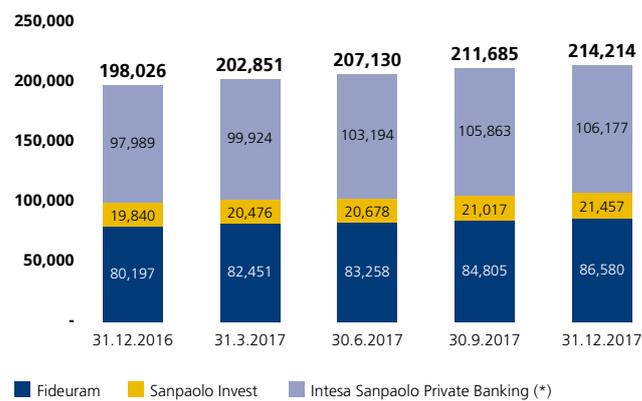
### Client Assets by type of product

(€m)



### Client Assets by Sales Network

(€m)



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

## 4.4 Inflows into managed and non-managed assets

Net inflows

# €12.4 bn

(+€3.9bn on 2016)

The Group's sales networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking) brought in €12.4bn net inflows in 2017, up €3.9bn (+47%) on last year. Analysis of the item shows that inflows into managed assets totalled €11.8bn, up sharply (+€8.9bn) on 2016, with the Group's personal financial advisers having guided an increased portion of client assets towards managed asset products (mainly mutual funds) to benefit from the recovery in the markets. The non-managed assets component, which totals a positive €624m, is €4.9bn less than last year, reflecting the asset allocation shift towards managed assets.

### Net inflows

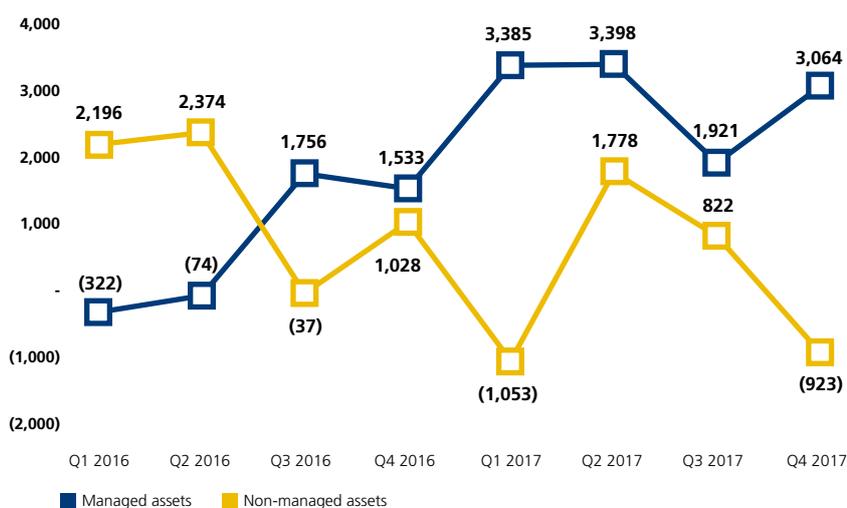
(€m)

	2017	2016	CHANGE	
			AMOUNT	%
Mutual funds	7,311	(1,451)	8,762	n.s.
Discretionary accounts	1,140	292	848	n.s.
Life insurance	3,112	3,900	(788)	-20
<i>including: Fideuram Vita / Intesa Sanpaolo Vita unit linked</i>	3,344	3,815	(471)	-12
Pension funds	205	152	53	35
<b>Total managed assets</b>	<b>11,768</b>	<b>2,893</b>	<b>8,875</b>	<b>n.s.</b>
<b>Total non-managed assets</b>	<b>624</b>	<b>5,561</b>	<b>(4,937)</b>	<b>-89</b>
<i>including: Securities</i>	<i>(1,354)</i>	<i>(984)</i>	<i>(370)</i>	<i>38</i>
<b>Total Net Inflows</b>	<b>12,392</b>	<b>8,454</b>	<b>3,938</b>	<b>47</b>

n.s.: not significant

### Net inflows

(€m)



## 4.5 Customer segmentation

### Client Assets at 31 December 2017

- Fideuram: €86,580m
- Sanpaolo Invest: €21,457m
- Intesa Sanpaolo Private Banking: €101,244m
- Sirefid: €3,657m<sup>(\*)</sup>
- Intesa Sanpaolo Private Bank (Suisse): €1,276m

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

### Customers at 31 December 2017

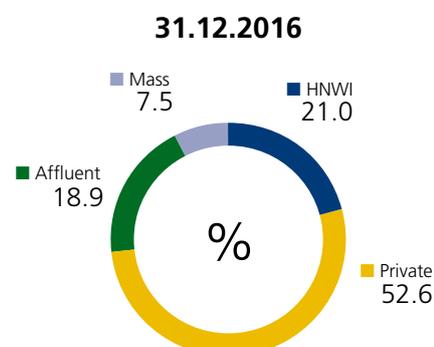
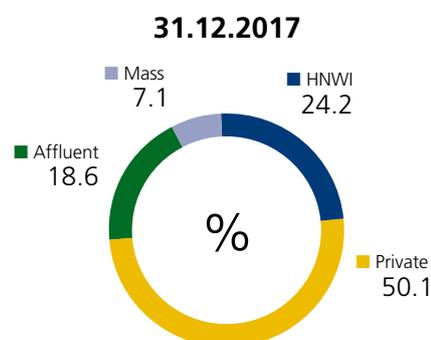
- Fideuram: no. 547,891
- Sanpaolo Invest: no. 146,704
- Intesa Sanpaolo Private Banking: no. 36,356<sup>(\*\*)</sup>
- Sirefid (fiduciary mandates): no. 2,177
- Intesa Sanpaolo Private Bank (Suisse): no. 396

<sup>(\*\*)</sup> Number of households with client assets in excess of €250k.

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

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

### Analysis of client assets by type of customer



### Client assets by type of customer<sup>(\*\*\*)</sup>

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
HNWI	51,864	41,489	10,375	25
Private	107,389	104,250	3,139	3
Affluent	39,827	37,524	2,303	6
Mass	15,134	14,763	371	3
<b>Total</b>	<b>214,214</b>	<b>198,026</b>	<b>16,188</b>	<b>8</b>

<sup>(\*\*\*)</sup> The Fideuram Group's customers are segmented as follows:

**High Net Worth Individuals:** customers with financial assets potentially totalling in excess of €10,000,000.

**Private Banking customers:** customers with financial assets totalling between €500,000 and €10,000,000.

**Affluent customers:** customers with financial assets totalling between €100,000 and €500,000.

**Mass-Market customers:** customers with financial assets of less than €100,000.

## 4.6 Advanced advisory services

€38.7bn

Advanced Advisory

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 three renowned brands - Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest - and a network of 226 bank branches and 323 Personal Financial Advisers' offices located throughout Italy, which make a decisive contribution to customer loyalty. Our guided open-architecture model offers third-party products to complement our Group products. The professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. The services under this model are delivered in two ways:

- **Basic Advisory Services:** offered free of charge to all customers and consisting in the provision of personalised advisory services 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 that takes all of a customer's assets into consideration and supports the Bank's Personal Financial Advisers in their work of identifying each customer's specific requirements by area of need, including with the assistance of guideline customer "archetype" profiles. VIEW provides a complete advisory service, which in addition benefits from incorporating the Bank's Active Advisory Service. VIEW also allows the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.
- **Private Banking Advisory Advanced Advisory Service:** a personalised advisory service with high added value for customers who want to be actively involved in their asset allocation choices with the assistance of their Personal Financial Adviser and the support of one of our Financial Advisory Unit specialists.

Over 70,000 customers were subscribed to our Advanced Advisory Services at the end of December 2017, accounting for approximately €38.7bn client assets.

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

Over **70,000**  
customers

## Customers subscribed to Advanced Advisory Services

(number)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	682	520	162	31
Private Banking customers	18,344	15,924	2,420	15
Affluent customers	34,746	34,679	67	-
Mass Market customers	17,044	17,204	(160)	-1
<b>Total</b>	<b>70,816</b>	<b>68,327</b>	<b>2,489</b>	<b>4</b>

## Advanced Advisory Service client assets

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
High Net Worth Individual customers	4,573	3,688	885	24
Private Banking customers	24,293	20,717	3,576	17
Affluent customers	8,787	8,672	115	1
Mass Market customers	1,018	1,029	(11)	-1
<b>Total</b>	<b>38,671</b>	<b>34,106</b>	<b>4,565</b>	<b>13</b>

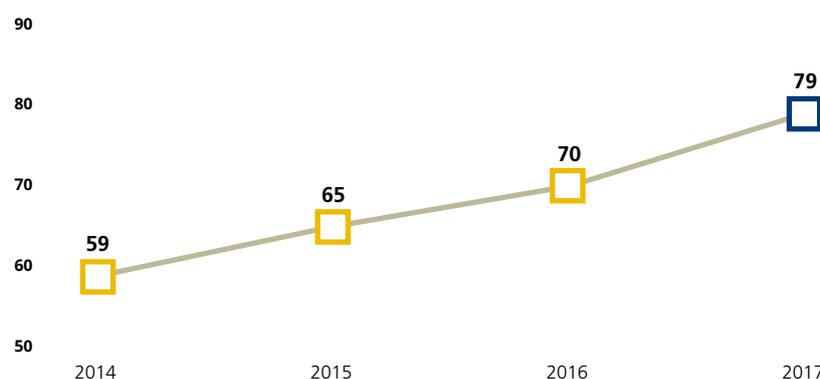
## Advanced Advisory Service fee and commission income

(€m)

	2017	2016	CHANGE	
			AMOUNT	%
Fee and commission income	129	118	11	9
Fee and commission expense	(50)	(48)	(2)	4
<b>Net fee and commission income</b>	<b>79</b>	<b>70</b>	<b>9</b>	<b>13</b>

## Net fee and commission income from Advanced Advisory Services (\*)

(€m)



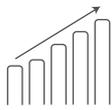
(\*) Restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

## 4.7 Economic, financial and sustainability results

The Fideuram Group uses the resources at its disposal in the value-creation process in accordance with its business model and modifies them in line with its strategies.

The Group has five strategic objectives, which combine to enable it to achieve its prime objective of creating sustainable value over time.

To this end, the Group allocates, modifies and makes use of the following types of capital:



### Financial Capital

Funds available to the Group, obtained from diverse internal and external sources of finance for use in the conduct of its business.



### Productive Capital

Property owned, bank branches, Personal Financial Advisers' offices and plant and equipment necessary to conduct our business.



### Intellectual Capital

Intangible assets and knowledge that bring the Group a competitive advantage, including the processes and procedures, intellectual property and other intangible assets associated with our brand and its reputation.



### Human Capital

The capital formed by the skills, abilities and knowledge of the people who work in the Group, including our Personal Financial Advisers, employees and governance bodies.



### Relational Capital

Intangible resources attributable to the Group's relations with its key stakeholders, necessary to enhance its image, reputation and customer satisfaction.



### Natural Capital

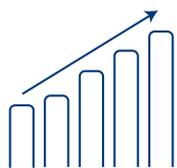
Set of processes and environmental resources, both renewable and otherwise, which contribute to generating goods or services for the Group's business.

The contributions of these different types of capital to the value creation process are summarized below. The table shows how the Group achieves its strategic objectives by combining the different types of capital available following its business model. To illustrate this concept clearly, the table uses the following connections grid showing the relations between the different types of capital, the Group's strategic objectives and its Key Performance Indicators.

**STRATEGIC OBJECTIVES**

**STRONG FOCUS ON ISSUES RELATED TO CORPORATE SOCIAL RESPONSIBILITY**

	DEDICATED SERVICE MODELS	ADVISERS FACTORY	UPGRADING OF PRODUCTS AND SERVICES OFFERED	GROWTH OF FOREIGN OPERATIONS	DIGITAL CHAMPION	
<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Number of customers with high potential</li> <li>- Client Assets by type of customer</li> <li>- Wealth created</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Personnel expenses</li> <li>- Other administrative expenses</li> <li>- Wealth created</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Advanced Advisory Service Fee and Commission Income</li> <li>- Number of customers subscribed to Advanced Advisory Service</li> <li>- Advanced Advisory Service client assets</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Net fee and commission income</li> <li>- Client Assets</li> <li>- Wealth created</li> </ul>	<ul style="list-style-type: none"> <li>- Net Profit</li> <li>- Wealth created</li> <li>- Client Assets</li> </ul>	<ul style="list-style-type: none"> <li>- Commitment to sustainable finance with investments in Client Assets with ESG approach</li> <li>- Administrative expenses (donations and sponsorship)</li> <li>- New customers in sustainable investments</li> </ul>
<b>Productive Capital</b>	<ul style="list-style-type: none"> <li>- Expansion of Private Banking and HNWI Centre operations in key geographical areas</li> </ul>	<ul style="list-style-type: none"> <li>- Development of the Fideuram Campus</li> </ul>	<ul style="list-style-type: none"> <li>- Area presence of Group logistics organisation</li> <li>- Tailor advisory services offered</li> </ul>	<ul style="list-style-type: none"> <li>- Growth of offices in strategic international centres</li> </ul>		<ul style="list-style-type: none"> <li>- Develop branch and office interventions to reduce area impact</li> </ul>
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>- Development of the Fideuram Alfabeto platform</li> <li>- Upgrade dedicated organisational management</li> </ul>	<ul style="list-style-type: none"> <li>- Upgrade dedicated organisational management</li> </ul>	<ul style="list-style-type: none"> <li>- Number of transactions arranged by customers via internet</li> </ul>	<ul style="list-style-type: none"> <li>- Growth in foreign markets with high development potential</li> </ul>	<ul style="list-style-type: none"> <li>- Extension of current IT platform with further modules supporting investments</li> <li>- Strengthening of the Alfabeto Platform</li> </ul>	<ul style="list-style-type: none"> <li>- Upgrading the range of products for growth in foreign markets and development in the Italian market</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>- GFK Eurisko market research survey</li> <li>- Recruitment of Personal Financial Advisers of high standing</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment of Personal Financial Advisers of high standing</li> <li>- Training of Employees and Personal Financial Advisers of high standing (hrs.)</li> <li>- Staff numbers by ranking</li> <li>- Highly specialised training</li> </ul>	<ul style="list-style-type: none"> <li>- Fideuram Campus, Personal Financial Adviser Training School project</li> <li>- Employee and Personal Financial Adviser training</li> <li>- Number of Personal Financial Advisers by geographical area and region</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment of Personal Financial Advisers of high standing and with international experience</li> </ul>	<ul style="list-style-type: none"> <li>- Training at the Campus</li> </ul>	<ul style="list-style-type: none"> <li>- Enhancement of skills and professional growth of employees and Personal Financial Advisers</li> </ul>
<b>Relational Capital</b>	<ul style="list-style-type: none"> <li>- Develop dedicated local events to improve flow of information and customer relations</li> <li>- Brand and product communications in print and online</li> </ul>		<ul style="list-style-type: none"> <li>- Complaint response times</li> <li>- Sustainable finance products assets and yield</li> </ul>		<ul style="list-style-type: none"> <li>- Expansion of the digital customer interaction functions</li> </ul>	<ul style="list-style-type: none"> <li>- Improvement of the image, company reputation and customer and community satisfaction</li> </ul>
<b>Natural Capital</b>						<ul style="list-style-type: none"> <li>- Improvement of environmental KPIs</li> </ul>



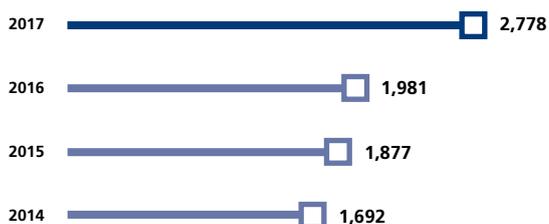
### 4.7.1 Financial Capital

The Group's Financial Capital is the set of funds available to it and the economic performance resulting from the use of these funds.

#### KEY INDICATORS (\*)

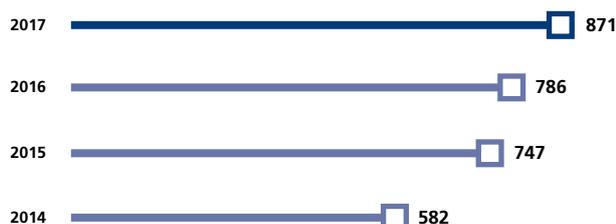
##### Group shareholders' equity

(€m)



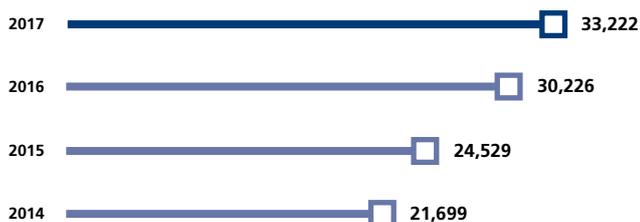
##### Consolidated net profit

(€m)



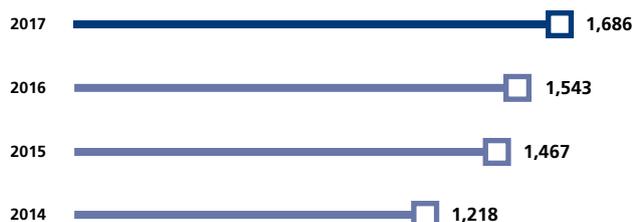
##### Bank and customer deposits

(€m)



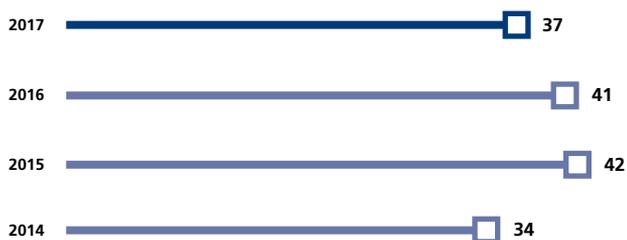
##### Consolidated net fee and commission income

(€m)



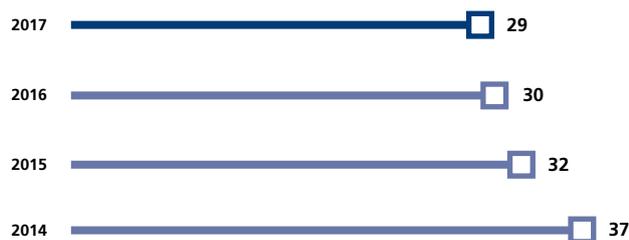
##### R.O.E.

(%)



##### Cost / Income ratio

(%)



(\*) The figures for 2014 and 2015 have been restated where necessary to take the changes in the scope of consolidation into account so that straight comparisons can be made.

## ANALYSIS OF THE INCOME STATEMENT

The Fideuram – Intesa Sanpaolo Private Banking Group ended 2017 with consolidated net profit of €871m, up €85m (+11%) on the last year.

### Consolidated income statement

(Reclassified - €m)

	2017	2016	CHANGE	
			AMOUNT	%
Net interest income	159	161	(2)	-1
Net profit (loss) on financial assets and liabilities	26	35	(9)	-26
Net fee and commission income	1,686	1,543	143	9
<b>OPERATING INCOME BEFORE NET IMPAIRMENT</b>	<b>1,871</b>	<b>1,739</b>	<b>132</b>	<b>8</b>
Net impairment	2	(2)	4	n.s.
<b>OPERATING INCOME</b>	<b>1,873</b>	<b>1,737</b>	<b>136</b>	<b>8</b>
Personnel expenses	(314)	(286)	(28)	10
Other administrative expenses	(220)	(225)	5	-2
Depreciation and amortisation	(15)	(15)	-	-
<b>OPERATING EXPENSES</b>	<b>(549)</b>	<b>(526)</b>	<b>(23)</b>	<b>4</b>
Net provisions for risks and charges	(33)	(40)	7	-18
Profit (loss) on equity investments	9	10	(1)	-10
Other income (expense)	-	(3)	3	-100
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>1,300</b>	<b>1,178</b>	<b>122</b>	<b>10</b>
Income taxes for the year on continuing operations	(389)	(342)	(47)	14
Expenses regarding the banking system (net of tax)	(16)	(18)	2	-11
Non-recurring income (expenses) (net of tax)	(24)	(32)	8	-25
<b>NET PROFIT</b>	<b>871</b>	<b>786</b>	<b>85</b>	<b>11</b>

n.s.: not significant

### Quarterly consolidated income statements

(Reclassified - €m)

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	38	39	42	40	40	40	39	42
Net profit (loss) on financial assets and liabilities	2	9	5	10	6	9	-	20
Net fee and commission income	436	423	418	409	403	369	387	384
<b>OPERATING INCOME BEFORE NET IMPAIRMENT</b>	<b>476</b>	<b>471</b>	<b>465</b>	<b>459</b>	<b>449</b>	<b>418</b>	<b>426</b>	<b>446</b>
Net impairment	3	(1)	-	-	1	(1)	(1)	(1)
<b>OPERATING INCOME</b>	<b>479</b>	<b>470</b>	<b>465</b>	<b>459</b>	<b>450</b>	<b>417</b>	<b>425</b>	<b>445</b>
Personnel expenses	(84)	(77)	(79)	(74)	(72)	(72)	(72)	(70)
Other administrative expenses	(57)	(55)	(58)	(50)	(60)	(56)	(58)	(51)
Depreciation and amortisation	(4)	(4)	(3)	(4)	(4)	(3)	(4)	(4)
<b>OPERATING EXPENSES</b>	<b>(145)</b>	<b>(136)</b>	<b>(140)</b>	<b>(128)</b>	<b>(136)</b>	<b>(131)</b>	<b>(134)</b>	<b>(125)</b>
Net provisions for risks and charges	(11)	(6)	(9)	(7)	-	(11)	(14)	(15)
Profit (loss) on equity investments	-	3	3	3	1	1	5	3
Other income (expense)	(1)	2	-	(1)	(2)	-	(1)	-
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>322</b>	<b>333</b>	<b>319</b>	<b>326</b>	<b>313</b>	<b>276</b>	<b>281</b>	<b>308</b>
Income taxes for the year on continuing operations	(103)	(99)	(94)	(93)	(92)	(83)	(80)	(87)
Expenses regarding the banking system (net of tax)	2	(15)	1	(4)	(9)	(5)	(2)	(2)
Non-recurring income (expenses) (net of tax)	(12)	-	(6)	(6)	(11)	(6)	(9)	(6)
<b>NET PROFIT</b>	<b>209</b>	<b>219</b>	<b>220</b>	<b>223</b>	<b>201</b>	<b>182</b>	<b>190</b>	<b>213</b>

€1.9<sub>bn</sub>

Operating income before net impairment

**Operating income before net impairment** totalled €1.9bn, up €132m on 2016 (+8%) as a result of:

- Increased net fee and commission income (+€143m)
- Decreased net interest income (-€2m)
- Decreased net profit on financial assets (-€9m)

### Net interest income

(€m)

	2017	2016	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(32)	(37)	5	-14
Interest expense on due to banks	(28)	(32)	4	-13
Interest income on debt securities	215	208	7	3
Interest income on loans	101	109	(8)	-7
Net interest on hedging derivatives	(94)	(89)	(5)	6
Other net interest income	(3)	2	(5)	n.s.
<b>Total</b>	<b>159</b>	<b>161</b>	<b>(2)</b>	<b>-1</b>

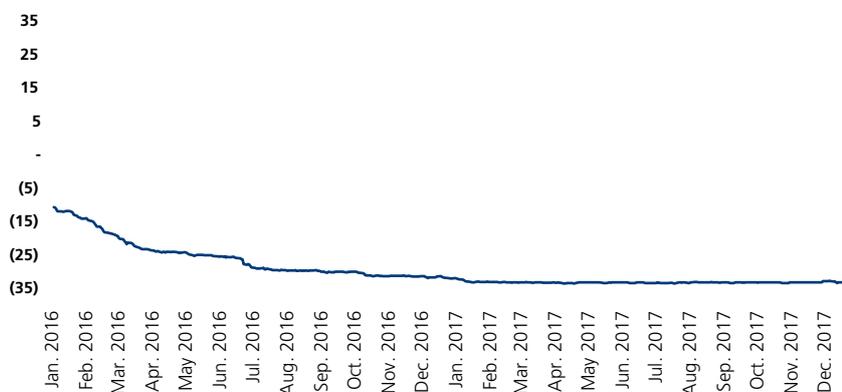
€159<sub>m</sub>

Net interest income

**Net interest income** totalled €159m, down €2m (-1%) from last year, due to interest rates remaining negative in the shortest-term segment on the yield-curve. This change, which mainly impacted loans, was partly offset by the increase in average volumes. Analysis of the quarterly data shows that net interest income was down in the second half (-€5m from the first half) as a result of a decline in the profitability of short-term loans, again linked to negative interest rates, and the gradual maturing of loans that were more remunerative than new loans.

### 3-month Euribor rate

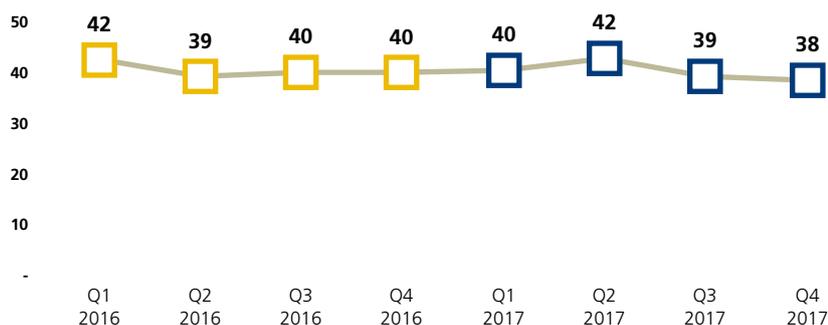
(bp)



Source: Bloomberg

### Quarterly net interest income

(€m)



## Net profit (loss) on financial assets and liabilities

(€m)

	2017	2016	CHANGE	
			AMOUNT	%
Net profit (loss) on sale of loans and financial assets	15	22	(7)	-32
Net profit (loss) on trading activities	10	11	(1)	-9
Net profit (loss) on hedging derivatives	1	2	(1)	-50
<b>Total</b>	<b>26</b>	<b>35</b>	<b>(9)</b>	<b>-26</b>

**Net profit on financial assets and liabilities** came to €26m, down €9m on the figure for 2016 (-26%).

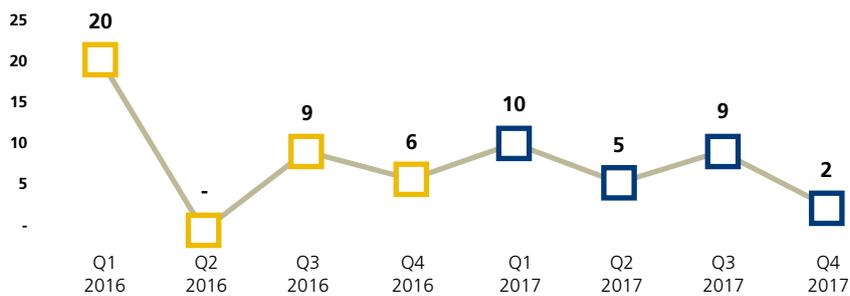
Analysis of the item shows that net profit on sale of financial assets (€15m) was down €7m from the figure for last year due to decreased sales of investment securities. The net profit on trading activities came to €10m, down €1m compared with 2016. Net profit on hedging derivatives (€1m), resulting from the ineffective hedging of interest-rate derivatives, decreased by €1m, principally due to market rates falling towards the bottom of the market curve (3 and 6-month Euribor) to which the hedging derivative coupon flows are linked.

# €26m

Net profit on financial assets and liabilities

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

(€m)



## Fee and commission income

(€m)

	2017	2016	CHANGE	
			AMOUNT	%
Fee and commission income	2,416	2,190	226	10
Fee and commission expense	(730)	(647)	(83)	13
<b>Net fee and commission income</b>	<b>1,686</b>	<b>1,543</b>	<b>143</b>	<b>9</b>

**Net fee and commission income** totalled €1.7bn, an increase of €143m (+9%) on 2016.

# €1.7bn

Net fee and commission income

## Net recurring fees

(€m)

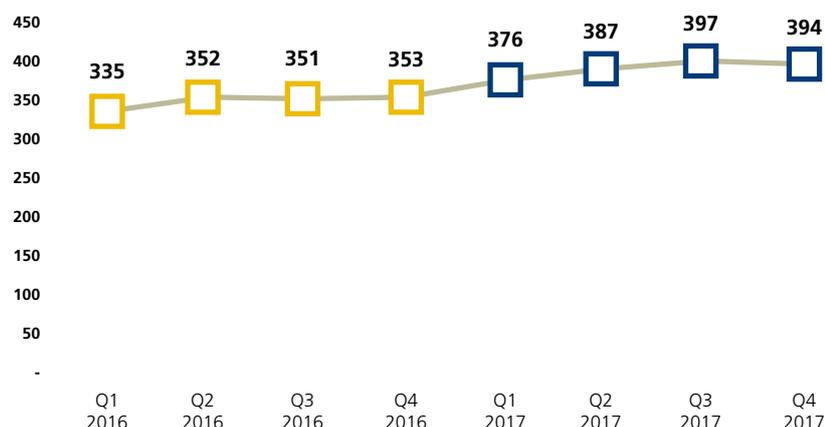
	Q1	Q2	Q3	Q4	TOTAL
2017	376	387	397	394	1,554
2016	335	352	351	353	1,391
<b>Change</b>	<b>41</b>	<b>35</b>	<b>46</b>	<b>41</b>	<b>163</b>

€1.6<sub>bn</sub>  
Net recurring fees

**Net recurring fees** continue to stabilise Group earnings. They totalled €1.6bn in 2017 (92% of total net fee and commission income), up €163m (+12%) on the figure for last year. This result is mainly attributable to the strong growth in average managed assets, which rose from €130.6bn at 31 December 2016 to about €144.3bn at 31 December 2017 (+10%). Please note that the client assets connected with our Advanced Advisory Services continued to make a positive contribution, generating €79m in net fee and commission income compared with €70m in 2016 (+13%). Analysis of the quarterly changes shows the growth trend tracked by recurring fees, which in 2017 remained at consistently higher levels than in 2016.

## Quarterly net recurring fees

(€m)



## Net performance fees

(€m)

	Q1	Q2	Q3	Q4	TOTAL
2017	-	1	-	26	27
2016	-	-	-	22	22
<b>Change</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>4</b>	<b>5</b>

€27<sub>m</sub>  
Net performance fees

**Net performance fees** totalled €27m, up €5m (+23%) from the figure for 2016. The Fideuram Group charges the performance fees on individual discretionary accounts annually (totalling €9m in 2017, compared with €2m in 2016), except when the customer decides to close the account early. The group calculates the performance fees on its internal insurance funds (none charged in 2017 and 2016) on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause which means that 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 (€18m in 2017, compared with €20m in 2016) are charged annually with the exception of three funds for which performance fees are charged half-yearly (but applying a High Water Mark clause).

## Net front-end fees

(€m)

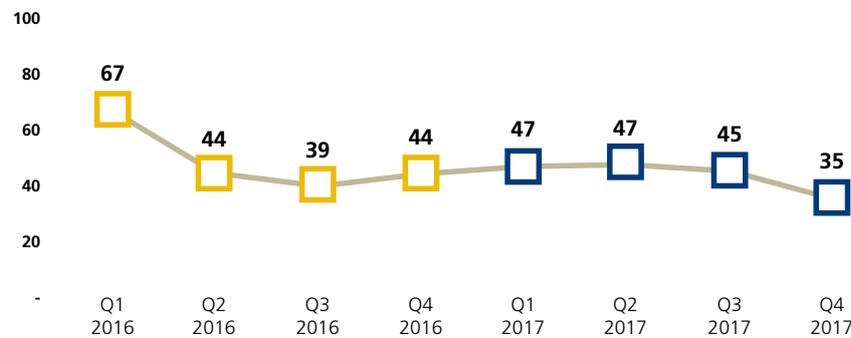
	Q1	Q2	Q3	Q4	TOTAL
2017	47	47	45	35	174
2016	67	44	39	44	194
<b>Change</b>	<b>(20)</b>	<b>3</b>	<b>6</b>	<b>(9)</b>	<b>(20)</b>

**Net front-end fees** came to €174m, down €20m (-10%) from the figure for last year, as a result of a sharp decline in front-end fee income on bonds, which was only partially offset by increased front-end fee income on mutual funds. In 2017 the Group's sales networks distributed a number of bond loans and certificates, in addition to Italian government bonds, which brought in approximately €919m gross inflows, compared with €3.7bn in 2016.

€174<sub>m</sub>  
Net front-end fees

## Quarterly net front-end fees

(€m)



## Other commission expense: incentives and other

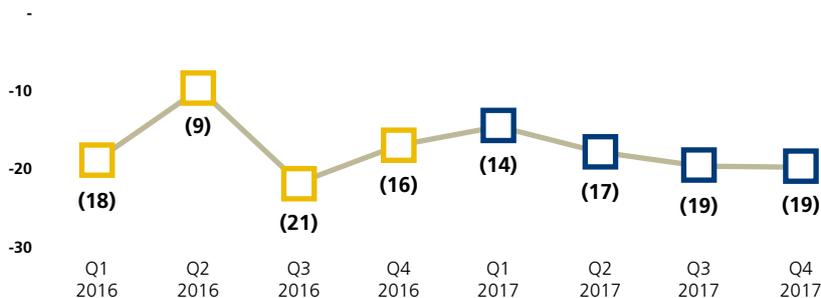
(€m)

	Q1	Q2	Q3	Q4	TOTAL
2017	(14)	(17)	(19)	(19)	(69)
2016	(18)	(9)	(21)	(16)	(64)
<b>Change</b>	<b>4</b>	<b>(8)</b>	<b>2</b>	<b>(3)</b>	<b>(5)</b>

**Fee and commission expense for incentives and other** totalled €69m, up €5m (+8%) on the figure for last year. This performance was largely attributable to increased incentive payments to and provisions set aside for the Personal Financial Adviser Networks (Fideuram and Sanpaolo Invest) due to the increased proportion of inflows into managed assets.

## Quarterly commission expense for incentives and other

(€m)



**Net impairment** totalled €2m, a €4m improvement on the previous year, mainly due to reversals of loan impairment.

## Operating expenses

(€m)

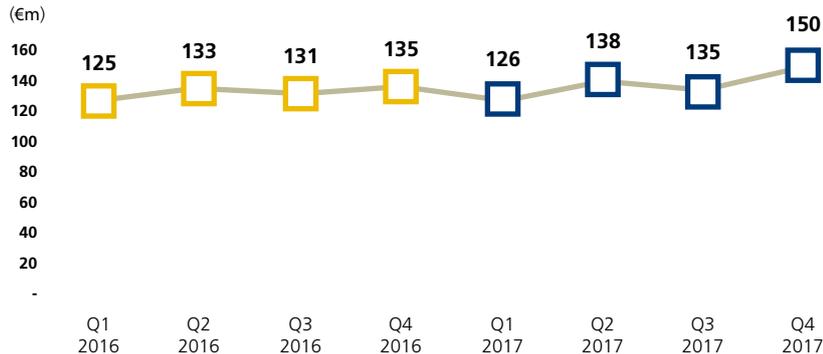
	2017	2016	CHANGE	
			AMOUNT	%
Personnel expenses	314	286	28	10
Other administrative expenses	220	225	(5)	-2
Depreciation and amortisation	15	15	-	-
<b>Total</b>	<b>549</b>	<b>526</b>	<b>23</b>	<b>4</b>

€549<sub>m</sub>  
Operating expenses

Operating expenses came to €549m, up €23m (+4%) on the figure for last year. Analysis of the item shows that personnel expenses, which totalled €314m, were up €28m on 2016. This result is attributable to the higher cost related to the increase in headcount (+116), mainly in the sales area, and the different impact of variable components of remuneration. Other administrative expenses totalled €220m, down €5m from the figure for last year, mainly as a result of reduced third-party service costs. Depreciation and amortisation remained in line with the figure for 2016.

## Quarterly operating expenses

(€m)



## Net provisions for risks and charges

(€m)

	2017	2016	CHANGE	
			AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	24	26	(2)	-8
Litigation and complaints	5	9	(4)	-44
Network loyalty schemes	4	5	(1)	-20
<b>Total</b>	<b>33</b>	<b>40</b>	<b>(7)</b>	<b>-18</b>

**Net provisions for risks and charges** came to €33m, down €7m (-18%) from the figure for last year. Detailed analysis of the item shows that the provision for the termination of Personal Financial Adviser agency agreements, totalling €24m, decreased by €2m. This was due to an upward shift in the interest rate curve causing the discounting of the long-term liability to have a reduced impact on the expense recorded in the income statement for 2017. The provision for litigation, securities in default and complaints totalled €5m, down €4m as a result of the lower overall risk of the new litigation initiated in the year and of a number of cases having been concluded with lower expenses than estimated. The provisions set aside for the Network Loyalty Schemes totalled €4m, down €1m from 2016, principally due to the aforementioned impact of market rates on the discounting of the liability, which led to a decrease in the expense recorded in the income statement.

€33<sub>m</sub>

Net provisions for risks  
and charges

**Profit on equity investments** came to €9m, corresponding to the profit from the Group's 19.99% interest in Fideuram Vita S.p.A. and 25% interest in Qingdao Yicai Ltd. This result was down €1m from the net amount for 2016, mainly due to the start-up costs of the Chinese investment company.

€9<sub>m</sub>

Profit on equity investments

**Other income and expense** represents a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement. This item shows a zero balance for 2017, marking an improvement of €3m from the previous year, mainly due to insurance compensation collected by the subsidiary Intesa Sanpaolo Private Banking.

**Income taxes**, for which €389m was set aside in the year, were up €47m compared with last year as a result of increased profit before tax in 2017. The tax rate was 30%, compared with 29% in 2016.

The item **Expenses regarding the banking system net of tax** is for the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In 2017, these expenses totalled €16m, down €2m on the figure for last year, and comprised the €5m expense of the contribution to the Deposit Guarantee Scheme (DGS) introduced by Directive 2014/49/EU, €3m set aside for the contribution to the Single Resolution Fund introduced by Directive 2014/59/EU, and the €8m extraordinary expense connected with the Group's contribution to the Interbank Deposit Guarantee Fund voluntary scheme in respect of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

**Non-recurring income and expenses net of tax**, which include income and expenses that are not ordinary operating expenses, came to €24m (compared with €32m in 2016), principally due to the expenses incurred integrating Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse) and Sirefid in the Fideuram Group, which were partially offset by a €6m net gain on the sale of a building owned to a closed-end Italian real estate fund managed by Investire SGR. This item also includes the costs and associated recoveries recognised by Intesa Sanpaolo (both recognised for a total of €19m, net), connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As part of that transaction, Intesa Sanpaolo assumed certain commitments obligating it to incur costs covering integration of the business units acquired in the companies by the Private Banking Division. Intesa Sanpaolo obtained full coverage of those costs through a public cash contribution, which will be transferred to the individual companies according to the costs effectively incurred. This project has a neutral impact on the Group's net profit.

## SEGMENT REPORTING

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

- **MANAGED FINANCIAL ASSETS SEGMENT**, which extends from mutual funds to SICAVs, speculative funds and individual discretionary accounts;
- **LIFE INSURANCE ASSETS SEGMENT**, which covers unit-linked and traditional managed insurance asset products as well as pension and protection products;
- **BANKING SERVICES SEGMENT**, which covers the Group's banking and financial services.

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

### Business segmentation at 31 December 2017

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	159	159
Net profit (loss) on financial assets and liabilities	-	-	26	26
Net fee and commission income	1,129	502	55	1,686
<b>Operating income before net impairment</b>	<b>1,129</b>	<b>502</b>	<b>240</b>	<b>1,871</b>
Operating expenses	(296)	(79)	(174)	(549)
Other	(22)	(10)	10	(22)
<b>Profit before tax from continuing operations</b>	<b>811</b>	<b>413</b>	<b>76</b>	<b>1,300</b>
<b>Average Client Assets</b>	<b>95,490</b>	<b>48,791</b>	<b>62,388</b>	<b>206,669</b>
<b>Client Assets</b>	<b>100,146</b>	<b>51,238</b>	<b>62,830</b>	<b>214,214</b>
<b>Key indicators</b>				
Cost / Income Ratio	26%	16%	70%	29%
Profit before tax / Average Client Assets	0.8%	0.8%	0.1%	0.6%
Net fee and commission income / Average Client Assets	1.2%	1.0%	0.1%	0.8%

### MANAGED FINANCIAL ASSETS SEGMENT

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €100.2bn at 31 December 2017 (47% of total client assets), an increase of €89.4bn on 31 December 2016 as a result of increased mutual funds (+€8.4bn) and, to a lesser extent, discretionary accounts (+€2.4bn). Net inflows were positive to the tune of €8.5bn, up €9.6bn on the figure for last year, largely as a result of the recovery in the markets, which led our Personal Financial Advisers to recommend to customers that they allocate a greater portion of their assets to managed asset products. The segment's contribution to profit before tax totalled €811m, up €139m on the previous financial year, principally due to the increase in net fee and commission income. The ratio of net fee and commission income to client assets was 1.2%, while the ratio of profit before tax to client assets was 0.8%.

Investment solutions designed to seize the opportunities offered by international financial markets were implemented in 2017, including in partnership with important third-party asset managers.

**Savings Investment Plans (piani individuali di risparmio - PIR)**, introduced by the 2017 Budget Law, were the dominant theme on the Italian securities market. The PIR aim to create an alternative source of funding for SME capable of offering the subscribing customers with an investment eligible for tax exemption of the results realised in compliance with specific restrictions. The biggest operators in the sector have identified mutual funds as the simplest and most immediate form for realisation of these plans. As one of the first movers under this plan, the Fideuram Group collected €1bn in net inflows by launching Piano Investimento Italia, a new fund developed by Fideuram Investimenti SGR. This Plan is divided into three different sub-funds, which vary according to their risk profile, and

## Managed financial assets

(€m)

	2017	2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	1,129	960	18
<b>Operating income before net impairment</b>	<b>1,129</b>	<b>960</b>	<b>18</b>
Operating expenses	(296)	(261)	13
Other	(22)	(27)	-19
<b>Profit before tax from continuing operations</b>	<b>811</b>	<b>672</b>	<b>21</b>
<b>Average Client Assets</b>	<b>95,490</b>	<b>86,712</b>	<b>10</b>
<b>Client Assets</b>	<b>100,146</b>	<b>89,351</b>	<b>12</b>
<b>Key indicators</b>			
Cost / Income Ratio	26%	27%	
Profit before tax / Average Client Assets	0.8%	0.8%	
Net fee and commission income / Average Client Assets	1.2%	1.1%	

permits investment on the Italian market in compliance with the characteristics dictated by lawmakers to qualify for the tax break.

The offering of **Fideuram funds**, and especially the Luxembourg multi-sector fund Fonditalia (FOI), has been expanded with four new products conceived with predefined investment horizons. In particular, two sub-funds were launched in the first half which invest mainly in high-yield bonds, in view of building a fixed-term coupon-paying bond portfolio. These sub-funds are FOI Obiettivo 2022, delegated to Morgan Stanley Investment Management, and FOI Obiettivo 2023, delegated to Muzinich & Co, which differ by their duration (respectively 5 and 6 years) and by their geographical diversification. The first of these two sub-funds focuses largely on the United States, while the latter is focused more on Europe. Another two sub-funds were released in the second half, FOI Obiettivo Emergenti, delegated to Aberdeen Asset Management, with an active investment policy focused on corporate issues of emerging countries and the inclusion of an equity component on a five-year horizon,

and FOI Multicredit Fund, delegated to Axa Investment Managers, with an active strategy that invests mainly in corporate bonds and securitisation products over a four-year horizon.

The experience initiated in 2016 with Fideuram Alternative Investments (FAI), promoted by Fideuram Investimenti SGR, continues in the field of alternative investments. The FAI – Private Markets Insight Fund was created to preserve the opportunity of accessing the real economy through investments in companies not present on exchange-traded markets. This is a closed-end alternative fund which invests with broad sectoral diversification at the global level (with a part reserved to Italy) in both credit and equity instruments. The evolutionary maintenance of the existing Fideuram Multibrand line continued, both through the development of existing classes with the introduction of new sub-funds and of new classes of sub-funds that are already offered, and through the inclusion in its catalogue of a selection of strategies proposed by Lombard Odier Funds, an experienced Swiss asset manager, and by Amber Fund, an independent Luxembourg Sicav.

We also launched the following new Eurizon Capital SGR Italian funds dedicated to Intesa Sanpaolo Private Banking customers:

- Eurizon Traguado 40 – February 2022 and Eurizon ESG Target 40 – June 2022, which offer a gradual approach to investment in the stock markets;
- Eurizon Global Inflation Strategy - June 2022, designed to cover inflation risk globally;
- Eurizon Global Multiasset Selection - September 2022, characterised by diversified investment strategy on multiple asset classes, aimed at generating a positive return even in a low interest rate environment and with a controlled maximum risk;
- Eurizon Multiasset Trend – December 2022, with a flexible multi-asset management approach and special focus on equity market trends;
- Eurizon Obiettivo Valore, a balanced fund investing in companies;
- Eurizon Obiettivo Risparmio, a flexible bond fund with a two-year time horizon;
- Epsilon Fund Emerging Bond Total Return Enhanced, a new sub-fund of the Luxembourg Epsilon Fund, which aims at achieving absolute returns that are not correlated to fixed income securities in the Euro area.

€ 100.2<sup>bn</sup>

Managed financial assets  
(47% of total client assets)

We further enhanced our offering of third-party funds and SICAV open-ended investment schemes with the Tages Helios closed-end alternative real estate investment fund set up by Tages Capital SGR that invests in the solar power sector in Italy.

Lastly, we also added new funds of international investment houses whose products we already distribute and continued our updating and maintenance of the funds offered.

In regard to **discretionary accounts**, during 2017 and in continuation from last year, solutions were offered again for gradual investment on the market through the window investment of lines, named "Step In", characterised by gradual and systematic increase in exposure to the principal management strategies of the Omnia multiline mandate. An extremely innovative element is represented by the introduction of the two new Delta 6 and Delta 10 lines. These are characterised by an active and flexible management style, broad diversification among asset classes, and careful management of overall risk, with the aim of providing the Omnia mandate with investment strategies best capable of interpreting the current low but gradually rising interest rate market environment. Finally, the growing attention devoted to environmental and social sustainability issues over the year encouraged the development of the first individual investment solutions combining economic goals with financial sustainability and social value characteristics, relying on expert advice in the selection of underlying instruments that meet ethical standards.

Intesa Sanpaolo Private Banking's Gestioni Patrimoniali Navigabili range of "navigable" discretionary accounts was extended with new lines:

- Mix 30 Defensive and Mix 50 Defensive, offering an approach tailored to highly volatile financial markets. The management philosophy of these lines invests part of the portfolio in mutual funds which adopt Risk Overlay strategies that primarily aim to reduce losses, above all during the most significant bear market phases;

- Mix Sustainable, which adopts an investment process that identifies financial instruments with social and environmental as well as financial objectives.

Lastly, the dedicated products and services offered by our London Branch were enhanced during the year with the aim of developing our offering in line with UK market practices and the needs of international customers, launching the following new products and services:

- Bespoke Advisory Service, a new model for providing financial advisory services which is being offered alongside our current standard model (Centralised Advisory Model). The service offers a high level of personalisation and direct interaction between each customer, their Personal Financial Adviser and our London Branch Investment Management Unit. The new model has been designed for customers with substantial assets who require personalised and/or sophisticated investment support;
- four new discretionary account lines named Conservative, Moderate, Balanced and Aggressive. All four account lines involve the UK Investment Management Unit in their management choices to provide a service that is tailored to the requirements of customers with international investment needs. The new lines have increasing risk profiles and aim to build diversified portfolios covering every major asset class and geographical area, including alternative strategies;
- a new fiduciary service model called "Contratto a favore del terzo" (Fiduciary Company and Principal). This service streamlines the customer's operating phases, while also offering more complete control of related activities. The main new features are direct interaction between the Principal and the Bank in the management of fiduciary transactions and access to the entire catalogue available at any given time.

## LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €51.2bn at 31 December 2017 (24% of total client assets), up €4bn principally due to strong life insurance performance (+€3.8bn).

Total net inflows in the segment were €3.3bn, down €0.7bn compared with the previous financial year. The segment's contribution to profit before tax totalled €413m, up €56m on the previous financial year due to increased net fee and commission income. The ratio of net fee and commission income to client assets was 1%, while the ratio of profit before tax to client assets was 0.8%.

Development activities have expanded the existing array of **insurance products**, both through the introduction of new investment solutions and of new multi-class insurance solutions. In particular, the investment opportunities offered on the multi-manager policies in the Fideuram Vita Insieme family of products have been expanded with the introduction of new internal and external funds, also by importing several interesting solutions developed for the Omnia discretionary account. Among these, the Fideuram Vita Insieme base version offers the in-house Core Beta 50 Step in fund, characterised by a gradual investment mechanism and, for the Private Banking version, the in-house Core Delta 10 fund, which replicates the management approach of the Delta line. Concerning third-party funds, new asset management companies active in the SRI field have been added to the Private Banking version.

New products include the Fideuram Vita Sintonia policy, introducing innovation on the multi-class solutions market. The most distinctive element here is the presence of a dual-pronged investment approach. As an alternative to the classic line that combines access to segregated management with investment in internal and third-party unit-linked funds, the customer may decide to activate an investment line with the aim of protecting a high portion of the entire

## Life insurance assets

(€m)

	2017	2016	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	502	441	14
<b>Operating income before net impairment</b>	<b>502</b>	<b>441</b>	<b>14</b>
Operating expenses	(79)	(72)	10
Other	(10)	(12)	-17
<b>Profit before tax from continuing operations</b>	<b>413</b>	<b>357</b>	<b>16</b>
<b>Average Client Assets</b>	<b>48,791</b>	<b>43,843</b>	<b>11</b>
<b>Client Assets</b>	<b>51,238</b>	<b>47,197</b>	<b>9</b>
<b>Key indicators</b>			
Cost / Income Ratio	16%	16%	
Profit before tax / Average Client Assets	0.8%	0.8%	
Net fee and commission income / Average Client Assets	1.0%	1.0%	

capital invested through an individual protection strategy based on the unit linked component on a daily basis, while also benefiting from the characteristic guarantees and stability of a Class 1 component.

The following new products were launched for Intesa Sanpaolo Private Banking customers:

- Selezione Privata, a unit-linked policy issued by Intesa Sanpaolo Life that provides direct access to a wide and varied selection of funds from Fideuram and leading international asset management companies. Two different types of investment approaches are offered:
  - Percorsi Guidati (Guided Approaches) for customers who wish to delegate the management of their financial assets to the skills of an expert manager.
  - Percorsi Liberi (Free Approaches) for customers who wish to play a role in choosing the asset allocation of their investment with the support of their Personal Financial Adviser.

- The Intesa Sanpaolo Vita policy "Base Sicura Tutelati", a single-premium life insurance contract for incapable persons (minors, persons disqualified for mental incapacity, incapacitated persons or wards) who require the prior authorisation of the Judge Supervising Guardianship for the Legal Representative acting on their behalf to take out the product. The benefits provided for by the contract are linked to the performance of the Intesa Vita Trendifondo Segregated Fund.
- Modifications were also made to several characteristics of the Intesa Sanpaolo Vita "Synthesis" multi-class insurance product:
  - the investment in the Intesa Vita Trendifondo Segregated Fund was reduced; the minimum investment dropped from 20% to at least 10% of the paid premium, and the maximum investment was reduced from 50% to 30% of the premium;

- the minimum investment of 20% of the premium paid in one or more unit-linked Internal Funds is not required anymore;
- the investment in Internal Funds and/or external mutual funds accounts for at least 70% and must never exceed 90% of the total premium paid, with free allocation between Internal Funds and mutual funds.

Lastly, our inter-broker agreement with First Advisory Broker was extended with the addition of two new insurance companies to further increase the range of customised non-Italian insurance products offered, especially multi-class policies.

Sale of the "Malattie Gravi" product of Intesa Sanpaolo Assicura was launched in the protection products category. The "Malattie Gravi" policy targets those individuals who wish to protect themselves against the occurrence of particularly serious illnesses, guaranteeing the payment of an indemnity and offering support services.

€51.2bn

Life insurance assets  
(24% of total client assets)

## 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 €62.8bn at 31 December 2017 (29% of total client assets), up €1.4bn compared with the figure at 31 December 2016. Total net inflows in the segment were positive at €0.6bn, down €4.9bn due to a major shift in asset allocation. The contribution of this segment to profit before tax was €76m. The reduction in profit before tax compared with the previous year (-€73m) is mainly attributable to the reduction in net front-end fee income on bonds and certificates due to the decline in volumes placed in 2017. The ratio of net fee and commission income to client assets and of profit before tax to client assets was 0.1%.

Our development of the Group's **non-managed asset products** and **banking services** continued, advancing the initiatives to extend our banking facilities and acquire new customers, which involved both our offering of investments in securities and our range of banking products. Investments in securities include the participation of Fideuram and Sanpaolo Invest in placements on the primary market of Group and supranational issuers and the placement of new issues of the BTP Italian government bonds launched by the Ministry of Economy and Finance, both through traditional channel and directly through Fideuram Online. During 2017 Fideuram and Sanpaolo Invest also participated in the placement of two new SPACs (Special Purpose Acquisition Companies). A SPAC is a listed shell company, which is to say its only assets are cash assets, that has the purpose of acquiring an operating company (normally a highly innovative company with strong growth prospects) within a maximum time horizon of twenty-four months, with which it will merge, simplifying and accelerating the listing process. The products offered by Intesa Sanpaolo Private Banking have also been characterised by the offer to subscribe shares issued by three SPACs: Crescita S.p.A., SprintItaly S.p.A. and IDEaMI S.p.A.. An Intesa Sanpaolo S.p.A. subordinated Tier 2 7-year floating rate bond, an IBRD mixed rate 7-year bond in USD,

## Banking Services

(€m)

	2017	2016	CHANGE %
Net interest income	159	161	-1
Net profit (loss) on financial assets and liabilities	26	35	-26
Net fee and commission income	55	142	-61
<b>Operating income before net impairment</b>	<b>240</b>	<b>338</b>	<b>-29</b>
Operating expenses	(174)	(193)	-10
Other	10	4	150
<b>Profit before tax from continuing operations</b>	<b>76</b>	<b>149</b>	<b>-49</b>
<b>Average Client Assets</b>	<b>62,388</b>	<b>58,674</b>	<b>6</b>
<b>Client Assets</b>	<b>62,830</b>	<b>61,478</b>	<b>2</b>
<b>Key indicators</b>			
Cost / Income Ratio	70%	56%	
Profit before tax / Average Client Assets	0.1%	0.3%	
Net fee and commission income / Average Client Assets	0.1%	0.2%	

and 15 Banca IMI Certificates structured on the request of individual customers were also placed in 2017.

The offering of banking products has been expanded with the realisation of commercial initiatives on Fideuram Plus current accounts, repurchase agreement transactions, and lending activities. Two new Private Wealth Management current accounts have also been created. One is dedicated to natural persons and also has distinctive credit cards linked to it. The other is dedicated to legal entities and combines the best account and trading conditions available for this product line. The development of our financing solutions saw Intesa Sanpaolo Private Banking extend its offering with the launch of two new long-to-medium term products named "Apertura di Credito Semplice a M/L termine a Tasso Fisso" (Fixed-Rate M-L Term Simple Loan) and "Apertura di Credito Semplice a M/L termine a Tasso Variabile Light" (Light Variable Rate M-L Term Simple Loan), which join the Bank's existing Variable Rate Short Term and Medium-to-Long Term loans. Both products offer the possibility of obtaining financing for amounts exceeding €75k with maturity of up to 15 years, through the payment of monthly, quarterly or semi-annual instalments. The target is comprised both of natural persons and legal entities. The Fixed Rate product provides for the payment of principal and interest throughout the term of the loan in equal instalments except for the first instalment, to which the interest accrued between disbursement and the commencement of repayment is added.

The Light Variable Rate product offers an interest-only period of up to 35 months chosen by the customer. The principal may be repaid through:

- instalments including interest and principal according to a repayment schedule defined at inception according to the term of the loan minus the amount due for the interest-only period;
- a final balloon payment including the entire principal and interest period. This bullet repayment solution is offered only for loans whose term does not exceed 36 months.

Beginning in November 2017, customers may receive a new type of credit transfer (instant transfer), which allows the immediate transfer of money in euro within the SEPA area. The instant transfer order may be issued only by non-consumer customers and only from the Inbiz portal (remote banking for businesses). It is expected that the transfer order service will be introduced gradually on other channels and for all customers. During the second half of 2017, the Mastercard Platinum card was marketed with the new contactless function, which allows execution of payment transactions simply by waving the card close to enabled POS devices.

# €62.8bn

Non-managed assets  
(29% of total client assets)

## 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 Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for 2017, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana – ABI) following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the year, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments to enable economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders.

The wealth created by the global business of the Group totalled €2.8bn in 2017 (+€229m on 2016).

This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 37.5% of the Wealth created, amounting to a total of €1bn. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 28.5% of the Wealth created, in the form of the proposed dividend payout totalling €788m.
- The government, public authorities, institutions and the community received €548m, principally in the form of direct and indirect taxes, equivalent to 19.7% of the Wealth created.
- Suppliers received 8.9% of the Wealth created, totalling €245m paid for goods and services.
- The remaining €149m was retained by the Group and regarded the following items in particular: deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

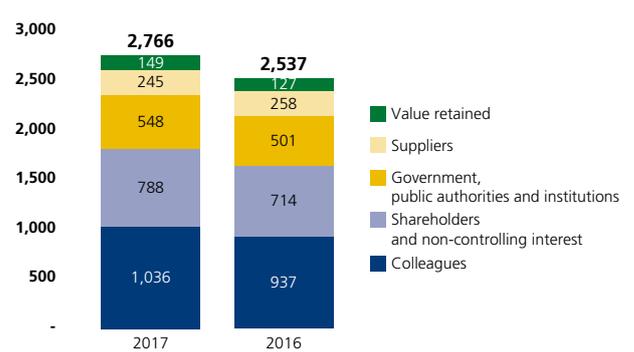
## Economic value added

(€m)

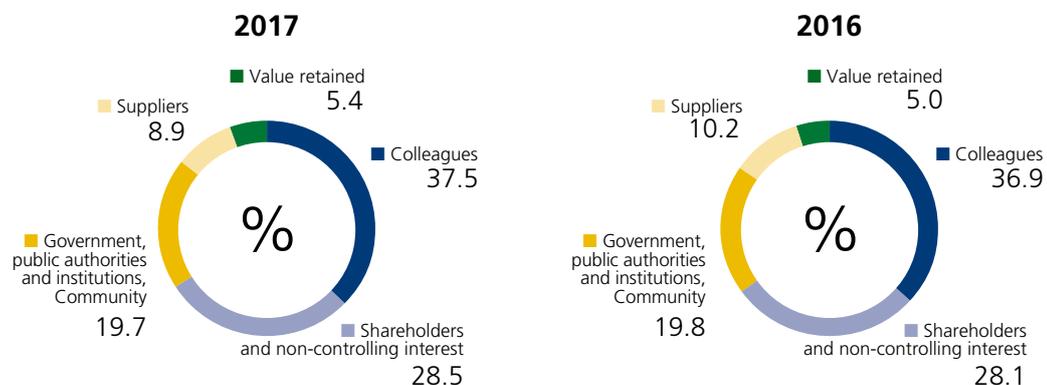
	2017	2016	CHANGE	
			AMOUNT	%
<b>Wealth created</b>	<b>2,766</b>	<b>2,537</b>	<b>229</b>	<b>9</b>
<b>Value distributed</b>	<b>(2,617)</b>	<b>(2,410)</b>	<b>(207)</b>	<b>9</b>
Colleagues	(1,036)	(937)	(99)	11
Shareholders and non-controlling interest	(788)	(714)	(74)	10
Government, public authorities and institutions, Community	(548)	(501)	(47)	9
Suppliers	(245)	(258)	13	-5
<b>Value retained</b>	<b>149</b>	<b>127</b>	<b>22</b>	<b>17</b>

## Wealth created

(€m)



## Distribution of wealth created



## ASSET AND LIABILITY MANAGEMENT

The tables below show the main balance sheet items compared with the corresponding figures at 31 December 2016.

### Consolidated balance sheet

(Reclassified - €m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
<b>ASSETS</b>				
Cash and cash equivalents	78	71	7	10
Financial assets (other than loans and held-to-maturity investments)	4,898	4,533	365	8
Held-to-maturity investments	-	125	(125)	-100
Loans and advances to banks	22,510	18,705	3,805	20
Loans and advances to customers	9,645	9,602	43	-
Hedging derivatives	5	3	2	67
Equity investments	148	141	7	5
Property and equipment	53	40	13	33
Intangible assets and goodwill	188	181	7	4
Tax assets	161	180	(19)	-11
Other assets	1,045	1,091	(46)	-4
<b>TOTAL ASSETS</b>	<b>38,731</b>	<b>34,672</b>	<b>4,059</b>	<b>12</b>
<b>LIABILITIES</b>				
Due to banks	2,641	2,665	(24)	-1
Due to customers	30,581	27,561	3,020	11
Financial liabilities held for trading	45	27	18	67
Hedging derivatives	981	1,103	(122)	-11
Tax liabilities	96	64	32	50
Other liabilities	1,150	813	337	41
Provisions for risks and charges	459	458	1	-
Equity attributable to owners of the parent company	2,778	1,981	797	40
<b>TOTAL LIABILITIES</b>	<b>38,731</b>	<b>34,672</b>	<b>4,059</b>	<b>12</b>

### Quarterly consolidated balance sheets

(Reclassified - €m)

	31.12.2017	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016	30.6.2016	31.3.2016
<b>ASSETS</b>								
Cash and cash equivalents	78	72	68	67	71	61	349	49
Financial assets (other than loans and held-to-maturity investments)	4,898	4,902	4,560	4,449	4,533	4,547	4,775	4,463
Held-to-maturity investments	-	-	-	98	125	158	158	198
Loans and advances to banks	22,510	21,227	20,985	20,666	18,705	16,287	15,459	14,274
Loans and advances to customers	9,645	9,357	9,160	8,893	9,602	9,340	9,819	9,825
Hedging derivatives	5	3	6	4	3	1	-	-
Equity investments	148	146	144	141	141	140	137	133
Property and equipment	53	29	39	40	40	38	38	39
Intangible assets and goodwill	188	175	176	177	181	169	170	171
Tax assets	161	180	177	185	180	182	187	189
Other assets	1,045	913	941	925	1,091	1,026	1,046	1,015
<b>TOTAL ASSETS</b>	<b>38,731</b>	<b>37,004</b>	<b>36,256</b>	<b>35,645</b>	<b>34,672</b>	<b>31,949</b>	<b>32,138</b>	<b>30,356</b>
<b>LIABILITIES</b>								
Due to banks	2,641	2,670	2,737	2,929	2,665	2,797	2,904	3,201
Due to customers	30,581	29,167	28,395	27,979	27,561	23,818	24,252	22,300
Financial liabilities held for trading	45	42	81	17	27	19	45	52
Hedging derivatives	981	989	979	1,035	1,103	1,268	1,242	1,152
Tax liabilities	96	114	75	79	64	84	60	85
Other liabilities	1,150	1,011	1,216	1,057	813	1,117	1,005	1,099
Provisions for risks and charges	459	457	445	463	458	456	442	453
Equity attributable to owners of the parent company	2,778	2,554	2,328	2,086	1,981	2,390	2,188	2,014
<b>TOTAL LIABILITIES</b>	<b>38,731</b>	<b>37,004</b>	<b>36,256</b>	<b>35,645</b>	<b>34,672</b>	<b>31,949</b>	<b>32,138</b>	<b>30,356</b>

Group **financial assets** held for treasury and investment purposes totalled €4.9bn, up €242m on the figure at the end of 2016 (+5%).

€4.9bn

Financial assets

## Financial assets

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets held for trading	43	41	2	5
Financial assets designated at fair value through profit or loss	259	195	64	33
Financial assets available for sale	4,596	4,297	299	7
Held-to-maturity investments	-	125	(125)	-100
Hedging derivatives	5	3	2	67
<b>Total</b>	<b>4,903</b>	<b>4,661</b>	<b>242</b>	<b>5</b>

This was principally due to growth in financial assets available for sale (+€299m) resulting from new securities purchases in the year and, to a lesser extent, to fair value gains on the back of the improved credit spreads of the issuers of the bonds in the portfolio, which were partially offset by the repayment of the bonds in held-to-maturity investments (-€125m).

## Financial liabilities

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	45	27	18	67
Hedging derivatives	981	1,103	(122)	-11
<b>Total</b>	<b>1,026</b>	<b>1,130</b>	<b>(104)</b>	<b>-9</b>

**Financial liabilities**, consisting of derivatives, totalled €1bn. This was €104m less than the figure at 31 December 2016 (-9%), largely as a result of fair value gains on the derivatives used to hedge the interest-rate risk of fixed-rate bonds in the portfolio. These gains were accompanied by a corresponding decrease in the value of the hedged bonds.

€1bn

Financial liabilities

## Loans and advances to banks

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due from Central Banks	634	204	430	n.s.
Current accounts and demand deposits	4,179	4,906	(727)	-15
Term deposits	9,514	7,808	1,706	22
Other	125	24	101	n.s.
Debt securities	8,058	5,763	2,295	40
<b>Total</b>	<b>22,510</b>	<b>18,705</b>	<b>3,805</b>	<b>20</b>

n.s.: not significant

# €22.5<sub>bn</sub>

## Loans and advances to banks

**Loans and advances to banks** came to €22.5bn, up €3.8bn on the figure at the end of 2016 (+20%), principally due to growth in investments in term deposits and debt securities issued by banks in the Intesa Sanpaolo Group. Amounts due from Central Banks increased by €430m due to the greater amount on deposit at the end of 2017. Current accounts included €1.6bn cash linked to securities lending, secured entirely by cash collateral recognised in the financial statements under Loans and advances to banks and Due to banks (Loans and advances to Intesa Sanpaolo and Due to Banca IMI), down €0.3bn from the figure at year-end 2016.

## Due to banks

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	165	140	25	18
Term deposits	154	124	30	24
Repurchase agreement	2,286	2,387	(101)	-4
Other debts	36	14	22	157
<b>Total</b>	<b>2,641</b>	<b>2,665</b>	<b>(24)</b>	<b>-1</b>

# €2.6<sub>bn</sub>

## Due to banks

**Due to banks** totalled €2.6bn, down slightly (-€24m) from the figure at year-end 2016. The Group continued to be a net lender on the interbank market, with net interbank deposits of €19.9bn (€22.5bn in deposits and €2.6bn in loans), €18.8bn of which (approximately 94% of the total) was held by companies in the Intesa Sanpaolo Group.

## Loans and advances to customers

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts	5,684	5,198	486	9
Repurchase agreement	-	820	(820)	-100
Loans	658	519	139	27
Other	1,425	1,168	257	22
Debt securities	1,867	1,888	(21)	-1
Impaired assets	11	9	2	22
<b>Total</b>	<b>9,645</b>	<b>9,602</b>	<b>43</b>	<b>-</b>

**Loans and advances to customers** totalled €9.6bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term) and unlisted debt securities. The slight increase of €43m on the figure at 31 December 2016 is attributable to the increase in current account overdrafts (+€486m), mortgages (+€139m) and other loans (+€257m), almost entirely offset by the termination of repurchase agreements with institutional customers (-€820m). Net problem loans totalled €11m at the end of December 2017, up €2m (+22%) on the figure at 31 December 2016. In detail: doubtful loans totalled €1m, in line with the figure at the end of 2016. Unlikely to pay loans totalled €9m, up €4m on 31 December 2016, while Past due or overdue loans amounted to €1m, down €2m from 31 December 2016.

€9.6bn

Loans and advances  
to customers

## Due to customers

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts and demand deposits	27,831	23,492	4,339	18
Term deposits	2,625	3,967	(1,342)	-34
Repurchase agreement	6	7	(1)	-14
Other debts	119	95	24	25
<b>Total</b>	<b>30,581</b>	<b>27,561</b>	<b>3,020</b>	<b>11</b>

**Due to customers** totalled €30.6bn, up €3bn (+11%) on the figure for 2016. This performance is attributable to growth in customer current account deposits (+€4.3bn), partly offset by the reduction in term deposits (-€1.3bn).

€30.6bn

Due to customers

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

(€m)	LOANS	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AVAILABLE FOR SALE (*)	TOTAL
Belgium	-	-	22	22
Sweden	-	-	3	3
Finland	-	-	31	31
France	-	-	81	81
Spain	-	-	315	315
Italy	1,595	-	1,239	2,834
United States	-	-	148	148
<b>Total</b>	<b>1,595</b>	<b>-</b>	<b>1,839</b>	<b>3,434</b>

(\*) The Italian government bonds in the available-for-sale portfolio, which had a total face value of €240m, were covered by financial-guarantee contracts.

**Intangible assets** totalled €188m, including €140m in goodwill regarding Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking between 2009 and 2013.

€459m

Provisions for risks and charges

The **provisions for risks and charges** at 31 December 2017 are shown below. Total provisions were essentially in line with the figure at the end of December 2016 (+€1m).

### Provisions for risks and charges

(€m)	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	99	109	(10)	-9
Personnel expenses	91	64	27	42
Personal Financial Advisers' termination indemnities and incentives	221	204	17	8
Network loyalty schemes	44	80	(36)	-45
Other	4	1	3	n.s.
<b>Total</b>	<b>459</b>	<b>458</b>	<b>1</b>	<b>-</b>

The provision for litigation, securities in default and complaints was down €10m from the figure at the end of 2016 as a result of utilisation in the year. The provision for personnel expenses and the other provisions rose by a total of €30m, mainly due to early-retirement incentives and integration charges connected with the transaction with which Intesa Sanpaolo acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As part of that transaction, Intesa Sanpaolo assumed certain commitments obligating it to incur costs covering integration of the units acquired in the companies by the Private Banking Division. Those costs are fully covered by a public cash contribution, which will be transferred to the individual companies according to the costs effectively incurred. The provision for the termination of Personal Financial Adviser agency agreements was up €17m, largely due to the provisions set aside during the year. The provisions set aside for the Network Loyalty Schemes were down by €36m, mainly due to the termination of a loyalty scheme at the end of 2017.

## SHAREHOLDERS' EQUITY

**Group shareholders' equity**, including net profit for the year, totalled €2.8bn at 31 December 2017, having changed as follows:

€2.8bn

Group shareholders' equity

### Group Shareholders' Equity

(€m)

<b>Shareholders' equity at 31 December 2016</b>	<b>1,981</b>
Dividend distribution	(114)
Change in financial assets available-for-sale	23
Recalculation of the value of property and art assets	14
Exchange rate differences and other changes	3
Net profit	871
<b>Shareholders' equity at 31 December 2017</b>	<b>2,778</b>

The €23m increase in financial assets available-for-sale was mainly due to a decrease in the negative reserve generated by fair value gains on securities holdings during the year. The €14m increase refers to the effects connected with reporting the current value of art assets and owned property after the Intesa Sanpaolo Group decided to change its valuation method, from the cost method to the revaluation method.

At the end of December 2017, the reserve for available-for-sale financial assets was negative to the tune of €75m and, among other items, included €22m of losses on securities that had been reclassified as Loans & Receivables in the third quarter of 2008 following the Group's decision to avail itself of the option provided for by the amendment to IAS 39 in the Annex to Regulation 1004/2008 issued by the European Commission on 15 October 2008. These reserves are being amortised to profit or loss over the residual life of the respective securities in accordance with IAS 39, paragraph 54.

The Group did not hold any treasury shares at 31 December 2017.

### Reconciliation of parent company's shareholders' equity and net profit with those of the Group

(€m)

	31.12.2017	
	SHAREHOLDERS EQUITY	INCLUDING: NET PROFIT
<b>Parent company shareholders' equity</b>	<b>1,813</b>	<b>788</b>
Net profit of subsidiaries consolidated line-by-line	697	697
Effect of consolidation of subsidiaries and associated companies	274	9
Dividend income from Group companies	-	(619)
Write-back of intra-group goodwill	(9)	-
Write-back of intercompany securities sales	33	(5)
Valuation of subsidiaries' available-for-sale financial assets	(25)	-
Other differences	(5)	1
<b>Group shareholders' equity</b>	<b>2,778</b>	<b>871</b>

Fideuram's own funds calculated on the basis of its separate accounts totalled €999m at 31 December 2017. As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis.

Fideuram S.p.A.'s own funds and main capital ratios at 31 December 2017 are shown below.

### Fideuram S.p.A. Capital Ratios

(€m)

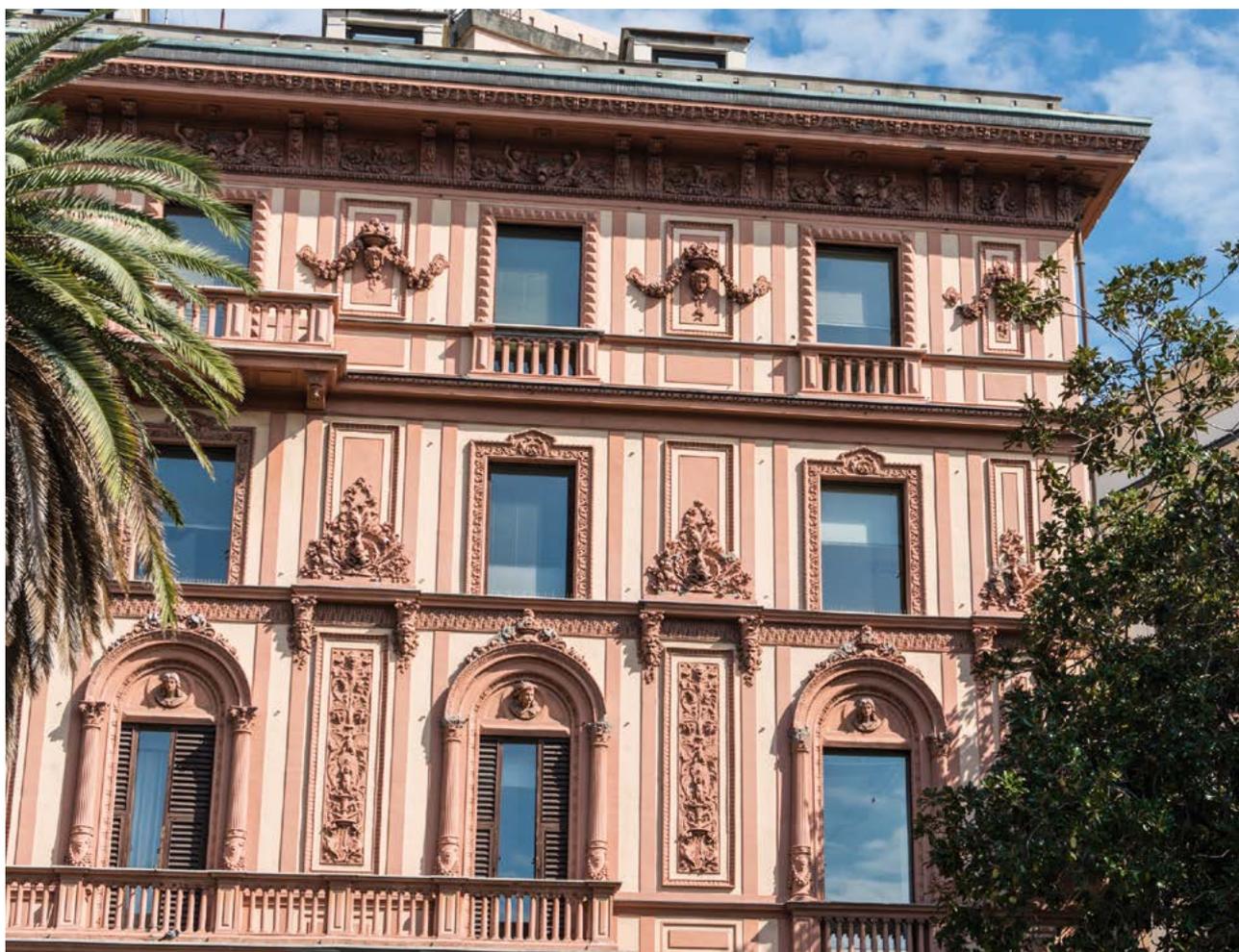
	31.12.2017	31.12.2016
CET1	998	975
Tier 1	998	975
Own funds	999	975
Total risk-weighted assets	7,065	6,850
<b>CET1 Ratio</b>	<b>14.1%</b>	<b>14.2%</b>
<b>Tier 1 Ratio</b>	<b>14.1%</b>	<b>14.2%</b>
<b>Total Capital Ratio</b>	<b>14.1%</b>	<b>14.2%</b>

# 15.8%

Consolidated Common  
Equity Tier 1 Ratio

Committed to providing comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account.

At 31 December 2017, our Common Equity Tier 1 Ratio was estimated to be 15.8%.



Sanpaolo Invest - Genoa Office



## 4.7.2 Productive Capital

Productive capital includes property owned, local Bank Branches and Personal Financial Advisers' offices and all the equipment needed to conduct the Group's business.

(no.)	2017	2016	2015
Branches - Fideuram Network	96	96	96
Branches - Intesa Sanpaolo Private Banking Network	127	129	130
- of which High Net Worth Individual Branches	7	5	2
Branches outside Italy	3	3	3
<b>Total bank branches</b>	<b>226</b>	<b>228</b>	<b>229</b>
Personal Financial Advisers' Offices - Fideuram Network	201	200	198
- of which Private Banking Centres	10	10	10
Personal Financial Advisers' Offices - Sanpaolo Invest Network	119	121	123
Personal Financial Advisers' Offices - Intesa Sanpaolo Private Banking Network	3	3	4
<b>Total Personal Financial Advisers' Offices</b>	<b>323</b>	<b>324</b>	<b>325</b>

### LOGISTICS STRUCTURE SUPPORTING THE NETWORKS

Our Personal Financial Advisers are supported in their work by the Group's logistics structure, which consists of 223 bank branches across Italy (96 in the Fideuram Network and 127 in the Intesa Sanpaolo Private Banking Network) and 3 branches outside Italy (London, Lugano and Luxembourg), as well as 323 Personal Financial Advisers' Offices (201 in the Fideuram Network, 119 in the Sanpaolo Invest Network and 3 in the Intesa Sanpaolo Private Banking Network).

Ten Private Banking Centres, supporting the sales activities of the Fideuram and the Sanpaolo Invest Networks, and seven HNWI Branches serving the Intesa Sanpaolo Private Banking Network are provided for our top-segment customers.

The Networks are organised into areas (5 for the Fideuram Network, 2 for the Sanpaolo Invest Network, and 14 for the Intesa Sanpaolo Private Banking Network). Each area is sized to suit the business potential of the territory concerned and may cover several regions or just a few provinces.

The operating synergies across the Group Networks were intensified during 2017, with the shared goal of improving the Group's image among customers, rationalising costs and making more efficient use of premises.

Further local improvements are planned for 2018 (premises and brand image), which will be tailored to the results of our Network recruitment initiatives.

No. **323**  
Personal Financial Advisers'  
Offices

No. **226**  
Bank Branches

## GEOGRAPHICAL DISTRIBUTION OF NETWORKS

The Fideuram Group provides its investment services through three Personal Financial Adviser Networks, the Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks, which cover the whole of Italy.

The five territorial areas associated with the Fideuram Network and the two territorial areas of the Sanpaolo Invest Network, as well as the geographical areas included in the individual areas, did not change in 2017. The sales structure of the Intesa Sanpaolo Private Banking Network was revised in April 2017, with the number of commercial areas being reduced from sixteen to fourteen. In particular, the regions of Valle d'Aosta, Piedmont and Liguria were combined in a single sales area, the Emilia Romagna area was formed by adding to the Emilia area the Romagna branches belonging to the former Adriatic Area and, finally,

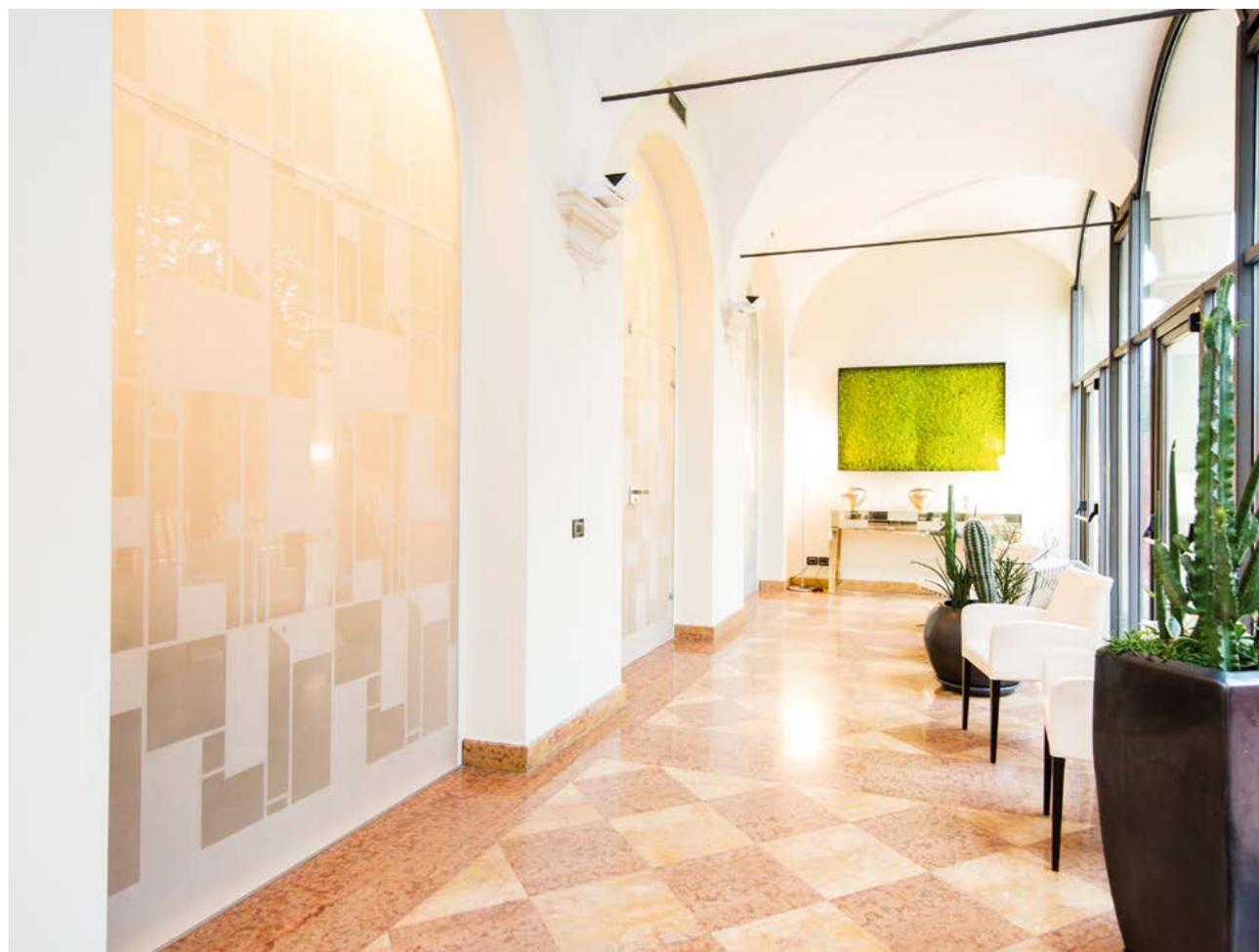
the Adriatic, Puglia, Calabria and Basilicata area was created by combining the Adriatic Area and the Puglia, Calabria and Basilicata Area.

A major restructuring project was launched at the end of 2017 and became active on 1 January 2018. This will modify the current territorial organisation of the Fideuram and Sanpaolo Invest Networks. Especially for the Fideuram Network, the number, extent, and composition of the territorial Areas will be changed through the creation of two new additional Areas and the appointment of two new Area Managers, while a new area will be added to the Sanpaolo Invest Network. These changes reflect the changed needs of the market context.

The area structures of the three Networks are shown below.

### Area Structure of the Fideuram Network

AREA	REGIONS
1	Piedmont, Valle d'Aosta and Liguria
2	Lombardy (excepting provinces of Brescia and Mantua)
3	Lombardy (provinces of Brescia and Mantua), Veneto, Trentino Alto Adige, Friuli-Venezia Giulia, Emilia Romagna (provinces of Ravenna, Forlì-Cesena, Rimini, Ferrara and Imola agency)
4	Emilia Romagna (excepting provinces of Ravenna, Forlì-Cesena, Rimini, Ferrara and Imola agency), Tuscany, Umbria, and Marche
5	Lazio, Sardinia, Campania, Abruzzo, Molise, Basilicata, Puglia, Calabria and Sicily



Fideuram e Sanpaolo Invest - Bologna Office

## Area Structure of the Sanpaolo Invest Network, 2017

AREA	REGIONS
1	Piedmont, Valle d'Aosta, Lombardy, Friuli-Venezia Giulia, Trentino Alto Adige, Veneto and Emilia Romagna
2	Liguria, Marche, Lazio, Sardinia, Abruzzo, Campania, Calabria, Puglia, Molise, Sicily, Basilicata, Tuscany and Umbria

## Area Structure of the Intesa Sanpaolo Private Banking Network, 2017

AREA	REGIONS
Turin and province	Piedmont (province of Turin)
Valle d'Aosta, Piedmont and Liguria	Liguria, Piedmont and Valle d'Aosta
Milan city council area	Lombardy (Milan city council area only)
Milan province area	Lombardy (province of Milan excepting Milan city council area)
Northern Lombardy area	Lombardy (provinces of Varese, Lecco, Como, Sondrio and Bergamo)
Southern Lombardy area	Lombardy (provinces of Pavia, Lodi, Cremona, Brescia and Mantua)
Venice area	Veneto (province of Venice)
North-west of Veneto and Trentino Alto Adige	Veneto (provinces of Verona, Vicenza and Belluno) and Trentino Alto Adige
South-east of Veneto and Friuli Venezia Giulia	Veneto (provinces of Treviso, Padua and Rovigo) and Friuli-Venezia Giulia
Emilia Romagna area	Emilia Romagna
Tuscany and Umbria area	Tuscany and Umbria
Lazio, Sardinia and Campania area	Lazio, Sardinia and Campania
Adriatic Area, Puglia, Calabria and Basilicata area	Marche, Abruzzo, Molise, Puglia, Calabria and Basilicata
Sicily area	Sicily



Intesa Sanpaolo Private Banking - Bologna, HNWI Branch

## ACCESSIBILITY OF SERVICES

Committed to ensuring the accessibility of our banking services, our new branches offer ease of access for people with disabilities and our existing branches have been adapted to this end wherever possible.

In addition, all Fideuram Network ATMs feature a dedicated interface for the visually impaired and, where structurally possible, low-level ATMs have been installed for persons with disabilities.

The Group owns properties at the following addresses:

- 31 Piazzale Giulio Douhet, Rome
- 44 Via Cicerone, Rome.

## Fideuram Group – Area Coverage – Logistics Structure and number of Personal Financial Advisers

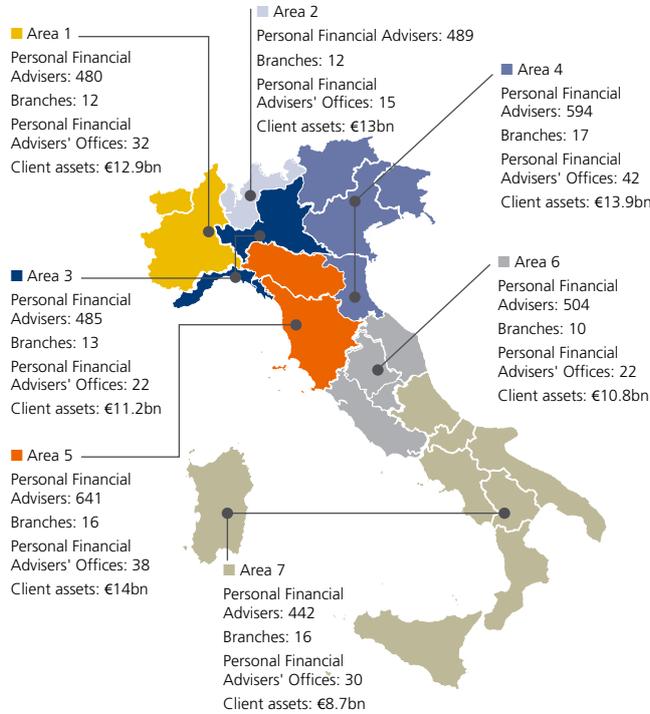
(No.)

	BANK BRANCHES			PERSONAL FINANCIAL ADVISERS' OFFICES			PERSONAL FINANCIAL ADVISERS		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Piedmont	34	34	34	43	42	42	776	775	765
Valle d'Aosta	1	1	1	2	2	2	13	11	11
Liguria	9	9	9	21	21	21	310	294	289
Lombardy	45	45	45	40	40	40	1,227	1,172	1,166
Veneto	25	26	25	27	27	28	498	491	482
Friuli Venezia Giulia	6	7	7	9	10	11	126	123	123
Trentino Alto Adige	4	4	4	7	8	7	51	52	50
Emilia Romagna	21	21	21	32	32	32	548	535	539
Tuscany	21	20	21	34	34	34	541	536	532
Umbria	3	4	4	8	9	9	85	81	80
Marche	5	5	5	12	11	10	124	132	132
Lazio	12	12	12	28	28	29	749	732	733
Abruzzo	3	3	3	10	10	10	97	94	101
Molise	-	-	-	2	2	2	19	18	19
Campania	13	13	14	15	15	15	351	346	348
Basilicata	-	-	-	2	2	2	15	15	17
Puglia	7	7	7	10	10	10	129	139	144
Calabria	4	4	4	4	4	4	38	36	40
Sicily	7	7	7	11	11	11	180	192	206
Sardinia	3	3	3	6	6	6	66	68	69
Intesa Sanpaolo Private Banking - London Branch	1	1	1	-	-	-	2	1	-
Intesa Sanpaolo Private Bank (Suisse)	1	1	1	-	-	-	5	5	-
Fideuram Bank (Luxembourg)	1	1	1	-	-	-	-	-	-
<b>Total</b>	<b>226</b>	<b>228</b>	<b>229</b>	<b>323</b>	<b>324</b>	<b>325</b>	<b>5,950</b>	<b>5,848</b>	<b>5,846</b>

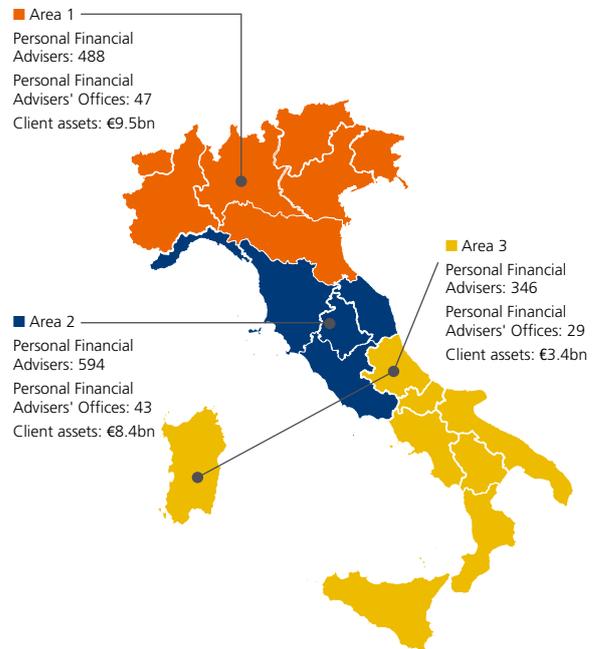
## Sales Areas of the three Fideuram Group Networks

The new structure of the sales areas of the Fideuram and Sanpaolo Invest Networks that have been operational since 1 January 2018 is provided below.

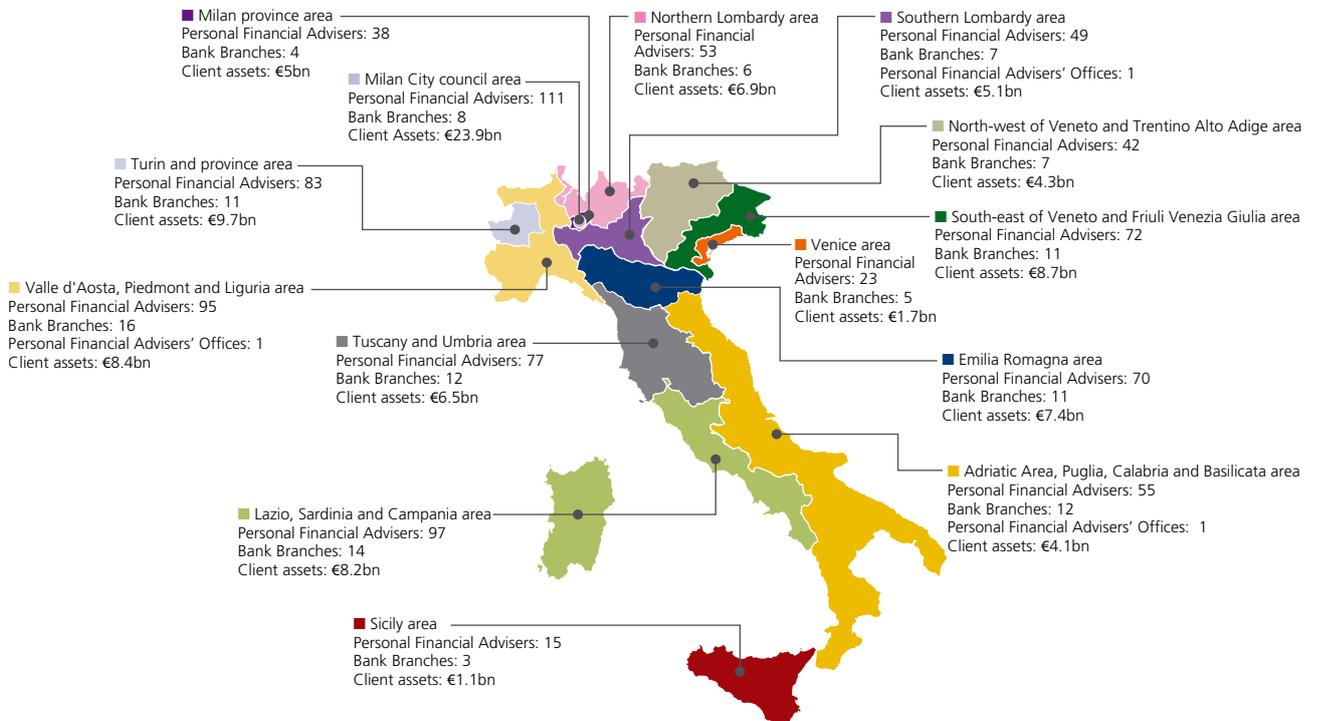
### Fideuram Network: 7 Areas



### Sanpaolo Invest Network: 3 Areas



### ISPB Network: 14 Areas





### 4.7.3 Intellectual Capital

Intellectual capital includes knowledge-based intangible assets such as intellectual property (copyrights, rights and licenses), organisational capital (systems and procedures) and the intangible assets associated with the brand and with the Group's reputation.

	2017	2016	2015
Customers subscribed to Advanced Advisory Services (No.)	70,816	68,327	67,677
Advanced Advisory Service client assets (€m)	38,671	34,106	32,572

## ADVISORY SERVICES

### MAIN OBJECTIVES FOR 2017

### ACTIONS AND RESULTS ACHIEVED

Extend our integrated global advisory service model to Affluent and Private Banking customers.

During the year, planning activities for expansion of the SEI Advanced Advisory Service were completed. These include global wealth management advisory services consisting, for example, of household management, monitoring of real estate and assets held at other intermediaries, succession management and retirement planning.

Modify the service model in compliance with MiFID 2.

A multi-function work group comprising the main departments of the Group was formed in 2017 to analyse the new regulation and identify its impact on the service model, as well as to find solutions for its implementation.

Consolidate and improve the VIEW Advanced Advisory Service.

Over 4,000 VIEW Advanced Advisory Service contracts have been activated since the service was launched. About 2,000 of these were entered into in 2017, with this strong take-up of the service testifying to its very positive reception by Intesa Sanpaolo Private Banking customers. The service has been further improved through various modifications, including the asset protection tool, which also reflect suggestions made by the Network.

The Group decided to adopt an advisory operating model following the coming into force of the European Union Markets in Financial Instruments Directive (MiFID) and of the Italian Finance Consolidation Act that transposed it into Italian law. This takes the concrete form of providing investment services to customers who have decided to follow the Group's personalised recommendations and have therefore chosen our advisory support in conjunction with all other investment services for any transaction carried out by our Branches or through our financial advisers authorised to offer products and services outside company premises or using remote communication technologies. Our

provision of investment advisory services involves acquiring the information from each customer or potential customer in advance as necessary to compile a financial profile reflecting their:

- Understanding and experience of financial products and/or investment services
- Financial situation
- Investment objectives.

In 2017 the Group undertook a pro-active process to align its own investment advisory activity with the guidelines set out in Directive 2014/65/EU (MiFID 2), which came into force on 3 January 2018.

Alongside a basic advisory service based on customer profiling for maximum risk level and on ascertaining that there is an appropriate match between each customer's financial profile and total asset risk, the Group offers three fee-paying advanced advisory services: the SEI Advanced Advisory Service provided through the Fideuram and Sanpaolo Invest networks, and the VIEW Advanced Advisory Service and Private Banking Advisory Services provided through the Intesa Sanpaolo Private Banking network. The Group service model provides customers having greater financial resources with dedicated organisational services and geographical coverage: Private Wealth Management with Private Banking Centres and HNWI Centre of Excellence with the HNWI Branches.

### SEI ADVANCED ADVISORY SERVICE AND SEI "VERSIONE PRIVATE" FOR PRIVATE BANKING CUSTOMERS

The SEI Advanced Advisory service charges a fee for activating the service and regular annual commission, each of which is calculated both in relation to the customer's assets managed by the Group and to their potential.

SEI customers receive regular clear and detailed statements which allow them to track their assets' progress towards their goals and to monitor the suitability of their asset risks with respect to their financial profile.

The "SEI method" is centred on the customer and their needs, which are segmented into six areas: protection, liquidity, reserve, pension, investment and excess return. SEI provides our Personal Financial Advisers with support in analysing their customers' needs, identifying optimum customised solutions that meet them and monitoring their progress over time, all this while at the same time constantly monitoring the risk of each customer's total assets in accordance with current regulations.

A further strength of the service is that the process can be extended to provide a systematic analysis of all a customer's assets even if they are held with other financial brokers, and include the customer's entire household in the analysis.

The advanced advisory service is offered in two versions, "SEI" and "SEI Versione Private", which meet the needs of different types of customers by offering greater flexibility in the levels of service offered. The version created for Private Banking customers offers exclusive benefits, such as specialised tax, legal, real estate, and succession planning advice, preferred access to the services of Fideuram Fiduciaria, and a dedicated contact centre. In addition, the regular statements

and reports sent to customers contain special content for the Private Banking version.

The Private Wealth Management unit was consolidated in 2017, in view of developing and serving the Private Banking and High Net Worth Individuals segments through a pro-active approach and dedicated business model.

This holistic business model is supported by cross-sectoral expertise that leverages teamwork and shared best practice across the following areas: Financial Advisory, Real Estate, Corporate Assets, Value Protection and Value Creation, and Art&Luxury.

This advisory support is provided following a combined global approach that considers every aspect of a customer and their household's Wealth Management needs.

The aim is to provide an advisory service that operates alongside our Personal Financial Advisers, offering integrated support regarding financial assets, real estate, company shareholdings and family businesses with a view to increasing management and allocation efficiencies in succession management, as well as asset management and wealth development. Access to the model provides continuous asset monitoring in the areas of greatest customer interest, while simultaneously facilitating access to a select network of professionals for specific needs. The unit was strengthened with the addition of four professionals recruited on the market and from within the Intesa Sanpaolo Group.

Fideuram currently has dedicated offices for meetings with customers in Milan, Turin, Padua, Brescia, Bologna, Florence, Rome, Naples, Bari and Catania.

## VIEW ADVANCED ADVISORY SERVICE

VIEW is the new advanced advisory service, based on careful analysis of customers' needs.

Operating through this service, Intesa Sanpaolo Private Banking aims to:

- assist its customers with the informed management of their assets according to their needs and risk profile, and always in accordance with their MiFID profile;
- provide a comprehensive, effective and transparent advisory service in an increasingly volatile and complex market context;
- reaffirm its role as a professional and authoritative player as regards the whole spectrum of a customer's assets;
- prepare reports on the customers' entire assets, including on demand, and exploit an advanced and dedicated alert system.

The customer's assets are organised into "need areas" in the VIEW system, according to the needs expressed by the customer, including with the assistance of guideline customer "archetype" profiles: extra-return, discretionary investments, non-discretionary investments, pension, and short-term investment.

The Advisory function has been added to the non-discretionary investments area, upgrading it from a stand-alone service to real exclusive feature of the VIEW service. At the customer's discretion, the Advisory function available in VIEW may be activated to receive personalised recommendations on individual or linked transactions involving the allocated portion of assets in the non-discretionary investments need area.

VIEW makes it possible to identify investment strategies and solutions for each individual area of need in accordance with the customer's risk/return profile and to constantly monitor their wealth from a global standpoint in terms of risk and diversification over time.

Finally, the service is enhanced by the real estate tool, which makes it possible to extract the land registry data of customer-owned real estate through queries on the National Land Registry, and by the asset protection tool that offers customers initial support in succession management.

## PRIVATE BANKING ADVISORY

The Private Banking Advisory Service provides a personalised, fee-paying advisory service with high added value, dedicated to customers who do not wish to delegate their investment choices in full, but prefer to play an active role in their portfolio management in dialogue with top professionals.

The fee-paying advanced Private Banking Advisory Service is dedicated to customers having at least €2.5m in non-managed financial assets and who wish to have constant support from a team of specialists in making their investment decisions. This service consists in analysis of the customer's portfolio, followed by proposals for personalised allocation and advice aimed at buying and selling individual financial instruments. The portfolio analysis and allocation proposals are handled directly by the Financial Advisory central team in the Non-managed Assets Unit, with the aim of guiding clients towards a more efficient and diversified portfolio and better risk control.

In 2017, Intesa Sanpaolo Private Banking continued to develop its new service for High Net Worth Individuals (HNWI) – customers with financial assets potentially totalling in excess of €10m who have complex specific needs regarding not only the management of their personal assets, but also the wealth advisory structuring and protection of their total assets, including in respect of family businesses and succession management.

The Department is now made up of 21 professionals and its Head, and is divided into three organisational units: Competence Center, Business Client Development, and Business Model and Initiatives.

The territorial coverage plan for the specialised network envisaged in the model was completed in the first half of the year, with the opening of Branches in Florence and Naples and the expansion and transfer of the Turin Branch to the prestigious Piazza San Carlo offices. Therefore, seven local hubs dedicated to the segment were operating at 31 December 2017 and located in Milan, Turin, Padua, Bologna, Florence, Rome and Naples. These centres of excellence are prepared to serve customers of high standing with an increasingly personalised array of products and services.

Planning and the search for new ideas continued in 2017, both concerning the products and services dedicated to this segment, aimed at offering more targeted and complex solutions than what is traditionally offered in private banking, and concerning the instruments available to the specialised network.

## SPECIALIST SERVICES

In addition, the Group also offers the following specialist advisory services:

- Tax, legal and succession advisory services for asset planning.
- Fiduciary services, supported by Sirefid and Fideuram Fiduciaria.
- Advisory support to assist entrepreneurs manage the liquidity generated during significant business transitions, such as Mergers & Acquisitions or Initial Public Offerings.
- Art Advisory services provided with the support of external consultants.
- Real Estate Advisory services to support customers' real estate management needs both regarding disposable property and property of potential interest, conducting the related needs analyses internally or with the support of external consultants, including international consultants, for valuation and agency services.
- Specialist Lending and Granting of Lines of Credit to support and develop the Group's lending business.

## ASSET MANAGEMENT

The Fideuram Group strengthened its analysis of private banking customers' needs in areas such as asset management and succession management, extending its customer financial assets risk analysis to incorporate the analysis of non-financial risks as well.

Following the development of a new succession management report, a related IT tool was provided for Personal Financial Advisers in the SEI Advisory Service application and we released the iPad app "Fideuram Next", which helps customers gain a greater understanding of succession planning issues through simulations.

## MAIN IMPROVEMENT OBJECTIVES FOR 2018

### ADVISORY SERVICES

The main objectives for 2018 are as follows:

- expansion of the content provided to customers as part of the SEI Advisory Service, especially in regard to the global asset advisory services;
- strengthening of the service model aimed at different target customers;
- continuous growth in the level of information provided to customers in relation to the characteristics of the products and services provided, with special focus on the aspects related to applied costs and received benefits;
- consolidation and improvement of the VIEW Advanced Advisory Service of Intesa Sanpaolo Private Banking, in view of increasing its penetration in the target customer segment.

## TOOLS SUPPORTING ADVISORY SERVICES

### MAIN OBJECTIVES FOR 2017

### ACTIONS AND RESULTS ACHIEVED

#### FIDEURAM ALFABETO

Expansion of offered content available for publication and improvement of its use.

Constant production of exclusive content for Alfabeto was planned in 2017, produced both in-house and by outsourcers. Regular weekly or monthly contributions were distributed on the platform. Aside from these contributions, monographic content dedicated to financial education was produced during the second half of the year.

Expansion of platform use.

An in-depth study of the perception and use of the Alfabeto platform was carried out on a sample of Personal Financial Advisers to reveal the more or less acceptable aspects, difficulties, and limits that might be encountered and to record their suggestions.

#### THE WELCOME APP

Allow Personal Financial Advisers to acquire new customers through digital processes.

The Welcome App was created, allowing the Personal Financial Advisers to acquire new customers through digital processes, without having to print forms and by using a graphometric signature. Simply and intuitively, the Personal Financial Adviser can register a new customer, have him or her sign the advisory services agreement, fill out the profile questionnaire, and open the current account.

#### PORTAL FOR PERSONAL FINANCIAL ADVISERS

Maintain the centrality of the Portal for Personal Financial Advisers as an info-training channel serving our Personal Financial Adviser Networks. Keep the content constantly updated, focusing in particular on sales, product and economic matters.

During 2017, the portal dedicated to Personal Financial Advisers recorded the constant updating of commercial content, which included the implementation of new repositories for materials, documents, and financial disclosures produced by Fideuram Investimenti. Moreover, new areas dedicated to topics of great interest, such as MiFID 2 and anti-money laundering measures were implemented, and the editorial contribution platform (CMS) of the portal became the source for contributions distributed through Alfabeto.

#### KEY TV COMMUNICATIONS

Ensure that all company information supporting our Personal Financial Advisers in their work, from strategic to sales and training initiatives, is made available to them as soon as possible.

Tell the story of our Personal Financial Adviser Networks through a production presenting the events, contests and initiatives run in the various areas.

Support the steady roll-out of Alfabeto and the population of our Personal Financial Advisers' web showcases through the production of increasingly numerous and diverse contributions that are also suitable for existing and potential customers.

Key TV continued to grow in 2017. The company television channel further expanded its productions, boosting the number of episodes produced over the year, and diversifying its content, which is no longer dedicated exclusively to financial advisers, but also to programmes created specifically for the Alfabeto audience, customers, and prospects.

In performing their own activity, the distribution networks use a set of tools that allow them to offer value added advisory services.

## FIDEURAM ALFABETO

The new digital platform Fideuram Alfabeto enhances the service model, supporting the relationships between our Personal Financial Advisers and customers with a new advisory service channel.

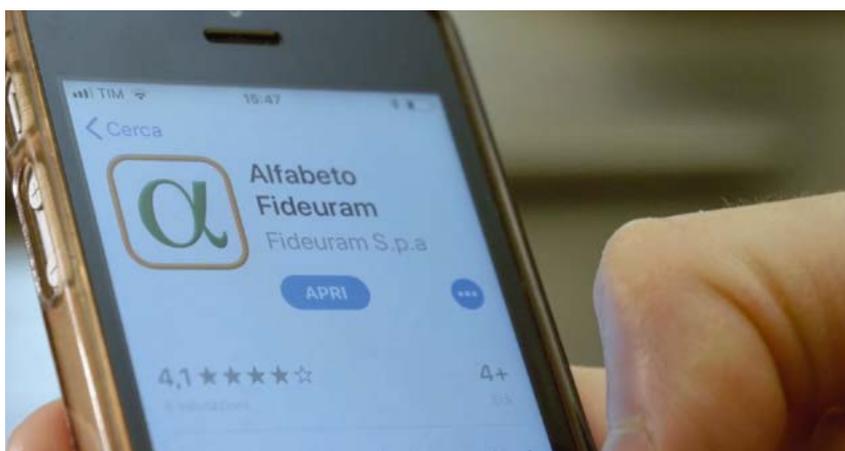
Alfabeto takes the financial advisory services our Personal Financial Advisers provide through the Group's physical channels into the digital world, supporting the Personal Financial Advisers in their daily work so they can focus on the activities that generate value for their customers. Alfabeto is also a cutting-edge channel for reaching new potential customers, supporting generational change.

Alfabeto provides a **web showcase** for each of our Personal Financial Advisers to build their own personal brand, publishing information about themselves and their profession, providing articles on financial matters, promoting financial culture to their customers and prospects, and establishing and consolidating their credibility.

Customers visiting their Personal Financial Adviser's showcase pages can update themselves on the financial world, while a potential customer can start to form an impression of a Personal Financial Adviser before deciding to contact them over the platform.

Moreover, each Personal Financial Adviser can build up a **community** of customers on Alfabeto who are able to comment on and "Like" the articles on their showcase pages, as well as provide testimonials regarding their Personal Financial Adviser, thereby strengthening their customer relationships and increasing the opportunities for contact on Alfabeto.

Alfabeto also has a **personal area** where authenticated customers can find information on their investment portfolios along with documents shared by their Personal Financial Advisers. This personal area is the core of the platform, providing an array of functions for customers to keep an eye on their portfolio, including views of their financial position, statements, reports, proposals, meeting documents and detailed information on the performance of their investments. Each Personal Financial Adviser can share articles and documents with individual customers and engage them in a personalised dialogue.



**Digital Office**, provided in the personal area, equips our Personal Financial Advisers with a dedicated space to manage certain "face-to-face" moments in their customer relations digitally, interacting through chat and video chat functions at any stage from browsing investment positions and sharing documents to signing proposals. Alfabeto puts technology at the service of our Personal Financial Adviser-customer relationships.

Alfabeto is available both online and through dedicated **apps** for mobile devices which provide Personal Financial Advisers and customers with access to the platform's functions at any time, even when on the move. Customers can also use Alfa-ID from inside the Alfabeto app. This is a new, electronic signature method, which simplifies and speeds up the signature process.

Since going live in July 2016, **approximately 2,500 Personal Financial Advisers** have completed dedicated training and published personal web pages on the platform, with **almost 60,000 customers** now authorised to access the system.

Numerous improvements were made to the Fideuram Alfabeto platform with:

- the extension of discussed topics through dedicated partnerships and streamlining of the content catalogue;
- the realisation of a project to develop synergies with the social network world;
- support in defining an effective strategy to communicate the Personal Financial Advisers' brand identity through the implementation of a web marketing campaign to support the acquisition of new customer;

- the creation of a new page dedicated to the search for a Network Manager by Personal Financial Adviser candidates;
- the simplification of document signing processes by customers with the introduction of a new, fully electronic method available on the app;
- the preparation of access statistics concerning customers and visitors;
- the analysis of platform usability in view of optimising the user experience.

The processes for development and feeding of content for Alfabeto were fully implemented in 2017. In detail, eleven editions of the "4D" newsletter were produced and "Private News" was published in the second half of the year, replacing the previews for news of the day. Two hundred and four items were produced with financial content, articles, videos on the markets, periodic reports, and comments on the topics of the week, of which 134 in video. Moreover, production of a financial education series began. Issued once monthly, it offers the public in-depth thematic presentations.

The study, carried out on a select group of financial advisers, used an online survey, a set of direct interviews, and a community, open only to the panel, which contributed about 1.500 posts on the four identified discussion macro-areas (customers, prospects, support, and the future of Alfabeto). Various aspects were spotlighted, concerning use of the platform, strengths and difficulties, while suggestions were collected for the development of Alfabeto, some of which have already been implemented.

### PORTAL FOR PERSONAL FINANCIAL ADVISERS

During 2017, the Portal for Personal Financial Advisers maintained its central role as a method for distributing in-fo-training content to the Fideuram and Sanpaolo Invest Networks. New areas were implemented in addition to constant updates to content, such as the Private Wealth Management Hub and PWA areas, the Events area, Conosci Fideuram / Sanpaolo Invest, and Parola ai gestori. In particular, given the entry into force of new regulations, these include the area specifically dedicated to MiFID 2, which aims to collect, maintain, and update information on the topic with presentations, videos, and press reviews. Sections dedicated to groups of financial advisors, such as for example the Area contest, were activated by using the clustering tool, which is now fully operational.

Moreover, for the second year, the Incentives Regulations were published directly on the Portal for Personal Financial Advisers, with the previous editions being archived.

Finally, through the editorial contribution platform (CMS), the portal has been the source of contributions created specifically for the public and distributed through Alfabeto.



### KEY TV



Key TV continued to be a source of timely, accurate information on subjects relevant to the work of our Personal Financial Advisers in 2017. In addition to providing constant updates on the markets and main economic and political events, Key TV extended the range of subjects covered with in-depth programming on pensions, demographics, tax matters, behavioural finance and women’s finance. Moreover, new graphics were developed in-house, improving the overall quality of episodes.

The quantitative aspects of Key TV were also significant. Key TV’s output increased by 32% on 2016, with over 364 programme episodes published in the year, including content exclusive to Alfabeto and productions for other Group departments. The number of users who watched at least one episode during 2017 also grew (+5% than last year), hitting 4,448. The percentage of users on the Fideuram and Sanpaolo Invest Networks was 88%.



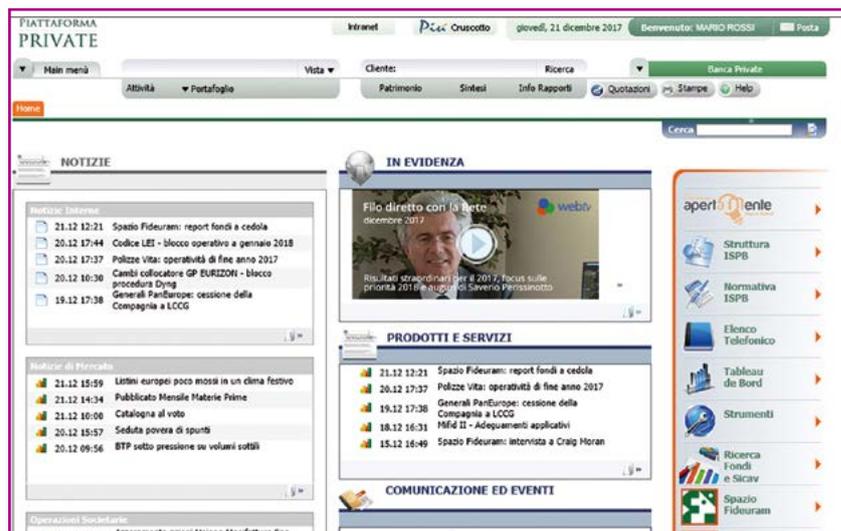
## WEB TV COMMUNICATIONS

Since March 2017, Intesa Sanpaolo Private Banking has had access to a television channel dedicated to its own Network thanks to the opportunity offered by the Internal Communications Department of Intesa Sanpaolo, to offer a tailored version of the Group Web TV channel.

Consequently, the Personal Financial Advisers and their office colleagues can access all published informational content dedicated to them through a single television channel, which may be viewed on the company intranet.

Since its début, the channel dedicated to Intesa Sanpaolo Private Banking has been used first and foremost to transmit to the entire Network the principal messages sent to Network managers by Bank management during the periodic quarterly meetings. In the programme "Filo diretto con la Rete", the General Manager, Saverio Perissinotto, gave quarter-by-quarter commentary on the results achieved and outlined sales strategies for the following period. In addition, the channel was used to share the interviews recorded on Class CNBC's TV programme Patrimoni with the network and to transmit the annual year-end greetings by General Management.

The Web TV has also been the preferred channel for telling Banking and Group employees about specific initiatives concerning Intesa Sanpaolo Private Banking, such as for example the service dedicated to High Net Worth Individual customers.



## FIDEURAM MOBILE SOLUTION



Fideuram Mobile Solution has supported and streamlined the work of our Personal Financial Advisers for over six years, enabling them to dedicate more time to their customer relations. Through use of the most advanced technologies, the Personal Financial Advisers can access constantly updated documentation at any time and even on mobile devices, and share those documents with customers. They may acquire the customers' personal detail documentation in electronic format, through the smartphone Easy Doc app and through the Cruscotto Compliance Clienti application.

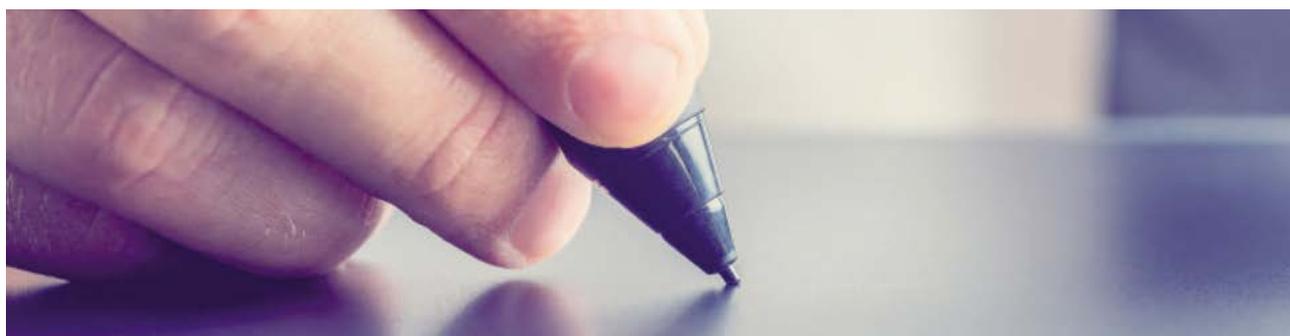
Fideuram Mobile Solution sees the Group deploying a single operating platform that completes the integration of our advisory service sales tools (basic and advanced services) and our platform for the execution of instructions. It enables our Personal Financial Advisers to use their laptops or iPads to prepare sales proposals, verify their suitability, obtain their customers' approval and execute their instructions. Our customers can accept these proposals by using digital signatures without printing out any forms, by signing pre-completed printed forms or by providing biometric signatures using a new dedicated app on their Personal Financial Advisers' iPads.

## REMOTE BIOMETRIC AND DIGITAL SIGNATURES

The Advanced Electronic Signature offers two ways of signing, available both inside and outside company premises:

- Biometric Signature.
- Digital Signature.

In both cases, customers sign the documents on a special tablet computer. Using the tablet to sign is simple and immediate, being comparable to the experience of signing a paper document and having the same legal status.



## REMOTE AND OFF-PREMISES OFFER OF PRODUCTS AND SERVICES

The availability of Biometric and Digital Signatures has enabled us to develop the digital side of our Provision of products and services outside bank premises and to launch a Remote offer model providing significant benefits to our Personal Financial Advisers and customers.

The Provision of products and services outside bank premises has benefited from the Biometric Signature in a variety of ways, from the optimised management, archiving and control of contract documents to the speed and convenience of customers being able to receive their own copies in digital format, simplifying their management and traceability over time.

The Remote offer enables our Personal Financial Advisers to offer value-added advisory support, sending investment proposals to their customers using remote communication techniques. Customers can look through proposals directly in their personal area of the Bank's website and sign them using their Digital Signature certificates.

There are many important benefits for our customers and Personal Financial Advisers:

- our Personal Financial Advisers are able to select the most appropriate communication channel for their customers' needs with a view to opti-

mising the relationship, taking them through guided processes to the formulation of a sales proposal;

- our customers can receive their copy of the contract in digital format and customers may also sign the contract proposal directly from their personal area of the Bank's website.

## MAIN IMPROVEMENT OBJECTIVES FOR 2018

### TOOLS SUPPORTING ADVISORY SERVICES

#### Alfabeto

Editorial support for the platform will continue in 2018 through the provision of informational content for the public specially prepared by internal units and acquired through new agreements with outsourcers (newspapers). The availability of detailed statistics will permit ever-improving definition of the scope of informational activities.

#### Portal for Personal Financial Advisers

Maintain the effectiveness and efficiency levels acquired by the portal as an info-training tool serving the Personal Financial Advisers Network.

Keep the content constantly updated, focusing in particular on sales and product issues and financial disclosures.

The implementation of a new editorial contribution platform (CMS) will introduce new characteristics and tools that will increase the adjustability and flexibility of work, including from mobile devices.

#### Key TV Communications

In continuation of the mission assigned to the channel, attention will be focused on consolidation of the audience by assuring care and punctuality in sharing all business information in support of our financial advisers' information, from strategic to sales and educational initiatives.

Disseminate best practices and tell the stories of our financial adviser networks, also introducing new formats.

Collaborate on the steady promotion of Alfabeto with the growing and increasingly diversified production of contributions suited to a public of customers and potential customers.

Renewal of the video management and broadcasting platform. Offering improved flexibility in managing and channelling content, both directly on the platform and to the Personal Financial Advisers portal and users of Alfabeto, the new platform will also provide greater broadcasting personalisation opportunities based on the various user segments (e.g. content dedicated to managers) and more shared management, allowing different content contributors to interact directly on the platform.

Other objectives will address both the increased use of digital processes and tools and the compliance of Personal Financial Advisers' activities with the new regulations.

## MARKET RESEARCH



Fideuram participated once again in the GfK **Household Savings Outlook** survey in 2017 in order to gain a fuller understanding of its economic and competitive situation.

The GfK 2017 survey “Sentiment e risparmio delle famiglie italiane” (Sentiment and household savings in Italy) reveals how the economic expectations expressed by Italian households are bucking the trend recorded in the rest of Europe. In the first half of 2016, Italian households had adopted a wait-and-see approach before losing confidence again in the second half of that year and at the beginning of 2017. However, if one goes beyond sentiment and also considers satisfaction with one’s own economic condition, we note how 2017 began with stable levels of satisfaction compared with the previous six months and with a slight increase in the portion of families who affirm that they manage to save.

In January 2017, 56% of all households were saving, up 2 percentage points from mid-2016. Therefore, a small sign of improvement emerges, which is partly tied to the recovery in purchasing power.

The strong tendency to save that characterises Italians also influences their investing attitudes and choices, by postponing purchases until they have the necessary resources rather than using consumer credit or debt. However, if one considers this characteristic from a broader perspective, the characteristic identity of Italians as a nation of savers does not help the economy, since saving denies resources for consumption.

The trend of households bailing out of the investments segment and parking their cash assets in current accounts accelerated during the second half, precisely when cash generates low returns.

This reversal on the retail market, which takes resources out of the system and does not help households to manage their own resources in a well-structured manner, is attributable to several causes.

First of all, there is the low self-perception of financial competence in households, which leads to greater difficulty in independently identifying more advanced solutions for the management and allocation of their own resources. Today only 16% of Italian heads of household believe that they are competent in financial matters, while this percentage rises to only 25% among university graduates, signalling the difficulty that people have in orienting themselves, regardless of their level of education. However, an increase in the self-perception of financial competence was found in Affluent and Private Banking customers.

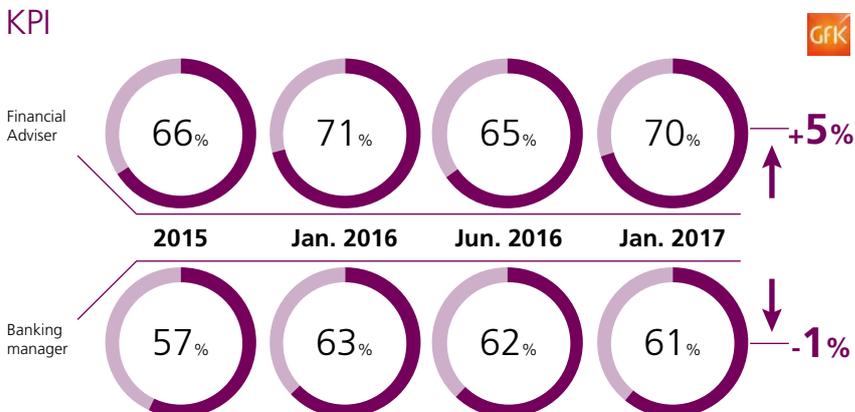
This finding corroborates the value of advice and personalised financial support, capable of transferring expertise and providing customers with greater financial awareness.

Low financial competence is associated with the steady loss of interest in financial matters. Today only 23% of heads of household declare that they are interested, compared with the 50% who affirmed their interest in 1987. The percentage of people who make investments has also halved, falling from 52% in 2001 to 25% today.

This is partly traceable to a greater focus of offered products and services on core customer segments, made up of households with medium-high and high net worth. In particular, compared with the early years of the 2000’s, the asset management business has radically altered the characteristics of its current clients, who are now comprised almost entirely by Affluent and Private Banking customers, to the detriment of a major share of the “middle” market.

During the last six-month reporting period, the reputation of individuals holding the position of Financial Adviser has improved among customers (compared with the substantially stable reputation of Banking Managers), especially in terms of focus on the customer, clear language, availability, and understanding of financial needs and advice.

### KPI



Source: “Sentiment e risparmio delle famiglie italiane”, 1<sup>st</sup> edition-2017, GfK

Households have a growing propensity to use an adviser for the management of their own savings and to take advantage of an advanced advisory service that performs analyses, diagnoses and monitoring of their portfolio. Interest in the new Independent Advisory services and Robo Advisory methods is falling instead.

The GfK report has highlighted the existence of interesting opportunities for the offered products and services that are traceable to an expansion in the pool of current investors. There is a prospective environment of nearly five million households with assets of between €10k and €100k, who currently do not have financial investments, but who have proven to be interested in streamlining their asset allocation, reducing the proportion of their cash assets in favour of financial products with planning, pension, and capital growth objectives. A revision of household asset allocation in this direction would permit streamlining of financial resources and would represent a new source of business for the offering of products and services.

ASSET ALLOCATION	TOTAL HOUSEHOLDS		INVESTORS	
	CURRENT	TARGET	CURRENT	TARGET
Liquidity and non-life insurance policies	84%	61%	49%	41%
Planning and social security	9%	20%	25%	30%
Growth	6%	14%	23%	23%
Speculation	1%	5%	3%	6%

Liquidity = cash on current accounts and deposits.  
 Planning = Government securities, Postal Savings Certificates, Life insurance policies, Pension Funds/PIP.  
 Growth = Bonds, Managed.  
 Speculation = equities

Source: Multifinanziaria Retail Market GfK.

## NETWORK SERVICES

### MAIN OBJECTIVES FOR 2017

### ACTIONS AND RESULTS ACHIEVED

#### ONLINE SERVICES

The Group intends to continue:

- developing our payment systems' identification and security infrastructure to ensure compliance with forthcoming regulations and integrate online services in our business model.
- extending our Online Statements and Reporting system.

The first releases were made in 2017, in compliance with the regulatory requirements imposed with the Payment Services Directive (PSD2) applying to payment systems (e.g. foreign credit transfers, urgent transfers) and with MiFID 2 concerning disclosures to customers.

The online channel has also been integrated more with the service model, especially for the transactions of legal entities.

The service has grown for our Online Statements and Reporting system, with the active Statements and Reports for Advisory Services and Products contracts doubling since 2016, and the active Bank Statements and Securities Reports contracts growing by more than 17% in absolute terms. These results were achieved partly through a communication campaign on the website and a simplification of the procedures for acceptance of online reporting.

#### WEBSITES

Expansion and development of website content, especially through the realisation of two websites dedicated to careers in the Fideuram and Sanpaolo Invest Networks.

During 2017 the two mini-websites "Lavora con noi" (Work with Us) for Fideuram and Sanpaolo Invest were updated with a new graphic layout and content reflecting changes within the Group.

#### ONLINE SERVICES

Internet services continued to achieve solid growth for Fideuram and Sanpaolo Invest in 2017, both in the total number of customers subscribed to the services, which was up 13% on 2016, and in the total number of transactions completed online, which was up by nearly 11%.

Fideuram and Sanpaolo Invest customers executed over 86% of their wire transfers and 88% of their orders online, recording a 9% increase on 2016. The service has grown for our Online Statements and Reporting system, with the active Statements and Reports for Advisory Services and Products contracts doubling since 2016, and the active Bank Statements and Securities Reports contracts growing by more than 17% in absolute terms.

During the year, progress was made in the promotion of secure and efficient electronic payments systems for custo-

mers and in support of the payment services offered in the e-commerce and online shopping areas. The plan to reinforce the Online Statements and Reports system for Advisory Services and Products and consolidation of the scope of the section dedicated to customer products continued. Finally, the customer profile questionnaire was introduced, even for legal entities, reinforcing and protecting the continuity of the present appropriateness model of Fideuram.

Multi-channel services continued to achieve solid growth in 2017 at Intesa Sanpaolo Private Banking, both in the total number of customers subscribed to the services, which was up around 6% compared with last year, and in the total number of transactions completed online.

Customers executed over 60% of their payment and trading transactions online, recording a 6% increase on 2016.

Finally, the steady expansion of the online reporting service continued, and is now active for over 80% of customers.

During the year, platform development activities primarily concerned the payment and investment services area, and revision of the service contract documents following introduction of PSD2 and MiFID 2.

The new mobile banking app for Windows was also released in 2017, joining the previously released iOS and Android apps.

## WEBSITES

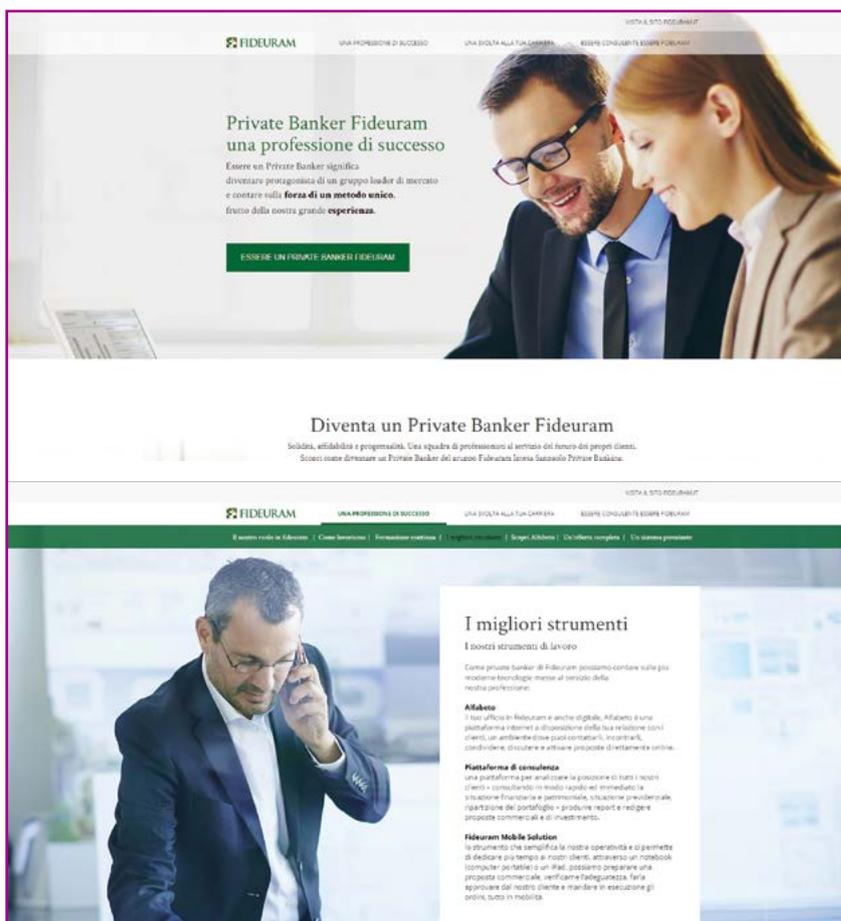
### Fideuram and Sanpaolo Invest

The internet channel has confirmed its role as supporting vehicle for institutional and product communication.

The restyling of our digital image was completed in 2017. The sections dedicated to the recruitment of new Personal Financial Advisers have been totally redesigned.

The two "Lavora con noi" (Work with Us) mini-sites for Fideuram and Sanpaolo Invest have been updated with a new graphic layout and content reflecting the changes affecting our Group over the last several years, both in terms of its market position and the services offered to our customers. This project has aimed in particular at highlighting the professional expertise and growing specialisation of our financial advisers.

In line with what has been under way for some time now, the websites have hosted communication initiatives dedicated to the presentation of our services and products. More specifically, the Piano Investimento Italia project has achieved prominence as regards its digital content and space in the Fideuram and Sanpaolo Invest websites.



## Intesa Sanpaolo Private Banking

The relationship of Intesa Sanpaolo Private Banking with its customers remains a core element of its service model, based on an in-depth understanding of its customers and the ability to meet their needs, which are the principal reasons for its leadership.

The new Intesa Sanpaolo Private Banking website, which has been online since the end of 2016, has been completed during the year both in terms of design and content. Individuals are and will in future be the key to the entire project, and will continue to play a primary role both in the selection of images and in the definition of style and content.

In terms of design, the English language version of the website has been online since March, and is accessible from all pages of the menu through the language switch function.

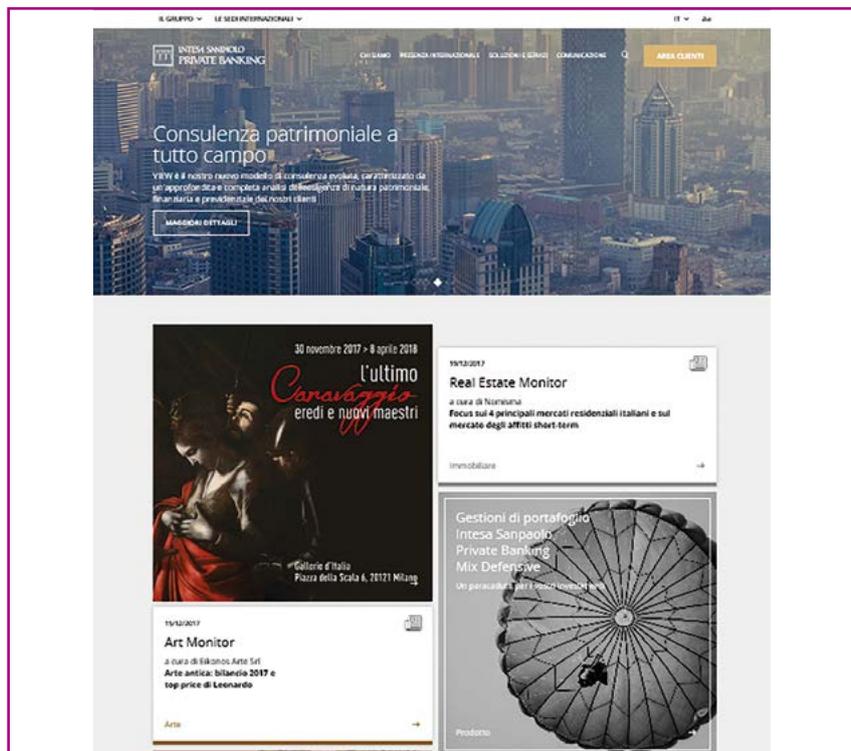
Considering the reason behind the website restyling project, consisting in the creation of greater proximity and greater interaction with customers and prospects, achievement of the objective is confirmed by the numbers: over 580 thousand users have visited the website over the year, with about 2.1 million sessions and over 3.6 million page displays.

The home page was improved during the year with the development of a rich editorial section. On the one hand, it supported the launch of new products and, on the other hand, defined and consolidated the formats dedicated to non-financial issues, connected with topics directly related to wealth management.

In particular, during the month of April, the site supported the launch of two new managed asset lines offered by Intesa Sanpaolo Private Banking,

Mix Defensive and Mix Sustainable, and of the Piano Investimento Italia PIR project by Fideuram Investimenti. The editorial section has been improved through the publication of eight editions of Real Estate Monitor, updates on the real estate market by Nomisma, and nine editions of Art Monitor, a format presenting art advisory topics.

Lastly, the new responsive design has also encouraged the enjoyment of content through smartphones and tablets.



## MAIN IMPROVEMENT OBJECTIVES FOR 2018

### NETWORK SERVICES

#### Online services

In 2018 the Group intends to continue developing its customer services by adopting an innovative system for generation of the O-Key code through smartphones for the use of Online Services. This system will gradually replace the present device consisting of a physical O-Key. Moreover, new procedures will be introduced for delivering the PIN code to customers. In addition, Intesa Sanpaolo Private Banking wishes to move forward on the continuous evolution of its own multi-channel services, dedicating special attention to revision of the authentication and security procedures for payment and investment orders.

#### Website

Many initiatives are planned for 2018, and in particular the realisation of an English language version of the website dedicated to the Group, a growing commitment in digital communication dedicated to Alfabeto, its potential and its developments, and updating and development of the editorial content and product content on the Intesa Sanpaolo Private Banking website.

## BELOW-THE-LINE COMMUNICATIONS

Our below-the-line communications supporting the development of the Group's product range in the year continued, as in prior years, to follow the "sguardi" ("looks") approach which has been consolidated over the years and is now recognised as a distinctive feature of our direct and transparent product communications, based on close personal relations between our Personal Financial Advisers and customers. The updating of below-the-line materials continued in 2017 supporting the evolution of the product lines. In particular, new product brochures were realised upon launch of the **Piano Investimento Italia** (PIR) project, the new multi-class policy offered by Fideuram Vita, Fideuram Sintonia, and the new product named **FAI Private Markets Insight Fund**, which is the second alternative investment fund of Fideuram Investimenti, which follows Fai Private Debt Special Opportunities launched in the previous year.

Outside the "sguardi" umbrella, we prepared leaflets providing customers with a clear and simple overview of how **Fideuram Step-IN** operates, offering a new way of gradually investing in the markets, with the new **Core Beta 50** line of Fideuram Vita Insieme.

During 2017, Intesa Sanpaolo Private Banking maintained its commitment to offering customers clear, transparent and complete information. The activities affected every aspect of the institutional material and product documentation, with the purpose of describing the products and services offered to the various customer targets.

Updates were then prepared for the **institutional presentations** and the **presentation of Wealth Management**, the service model dedicated to HNW customers.

Consistently with the graphic format already chosen for the Synthesis policy, **commercial information sheets** were created for customers, describing several of the main products launched during the year, and specifically related to:

- Selezione Private (Intesa Sanpaolo Life).
- Piano Investimento Italia (Fideuram Investimenti).

These sheets provide key information about the principal characteristics of the described products, supporting their comparability through a consolidated and replicable structure for content development.



## INTERNAL COMMUNICATION

The presence of Intesa Sanpaolo Private Banking in Mosaico, the Intesa Sanpaolo Group online magazine, was consolidated in 2017.

In line with the Bank's commitment to spreading awareness of the private banking market and the service model adopted to satisfy the needs of customers in that market, several articles were published including:

- "Il Private Banking nel mondo" (Private Banking in the World), which describes key market trends as observed by the Boston Consulting Group and Associazione Italiana Private Banking.
- "Intesa Sanpaolo Private Banking vicina all'arte e alle sue eccellenze" (Intesa Sanpaolo Private Banking supports art and its best achievements), reporting on the Bank's participation in one of the most important art fairs in Italy, an initiative connected with the art advisory services offered to Private Banking and HNWI customers as part of comprehensive wealth management.

18/1/2018 giovedì 18 gennaio 2018

Il Private Banking in Italia e nel mondo

# mosaico

gruppo persone territori culture

[venerdì 04 dicembre 2017]

## Il Private Banking in Italia e nel mondo

AIPB ha organizzato a Milano il XIII Forum del Private Banking, appuntamento annuale degli operatori del settore per valutare l'attualità e disegnare le prospettive di un mondo in crescita

### AIPB

#### XIII PRIVATE BANKING FORUM

AIPB, Associazione Italiana Private Banking, riunisce i principali operatori, oltre a università e centri di ricerca, studi legali e professionali, per promuovere la cultura del Private Banking e valorizzare, con attività istituzionali e formative, il servizio offerto a individui e famiglie.

Durante il recente Forum sono state analizzate le esperienze del comparto in Italia e nel mondo, per cogliere le best practice internazionali e guidare correttamente le evoluzioni future. Fattore distintivo: la collaborazione di AIPB con The Boston Consulting Group, BCG, per realizzare un Osservatorio Internazionale con il quale proseguire al meglio questo percorso.

Il Private Banking, orientato a famiglie e individui con patrimoni significativi ed esigenze complesse di investimento, mette a disposizione di questa clientela competenze qualificate, una gamma di servizi personalizzati e strutture organizzative dedicate.

Senza dubbio è uno dei settori più attrattivi nel panorama bancario italiano e internazionale, forte dei risultati raggiunti e premiato dai trend di crescita.

Dal dibattito è emerso innanzitutto che l'industria italiana del Private Banking ha raggiunto un buon grado di maturità, con una costante crescita e un'elevata penetrazione nella gestione dei patrimoni delle famiglie italiane più abbienti. Il settore - che oggi gestisce quasi 800 miliardi di euro - ha un peso rilevante nell'ambito più generale dell'industria del risparmio.

Inoltre, riesce a offrire rendimenti soddisfacenti alla propria clientela e, al contempo, a favorire un investimento sempre più dinamico a sostegno dello sviluppo economico del Paese.

A seguire, l'analisi dei modelli internazionali di Private Banking ha consentito un confronto strutturato tra la realtà italiana e le principali esperienze nel mondo, con approfondimenti su tipologia di clientela, modello di servizio e gamma di prodotti, figura professionale del private banker, impatto della tecnologia.

Anche se ciascun mercato conserva le proprie peculiarità storiche, culturali e socio-demografiche, il confronto internazionale può fornire utili spunti di riflessione sull'evoluzione del nostro modello attuale.

Fonte: Working Paper "Il Private Banking nel mondo", BCG-AIPB, novembre 2017

**I trend dello scenario competitivo**

Lo scenario competitivo del Private Banking è molto dinamico, con due trend strutturali di spicco:

- la concentrazione della clientela nei

**Le ipotesi di lavoro per lo sviluppo**

Le conclusioni del Forum sottolineano che il settore italiano del Private Banking appare solido, profittevole e con ottime prospettive.

1/2

La mappa della ricchezza del mondo

La ricchezza finanziaria privata nel mondo si valuta pari a 147.000 miliardi di dollari ed è concentrata in tre regioni principali, di simili dimensioni: Nord America, Europa Occidentale e Asia-Pacifico. L'Asia-Pacifico è la regione in maggior sviluppo e si prevede che, entro il 2021, la sua ricchezza privata arriverà a superare quella del Nord America.

Il tasso di crescita atteso in Europa Occidentale è minore e pertanto l'area avrà dimensioni inferiori rispetto alle altre. Nonostante ciò, l'Europa Occidentale rappresenterà ancora circa il 30% della ricchezza finanziaria privata nel 2021.

1/2

Per saperne di più

Sezione Intranet Divisione Private Banking  
Associazione Italiana Private Banking

18/1/2018 giovedì 18 gennaio 2018

Intesa Sanpaolo Private Banking vicina all'arte e alle sue eccellenze

# mosaico

gruppo persone territori culture

[martedì 31 gennaio 2017]

## Intesa Sanpaolo Private Banking vicina all'arte e alle sue eccellenze

La banca private del Gruppo Intesa Sanpaolo torna ad "Arte Fiera 2017", 41ª edizione del rassegna internazionale di arte moderna e contemporanea

Intesa Sanpaolo Private Banking è stata collector programme partner di "Arte Fiera 2017", che si è svolta a Bologna dal 27 al 30 gennaio, e nella lounge dedicata ha accolto i collezionisti più esigenti e attenti alle nuove espressioni artistiche.

Quest'anno, lo stand Intesa Sanpaolo Private Banking è stato impreziosito da alcuni pezzi unici della vetreria artistica Venini di Murano, protagonista d'eccezione del design italiano e internazionale.

All'evento di inaugurazione dello spazio Intesa Sanpaolo Private Banking, organizzato il giorno prima dell'apertura della Fiera, hanno partecipato Angela Vettese, nuovo direttore artistico di Arte Fiera, e anche i vertici della Divisione Private Banking con la presenza di Paolo Molesini. Visite guidate sono state via via riservate ai clienti private.

Il direttore generale di Intesa Sanpaolo Private Banking, Saverio Perissinotto, illustra il senso di questa partecipazione nella mission della banca che guida: "Intesa Sanpaolo Private Banking è specializzata nell'offerta di servizi finanziari alla clientela di più elevato standing e propone soluzioni complete e innovative di asset management per la gestione del patrimonio in tutte le sue articolazioni. In questa particolare occasione mette i propri professionisti a disposizione dei visitatori e della clientela, per presentare le più vantaggiose soluzioni finanziarie dedicate ai collezionisti".

"In Intesa Sanpaolo Private Banking offriamo servizi alla clientela anche nel settore artistico" - ci spiega Cristiana Fiesini, responsabile Supporto rete, comunicazione ed eventi della banca private - "Tramite l'Art Advisory i nostri clienti possono ottenere consulenza e gestione per un'opera d'arte o un'intera collezione. Questo grazie alla partnership con Eikonos Arte, che con i suoi esperti può indirizzare i collezionisti verso i settori con le maggiori potenzialità del mercato, tanto nell'ambito dell'arte antica, quanto di quella moderna e contemporanea. Le competenze a disposizione della clientela comprendono: l'analisi dello stato di conservazione, stime, perizie, analisi storico-artistiche, studi economici e finanziari, supporto di professionisti indipendenti, guida all'acquisto e alla vendita di opere".

Una scelta - quella netta e consolidata nel tempo di Intesa Sanpaolo Private Banking a favore dell'ambito culturale, confermata anche quest'anno con la presenza ad una delle manifestazioni più

<https://mosaico.intesasanpaolo.com/LBI/Pages/Private-banking-vicino-all'arte.aspx>

1/2

# €41.9<sub>bn</sub>

Client Assets by  
Fideuram Asset Management  
(Ireland)

## OPERATIONS OUTSIDE ITALY

**Fideuram Asset Management (Ireland) dac** continued to act as manager of the Fideuram Group's collective investment products in 2017 (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 products offered by Fideuram Asset Management (Ireland) totalled €41.9bn at 31 December 2017, in line with the total at 31 December 2016. With Client Assets holding constant from the previous year, externally managed products have grown (+€3.6bn on 2016).

In April 2016, the Board of Directors of Fideuram Asset Management (Ireland) approved the plan to open a company branch in London pursuant to Article 17 of the UCITS Directive in order to perform collective management of the Luxembourg funds, and initially for four sub-funds of Fonditalia. After the application to the Central Bank of Ireland was completed, the authorisation was issued by the Central Bank and the branch was subsequently authorised on 5 January 2017. The branch began activity in April 2017 by managing a collective portfolio for the four existing Fonditalia sub-funds and, beginning on 1 November 2017, several AILIS SICAV funds. The total managed assets in these segments amounted to about €4.3bn at 31 December 2017.

**Fideuram Bank (Luxembourg) S.A.** plays a key 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. 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.

Lastly, the bank also provides technological and organisational support in the form of IT and administrative services for a number of its affiliated companies in other countries.

# CHF 1.495<sub>m</sub>

Client Assets  
Intesa Sanpaolo Private Bank  
(Suisse)

**Intesa Sanpaolo Private Bank (Suisse) S.A.** is a Swiss bank specialising in investment services for private individuals. Its head office is in Lugano and its Client Assets totalled CHF1.495m (€1.277m) at 31 December 2017. The increase in Client Assets following implementation of the Bank growth plan confirms the commitment of Intesa Sanpaolo Private Bank (Suisse) to managed assets, which represent over 50% of Client Assets.

The project to develop the Division's presence outside Italy identified a strategic opportunity in the acquisition of the Morval Vonwiller Group's holding company, headquartered in Switzerland, which operates internationally in the private banking and wealth management sectors. This transaction calls for:

- the acquisition of about 95% of the capital of Morval Vonwiller;
- the simultaneous sale by Morval, at the same conditions agreed with Fideuram, of treasury shares carried on its balance sheet to the management team, up to a maximum of 5% of the share capital.

The presence of the Morval Vonwiller Group in Geneva will allow the Private Banking Division further to expand its scope of international activity. Completion of the transaction is conditioned on the issuance of authorisations by the delegated authorities. It is expected that that authorisation process might be completed by the end of the first quarter of 2018.

# €2.5<sub>bn</sub>

Securities holdings of  
Financière Fideuram

Part of the Group's treasury and finance activities are performed in France. These activities are conducted by the subsidiary **Financière Fideuram S.A.**, which had securities holdings of approximately €2.5bn at 31 December 2017 (€ 2.4bn at year-end 2016).

**Qingdao Yitsai Wealth Management Ltd** (“Italian Talent”) is a wealth management company headquartered in China which distributes financial products to high-profile customers. The company is wholly-owned by Intesa Sanpaolo Group entities (25% Fideuram, 20% Eurizon Capital and 55% Intesa Sanpaolo) and was established to tap into the opportunities of the wealth management market in China, a country with high economic growth, a flourishing financial services market and sustained growth in the High Net Worth Individual segment that is expected to continue in the future.

At 31 December 2017 the Client Assets at the **London Branch of Intesa Sanpaolo Private Banking** totalled €230m. The Branch currently provides the following services: banking products and services, investment services (advisory / execution, bond and equity portfolio management lines, mixed portfolio management lines) and professional advisory services (collectible art, legal, tax, real estate, trust, concierge and relocation services).

€230<sub>m</sub>

Client Assets

London Branch of Intesa Sanpaolo Private Banking

Fideuram Asset Management (Ireland) dac



London Branch of Intesa Sanpaolo Private Banking



Fideuram Bank (Luxembourg) S.A.



Qingdao Yitsai Wealth Management Ltd

## ORGANISATION AND SYSTEMS MANAGEMENT

### ORGANISATION AND SECURITY

The Organisation Department is responsible for directing the development of the organisational model of Fideuram and its subsidiaries with respect to organisational units, sizing and processes, working with colleagues outside the department to ensure, inter alia, that project plans are respected and monitored, full information is relayed to top management and the departments concerned, and that any cross-project impacts are managed effectively.

In line with the strategic objectives of the Intesa Sanpaolo Group's 2014-2017 Business Plan, the Organisation Department has been engaged in many business and legislation-related planning initiatives, constantly monitoring the progress and production of the related deliverables and intervening with the units responsible at the onset of any critical issues, facilitating communication and collaboration between the different work groups.

The main initiatives managed in 2017 were as follows:

#### 1. Regulatory projects

- completion of the "MiFID 2" project for the Division;
- the Payment Service Directive (PSD2), IFRS 9, and the FATCA/CRS tax regulations;
- activation of the Brexit project for management of the impact on the Division companies/branches;
- integration and reinforcement of the Anti-Money Laundering and Compliance monitoring model for the Division.

#### 2. Corporate projects

- launch of the merger of the Group fiduciary companies (Fideuram Fiduciaria and Sirefid) with the new fiduciary company SIREF;
- monitoring of the growth project of Intesa Sanpaolo Private Bank (Suisse) S.A.

#### 3. Management projects

- activation of the project regarding the New Master File for the Intesa Sanpaolo Group (Nuova Anagrafe del Gruppo Intesa Sanpaolo);
- integration of all Italian companies in the Division with the Intesa Sanpaolo Group human resources

management and administration system;

- launch of the project to migrate to target management of logical security.

#### 4. Commercial projects

- development of the VIEW Advanced Advisory Service for Intesa Sanpaolo Private Banking customers;
- reinforcement of the Intesa Sanpaolo Private Banking High Net Worth Individuals Organisational Model;
- development of the products and services offered and of the infrastructure at the London Branch of Intesa Sanpaolo Private Banking, also in view of the introduction of MiFID 2;
- development of the new aggregated reporting service WM Report provided to the High Net Worth Individual customers of Intesa Sanpaolo Private Banking.

#### 5. Technological innovation projects

- launch of the Accounting Factory project, to redesign the target architecture for the preparation of financial statements and regulatory reports;
- launch of the project to re-engineer the Accounting Information System (S.In.Co.) following a web-based approach;
- launch of initiatives to strengthen technological innovation at Intesa Sanpaolo Private Banking (e.g. the distribution of tablets for biometric signatures).

The Organisation Department also oversees the development and maintenance of the Group's internal regulations, consisting of Governance Documents which govern the running of the Group (Articles of Association, Code of Ethical Conduct, Group Regulations, Authority and Powers, Guidelines, Department Charts and Organisation Charts), and operational regulations which govern its corporate processes, single activities and related controls (Rules, Operating Guides and Communications to the Personal Financial Adviser Networks). In this regard, the project to adopt an integrated management system of Company Regulations was launched in 2017. This will allow the Organisation Department to coordinate the activity of all subsidiaries on the one hand, and

to reconcile the Company Regulations of the Private Banking Division with those issued by Intesa Sanpaolo on the other hand.

In regard to compliance with the data protection requirements imposed by Legislative Decree 196/2003 (Personal Data Protection Code), the Organisation Department performed its ordinary operational and management supervision during the year, providing advice and support to the internal units of the Bank and its subsidiaries.

Planning began during the last part of the year in view of the upcoming introduction of the "General Data Protection Regulation", also known as the European Privacy Regulation, which will come into force in all Member States of the European Union on 25 May 2018.

Acting through its internal Business Continuity and Privacy unit, the Organisation Department performed, as a delegated department, updates on the Sector Business Continuity Plan of Fideuram – Intesa Sanpaolo Private Banking, presenting the relevant information flows to the Corporate Bodies in July.

As a delegated department, the Organisation Department is responsible for the operational coordination of the activities assigned to the Contact Person for the Private Banking Division's Sector Business Continuity Plan, interfacing with the Intesa Sanpaolo Group Business Continuity unit and the subsidiaries of the Private Banking Division.

During the year, this saw the department perform all the Business Continuity management activities provided for in the Intesa Sanpaolo Group Organisational Model for Crisis Management and Business Continuity Plan Rules.

Lastly, the work performed by the Organisation Department in managing the service contracts governing the activities outsourced to Intesa Sanpaolo and Intesa Sanpaolo Group Services saw the department coordinate the service level monitoring carried out by the Contact Persons concerned in the form of regular audits of the Key Performance Indicators (KPIs) for the services provided. During this work, a number of improvements were identified to align the KPIs to operational developments.

## INFORMATION SYSTEMS AND OPERATIONS

Among the tools for growth used by the Fideuram Group, technological innovation provides ever more effective support to development of the business and service models. The Personal Financial Advisers and the key role they play in customer relations remain at the centre of technological evolution.

The Information Systems and Operations Department managed a total of 60 development projects to brief and deadline in the year with a total investment of approximately €40m.

In view of fully exploiting the opportunities offered by the new technologies, system development and streamlining activities have concentrated on two areas

- Activities in support of business;
- Projects to develop and streamline the architecture and efficiency of our operating processes.

The most significant projects in the former area were as follows:

- **Alfabeto Fideuram:** this has been upgraded with new, ever-more innovative functions for mobile use, including the Personal Financial Adviser showcase on smartphones, the signature on the MiFID questionnaire in digital office, the Alpha-ID signature with fingerprint and the new FMA (Fideuram Mobile Assistant).
- **Expansion of Product range:** 13 changes were made. The most significant of these include: the new PIR funds, the new Fideuram Vita Sintonia protected multi-class policy, the new FAI - Private Markets Insight Fund, completion of the GP Omnia offering with two new Delta lines, and completion of the Fonditalia offering with four new sub-funds.
- **New Advanced Advisory Platform:** more additions and revisions have been made to improve the user experience of the system with responsive technology that allows it to be used even on mobile devices. Other added functions include the product information sheets that permit vertical comparison of all products available in the customer's portfolio.
- **Systems supporting Private Wealth Management:** with the GWR (Global Wealth Report), the first components of the information systems

supporting the Private Wealth Management (PWM) unit have been released for management of the advisory services for the Private Banking customer clusters.

- **GATE for High Net Worth Individual customers (HNWI):** GATE has been released. This is the new management platform for the Intesa Sanpaolo Private Banking Network High Net Worth Individuals service model, handling Integrated customer analysis, Action plan development and monitoring and Opportunity Management.
- **WM Report:** the new WM Report service has been developed and launched in a pilot Personal Financial Advisers version for aggregated reporting on customers in the Intesa Sanpaolo Private Banking Network.
- **Evolution of VIEW (Value Investing Evolution Wealth):** the Advanced Advisory Service for Intesa Sanpaolo Private Banking customers has been upgraded with improved navigation capabilities and usability and with new functions for managing real estate assets.

The following projects have been completed in continuity and consistently with activities over the last two years, as part of a broader process for architectural transformation aimed at complete integration of the Private Banking Division:

- **WELCOME:** the new app for iPad has been released for onboarding customers in a fully digital mode with biometric signature. The new application makes it possible to open a new current account, sign an advisory agreement (either basic or advanced), fill out the MiFID profile form, and fulfil other obligations in paperless form.
- **Consolidation of Fideuram Mobile Solution:** in addition to the completion of several functions (such as extension of the functions to Decentralised Purchase of Securities so as to facilitate the work of Personal Financial Advisers) and activation of the new products launched during the year, the Operating Platform has been further stabilised, with its scalability and speed of use having been increased. One of the core components of this operation has been the porting of the documental management system on the Documentum software.
- **Compliance Management:** the new application has been released for the Personal Financial Advisers of the

Fideuram and Sanpaolo Invest Networks, which permit tracking via QR-code of the mailing of paper documents, guaranteeing that it is properly filed and reducing the risk of loss.

- **NAG (Nuova Anagrafe di Gruppo – New Master File for the Intesa Sanpaolo Group):** the project to centralise customer information at Intesa Sanpaolo was launched. The project will be completed in the second half of 2018.

The Operations unit played an active role in different projects, testing many new or restyled product solutions and major applications (SEI, the Operating Platform and Alfabeto), while also coordinating specific implementation initiatives, including the Customer Onboarding Project and the New Master File for the Intesa Sanpaolo Group. Moreover, the launch of the Welcome app for onboarding customers throughout the network attracted wide interest. This app was the result of a lean project and became a highly appreciated success story on the Networks due to its instinctive ease of use.

A process was launched in the year to integrate the operating services and resources of Fideuram and Intesa Sanpaolo Private Banking in order to provide a single Private Banking Division service centre. Several activities have already been standardised in this regard, such as the management of foreign operations and the centralised branch for the Networks.

## AUTOMATION AND SIMPLIFICATION OF OPERATING PROCESSES

A change management process was launched during the year, in which all resources were asked to assess the activities they perform, identifying those components which involve simple execution, involving the digitisation and redesign of processes. This project makes it possible to dedicate the best professional expertise to supporting the Networks and satisfying the continuous demand for assistance with qualified advisory services, and analysis and resolution of less frequent cases. Consequently, the capacity to launch major projects for efficiency improvements has been developed, while simultaneously permitting improvements

in the level of service. In many of these projects, the human resources of the Operations unit hold positions of responsibility, and perform analyses and certification of solutions.

To pursue all these objectives, during the last few years in-house and outsourced training activities have been expanded. As a part of these activities, an Operational Excellence Academy was launched and consolidated during the year. The Lean Banking & Six Sigma certifications were awarded in the presence of top management. In addition to the new Green Belt certifications, several colleagues obtained the Black Belt certification (i.e. the next level of certification) during the year. As part of the training process, different project lines pertaining to a single master programme named "Go Paperless" were organised and analysed. This project aims to create an integrated and single vision of the different initiatives that directly or indirectly impact paperless issues, identify new initiatives, and propose actions that better qualify the overall position of the company on this important matter.

In relation to Governance, the Operating Strategies unit completed introduction of an ICT Demand Management System, which permitted effective support for the management of major ICT investments dedicated to business growth. Introduction of the tool has also made it possible to improve the efficiency of internal management processes, providing adequate support for

the need to choose priority initiatives with care, as justified by a careful cost/benefit analysis, to be realised in a highly articulated and complex context.

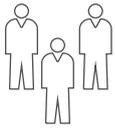
To manage a growing set of projects, further improvements have been made to the complex Project Management tools supporting the Projects Committee (bimonthly), the Management Committee (monthly) dedicated to strategic projects of the Division, and the Investments Committee (quarterly) of Intesa Sanpaolo, committed to identifying Group synergies and reviewing investments and architectural choices.

Against the backdrop of growing complexity and intense focus on costs, thanks to careful and timely budget management, renegotiation of certain outsourcing contracts and application management, it has also been possible to manage efficiency improvement and architecture revision projects initially not covered by the budget.

A process to revise the sourcing strategy was also launched, aimed at creating expertise in specific application areas by several outsourcers in view of more effective management of calls for tenders to develop software. Revision of the strategy requires that the application management contracts formalise an operating and remuneration model for acceptance of software developed by third parties and the introduction of strict SLA clauses and management of the transition period.

The contact volumes reported by the Contact Centre dedicated to requests for assistance by the Networks have increased from the previous year. The Contact Centre supported the Personal Financial Advisers with all changes in tools (onboarding, biometric signature, new Unified Advisory Platform, etc.), regulatory compliance (FATCA/CRS, compounding of interest, etc.) and products (launch of individual savings plans, etc.). The support provided to the Networks was once again highly appreciated during the year, achieving a very large number of positive assessments by our Personal Financial Advisers in their annual perceived quality survey.

All the Audit and Financial Management Governance controls carried out on the Information Systems and Operating Services areas during the year confirmed that appropriate operational risk management was being implemented, enabling operational losses to be kept at entirely negligible levels.



## 4.7.4 Human Capital

Human capital includes the skills, abilities and knowledge of the employees and financial advisers who work within the Group.

### PERSONAL FINANCIAL ADVISERS

	2017	2016	2015
Fideuram Network - Ratio of customers to Personal Financial Advisers	151:1	148:1	144:1
Sanpaolo Invest Network - Ratio of customers to Personal Financial Advisers	103:1	98:1	95:1
Intesa Sanpaolo Private Banking Network - Ratio of customers to Personal Financial Advisers	41:1	43:1	43:1
Ratio of Client Assets to Personal Financial Advisers (€m)	36	34	32

#### MAIN OBJECTIVES FOR 2017

The Group intends to continue, with renewed focus, on the recruitment of high-profile professionals as the necessary and indispensable requirement for growth, focusing action on high-profile sales and professional candidates coming from the banking sector or from other networks.

Ongoing support for the continuing professional development of deserving young professionals who, through dedicated training courses, are provided with the development opportunity to transition from business support to playing a sales role with high added value.

#### ACTIONS AND RESULTS ACHIEVED

The constant attention paid to the quality and consolidation of the high-profile sales force allowed the objectives for the year 2017 to be achieved. New sales resources, net of those leaving, stood at 102, reaching a total sales workforce of 5,950.

The volume growth of the Personal Financial Adviser Networks was achieved through recruitment activities focused above all on banking sector professionals with outstanding potential. Significantly, the Fideuram Group recruited 393 Personal Financial Advisers in 2017, achieving higher per-capita inflows than their predecessors in previous years, testifying to the increased quality of the individuals recruited.

Also on the subject of recruitment, special attention was paid to stepping up the training activity for Network Managers, dedicated to developing and reinforcing expertise in methods, techniques and recruitment tools.

The professional development plan for deserving and capable young professionals definitely contributed to the company's key willingness to enhance professional skills to be used in support of the business and in particular to financial services aimed at customers who are becoming increasingly attentive and demanding.

*Continued overleaf >>*

>> *Continued from previous page*

## MAIN OBJECTIVES FOR 2017

Continuation of the Alfabeto developments with:

- release of an application for the digital acquisition of new customers, and launch of marketing initiatives to support this;
- enhancement of the platform for recruiting Personal Financial Advisers, enriching candidate interactions and the Network Managers' showcase web pages;
- further development of the tools supporting digital advisory services.

## ACTIONS AND RESULTS ACHIEVED

Several actions were carried out during the year on Alfabeto. In particular there was a project to enhance cooperation with the world of social networks and support in establishing a communication strategy of the brand identity of the Personal Financial Advisers with activation of a web marketing campaign to support the acquisition of new customers. A new page was created, dedicated to the search for network managers, and the signing of documents by customers was simplified with the introduction of a new fully electronic method available on the app. Preparation of statistics on access by customers and visitors.

Consolidation of the search and selection of potential candidates focused on young people with high potential to strengthen the network of advisers and facilitate succession management, using dedicated initiatives including the relaunch of the "Essere Fideuram, Essere Consulente" (Being Fideuram, Being a Financial Adviser) project (renamed "New talent").

During the year, the training initiative continued involving the introduction into the profession of talented young people who want to pursue a career as a Financial Adviser. In 2017, 75 young people were introduced into the Fideuram Network and 24 into the Sanpaolo Invest network.

## SIZE OF NETWORKS

The Group's Networks (Fideuram, Sanpaolo Invest and Intesa Sanpaolo Private Banking Networks) totalled 5,950 Personal Financial Advisers at 31 December 2017, compared with 5,848 at the end of 2016, as shown below:

### Group Personal Financial Advisers

	BEGINNING OF PERIOD 1.1.2017	IN	OUT	NET	END OF PERIOD 31.12.2017
Rete Fideuram	3,571	222	158	64	3,635
Rete Sanpaolo Invest	1,429	101	102	(1)	1,428
Rete Intesa Sanpaolo Private Banking	848	70	31	39	887
<b>Total</b>	<b>5,848</b>	<b>393</b>	<b>291</b>	<b>102</b>	<b>5,950</b>

### Fideuram Personal Financial Advisers

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2017 - 31.12.2017	3,571	222	158	64	3,635
1.1.2016 - 31.12.2016	3,589	150	168	(18)	3,571
1.1.2015 - 31.12.2015	3,572	164	147	17	3,589

### Sanpaolo Invest Personal Financial Advisers

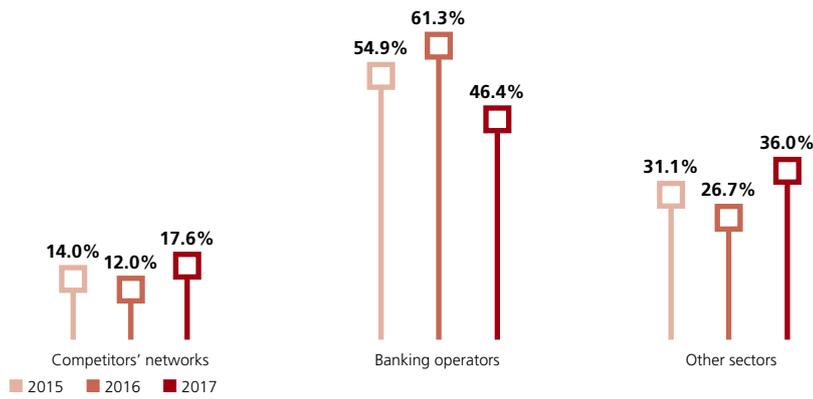
	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2017 - 31.12.2017	1,429	101	102	(1)	1,428
1.1.2016 - 31.12.2016	1,436	72	79	(7)	1,429
1.1.2015 - 31.12.2015	1,472	73	109	(36)	1,436

### Intesa Sanpaolo Private Banking Personal Financial Advisers (\*)

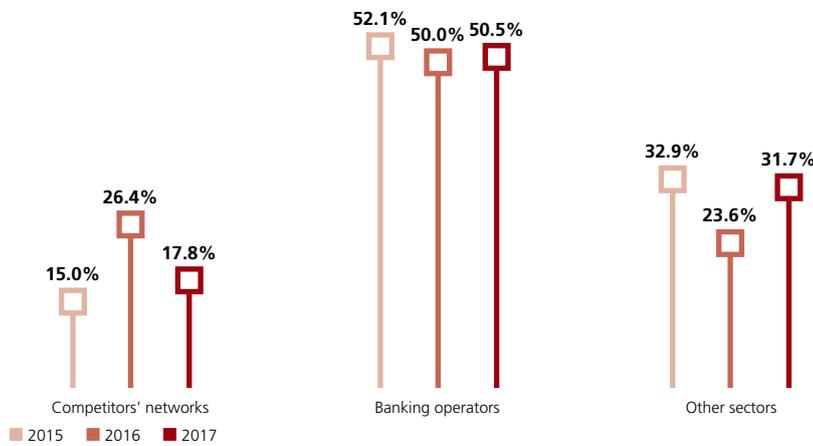
	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1.1.2017 - 31.12.2017	848	70	31	39	887
1.1.2016 - 31.12.2016	821	55	28	27	848
1.1.2015 - 31.12.2015	807	46	32	14	821

(\*) The Intesa Sanpaolo Private Banking Network currently numbers 846 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 36 freelance professionals on agency contracts, as well as 5 Personal Financial Advisers from Intesa Sanpaolo Private Bank (Suisse).

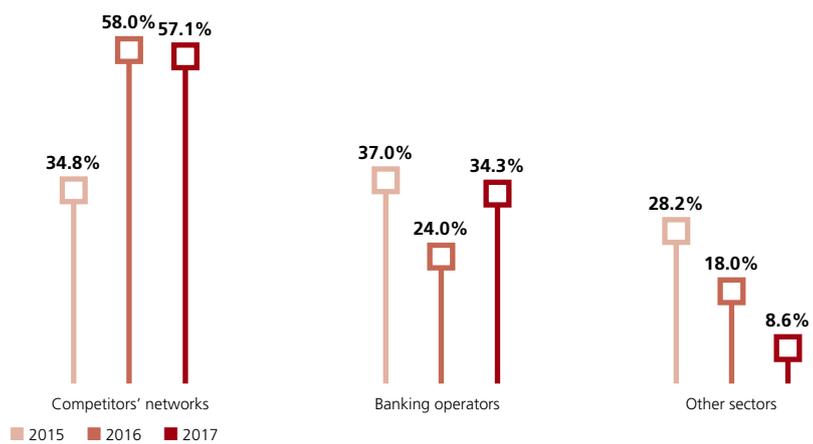
### Origin of professionals joining the Fideuram Network



### Origin of professionals joining the Sanpaolo Invest Network



### Origin of professionals joining the Intesa Sanpaolo Private Banking Network



Our recruitment programme brought 393 new Personal Financial Advisers into the Group in 2017, compared with 277 in 2016. A total of 291 Personal Financial Advisers left the Group during the year, but only 27% of them moved to competitor networks.

The recruitment programmes were conducted with the greatest rigour and professionalism by the management of the Group's three Networks, and focused on finding Personal Financial Advisers of high standing in line with the role of market leader which has always distinguished the Group.

The training and work of our Personal Financial Advisers are guided by the principles of ethics and transparency which differentiate the Group and aim, amongst 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.

The strong results achieved were also assisted by the Group's investments in innovative projects, training programmes and tools that support our advisory services.

## 2017 TURNOVER BY AGE AND GENDER

## Fideuram Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	164	5.4	142	4.7
Women	58	9.6	16	2.6
<b>Total</b>	<b>222</b>	<b>6.1</b>	<b>158</b>	<b>4.3</b>

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	65	29.0	8	3.6
30 to 50	106	9.2	37	3.2
over 50	51	2.3	113	5.0
<b>Total</b>	<b>222</b>	<b>6.1</b>	<b>158</b>	<b>4.3</b>

## Sanpaolo Invest Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	69	6.1	81	7.2
Women	32	10.6	21	7.0
<b>Total</b>	<b>101</b>	<b>7.1</b>	<b>102</b>	<b>7.1</b>

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	20	80.0	2	8.0
30 to 50	47	9.8	29	6.0
over 50	34	3.7	71	7.7
<b>Total</b>	<b>101</b>	<b>7.1</b>	<b>102</b>	<b>7.1</b>

## Intesa Sanpaolo Private Banking Network

GENDER	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Men	48	8.3	26	4.5
Women	22	7.2	5	1.6
<b>Total</b>	<b>70</b>	<b>7.9</b>	<b>31</b>	<b>3.5</b>

AGE	JOINING		LEAVING	
	NUMBER	%	NUMBER	%
Under 30	3	60.0	-	-
30 to 50	40	9.5	5	1.2
over 50	27	5.9	26	5.7
<b>Total</b>	<b>70</b>	<b>7.9</b>	<b>31</b>	<b>3.5</b>

## ORGANISATIONAL STRUCTURE

The Group has set out its Network Management Organisational Model in detail with the aim of making it increasingly effective for responding optimally to future market challenges and supporting the needs of our Personal Financial Advisers.

Proceeding in accordance with our highly-successful established Organisational Model, the Group focused on the **roles, responsibilities** and principal **activities** of the individual **management positions**.

Our management initiatives can thus be summarised in the following six main functional areas:



# FIDEURAM

## INTESA SANPAOLO PRIVATE BANKING

### GROUP MANAGEMENT AND DEVELOPMENT

Management and guidance of Personal Financial Advisers under supervision.

### NETWORK QUALITY DEVELOPMENT

Management actions focused on the direction and guidance of change processes that have a medium- to long-term strategic impact.

### VOLUME GROWTH

Growth of own group of Personal Financial Advisers in the local areas through the selection, induction and development of new professionals.

### BUSINESS GROWTH

Management actions to guide and support the qualitative and quantitative growth and development of the client assets managed by the group of Personal Financial Advisers under supervision.

### SERVICE QUALITY DEVELOPMENT

Management actions to support growth and to improve the quality of service offered.

### PROFESSIONAL DEVELOPMENT

Management actions to support the professional development of our Personal Financial Advisers through the acquisition and consolidation of distinctive skills and abilities.

The main responsibilities and duties of each individual management position in the **Fideuram** and **Sanpaolo Invest Networks** are summarised below:

## POSITION

## RESPONSIBILITIES

### AREA MANAGER

Coordinate the strategic/commercial guidance defined, in order to maximise the sustainable growth in the local area as part of the assigned Area.

Convey the strategies and the expected targets in the Area.

Share with the Managers under his/her supervision the sales activities in the local area in terms of actions, timing and priorities; transmit the company organisational methods to be implemented in the Area and check their effective execution.

Supervise and ensure the dissemination of Best Practices identified in the Area for each development area.

Periodically verify progress in different commercial development areas, discussing qualitative and quantitative results and progress of initiatives with Managers, specifying and monitoring any realignment actions necessary.

Ensure values of professionalism, propriety and appropriate business behaviour are applied across area by Personal Financial Advisers.

Communicate a return on the activities of a commercial nature carried out in the assigned Area.



From left to right:

Loris Ventura, Gabriele Roccato, Luciano Castelvero, Flavio Vanin, Roberto Albertario, Maurizio Boscarior, Sandro Evangelisti, Antonio Grandi, Giorgio Pietanesi

## POSITION

## RESPONSIBILITIES

DIVISIONAL  
MANAGER

Implement strategic/commercial guidance in order to maximise the sustainable development and support the professional growth of the Financial Advisers supervised in the assigned Area.

Monitor the quality of the customer service provided by the Personal Financial Advisers and work on its improvement.

Implement management actions for guiding and supporting the qualitative and quantitative growth and development of client assets.

Coordinate management activities supporting Personal Financial Advisers to acquire and consolidate competencies and improve distinctive modes of behaviour.

Coordinate management activities guiding and monitoring quality of service offered, along with customer perceptions of service quality.

REGIONAL  
MANAGER

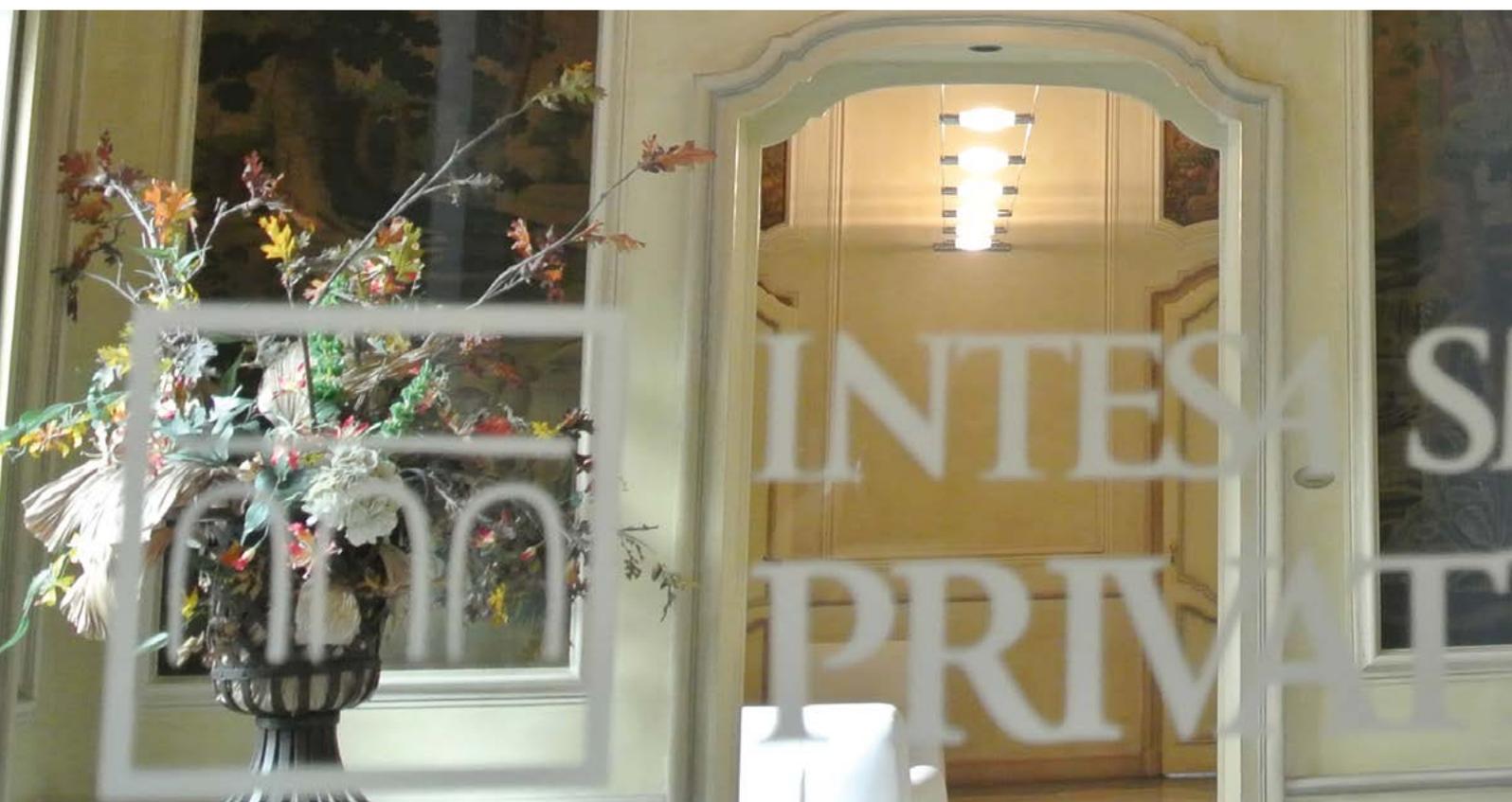
Carry out activities as the business contact of the Personal Financial Advisers, implementing the support activities aimed at maximising the development and growth of the group of Personal Financial Advisers under his/her supervision.

Implement management actions regarding the guidance and support of the group of Personal Financial Advisers supervised.

Work to expand the group of Personal Financial Advisers through recruitment, with constant and careful attention to the professional and personal quality of the recommended candidates.

Coordinates the professional growth of newly-recruited Personal Financial Advisers, providing support in the post-induction phase.

Ensure the quality of the group of Personal Financial Advisers assigned, implementing all the management actions required to manage and monitor Network change processes, checking the medium- to long-term strategic impact.



The main responsibilities and duties of each individual management position in the **Intesa Sanpaolo Private Banking network** are summarised below:

ROLE	RESPONSIBILITIES
PRIVATE BANKING AREA MANAGER	<p>Ensure business growth and the achievement of economic, business and risk management objectives in their area through monitoring and coordinating the work of the Private Banking and HNWI Branches, supporting their actions where necessary.</p> <p>Ensure strong brand affirmation.</p>
HNWI AND PRIVATE BANKING BRANCH MANAGER	<p>Represent the Bank in their area and ensure achievement of economic, business and risk management objectives in Private Banking and HNWI Branches.</p> <p>Manage their Private Banking and HNWI Branch, implementing business policies and appropriate lending procedures, and coordinating the personnel reporting to them.</p> <p>Ensure high quality in service provision and in long-term customer relations, and foster the actions required to develop existing customers and acquire new customers.</p>
GLOBAL RELATIONSHIP MANAGER	<p>Manage, develop and acquire HNWI customers, ensuring provision of outstanding service and interfacing with HNWI Management units and other Bank and Group departments to satisfy the most complex customer needs.</p>
TEAM LEADER	<p>Manage their team, implementing business policies and coordinating the personnel reporting to them.</p>

Intesa Sanpaolo Private Banking - Turin, HNWI Branch



The following tables show the 2017 data for each of the three Personal Financial Adviser Networks, analysed by rank and gender, average age and average length of service.

### Fideuram Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Managers	5	-	5	61	25
Divisional Managers	19	-	19	58	29
Regional Managers	94	3	97	56	22
Group Managers	315	21	336	54	17
Personal Financial Advisers	2,597	581	3,178	53	15
<b>Total</b>	<b>3,030</b>	<b>605</b>	<b>3,635</b>	<b>53</b>	<b>15</b>

### Sanpaolo Invest Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
Area Managers	2	-	2	59	14
Divisional Managers	9	-	9	56	21
Regional Managers	46	1	47	54	17
Group Managers	141	18	159	53	16
Personal Financial Advisers	928	283	1,211	52	11
<b>Total</b>	<b>1,126</b>	<b>302</b>	<b>1,428</b>	<b>53</b>	<b>13</b>

### Intesa Sanpaolo Private Banking Network

	MEN	WOMEN	TOTAL	AVERAGE AGE	AVERAGE LENGTH OF SERVICE
HNWI Branch managers	3	2	5	54	31
Private Banking Branch managers	80	26	106	53	27
Global Relationship Managers	8	4	12	52	27
Team Leaders	54	19	73	52	28
Executive Personal Financial Advisers	35	25	60	50	24
Personal Financial Advisers	365	228	593	48	20
Personal Financial Advisers ISPB Network	1	1	2	38	1
Freelancers on agency contracts	33	3	36	63	5
<b>Total</b>	<b>579</b>	<b>308</b>	<b>887</b>	<b>50</b>	<b>21</b>

## TEAM FIDEURAM

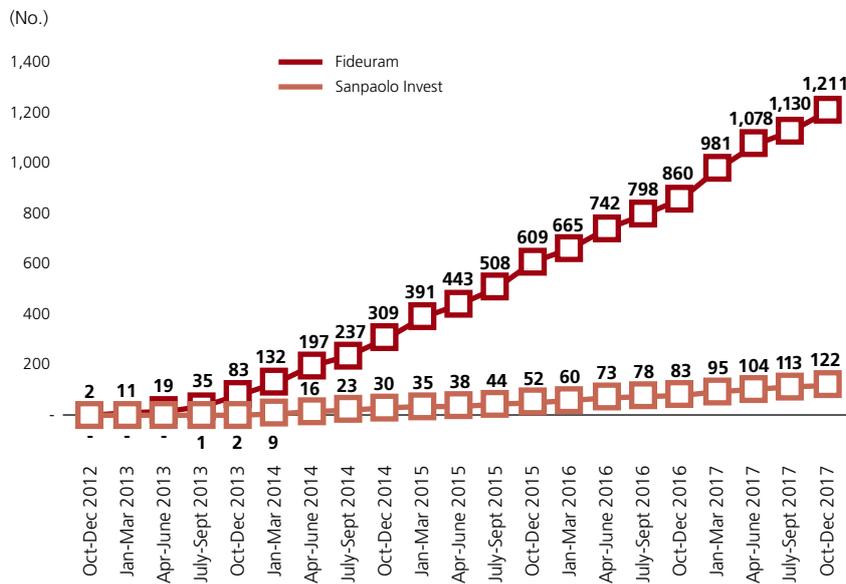
The Team Fideuram project, is an agreement between several Personal Financial Advisers - a "Team Leader" and one or more "Team Partners" - who decide to work together to increase and support their customers, each contributing their professional expertise and experience.

Four years on from its launch, 887 Personal Financial Advisers are working together in Team Fideuram (over 19% of the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks), jointly managing a total of around €7.7bn assets for over 71 thousand customers.

This constant growth, which showed a sharp acceleration in the last months of the year, confirms that Team Fideuram responds to a real need in the Networks and that its teamwork approach is the new model for the Personal Financial Adviser profession.

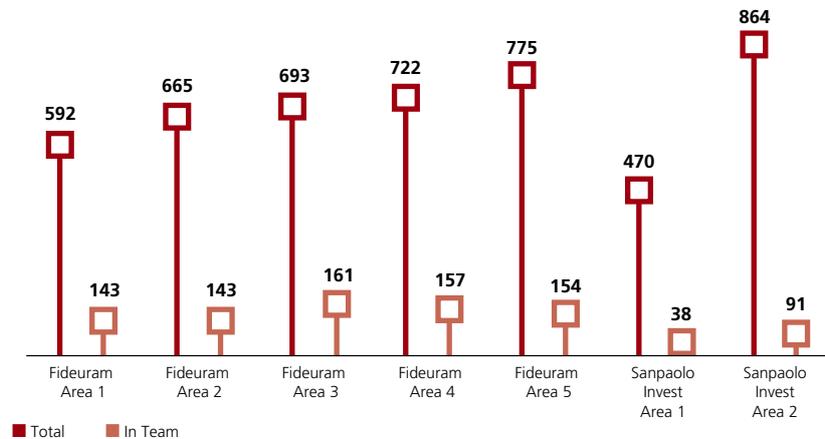
**1,333**  
agreements signed since the launch of Team Fideuram

### Number of agreements



### Team Fideuram

(No. Personal Financial Adviser)



Managers and Trainee Financial Advisers are not included in the totals.

**606**  
Team Leaders  
and

**634**  
Team Partners

involving

**887**  
Personal Financial Advisers

There may be more than one agreement between a Team Leader and Team Partner

## CONTRACTUAL RELATIONS

Relations with the Fideuram and Sanpaolo Invest Networks' Personal Financial Advisers are governed by an open-ended agency contract, without representation, based on Italy's Collective Economic Agreement for Agents in the Commerce sector. This contract stipulates the basic collective provisions for our Private Bankers and further benefits which supplement their remuneration, social security and pension provisions, principally by linking them to the achievement of annual sales targets.

At the end of 2017, the work on the preparation of the New Agency Contract – the only one for Financial Advisers of both Networks – was nearing conclusion.

The New Contract, in force for Personal Financial Advisers hired from 1 January 2018 onwards, will standardise the contractual conditions that bind Financial Advisers to their respective companies and will formally bring the wording of the contract into line with the current regulatory/legislative context as changed over time, and with the current service model that oversees the activities of the Group's sales Networks.

The Personal Financial Advisers at Intesa Sanpaolo Private Banking are direct employees of the Bank in the same way as other branch positions. A small number, however, are agents (36 at 31 December 2017) with agency contracts.



Fideuram - Milan Office

## REMUNERATION AND INCENTIVES

### Fideuram and Sanpaolo Invest

Since our Personal Financial Advisers are freelancers on agency contracts, their remuneration is variable and consists mainly of commission remitted from the principal company's income from the contracts in the Personal Financial Adviser's customer portfolio, as well as bonus payments for meeting sales targets.

The remuneration paid to the Personal Financial Advisers is made up of the following:

- a recurring component, which is the most stable and routine part of their remuneration;
- a non-recurring component which is the part taken in to account for bonus calculations, but does not in itself constitute an incentive.

The recurring component, which is linked to the size of the portfolio managed by the Personal Financial Adviser, is calculated as a predetermined percentage of the recurring and one-off gross income earned by the company in the form of the fee and commission income that customers pay on the various different products. These percentages differ depending on the type of product or service and are governed by the agency contract.

The recurring remuneration of Network Managers is made up of:

- supervision commission for coordinating and supervising a group of Personal Financial Advisers operating in a particular area of responsibility. This commission is based on the manager's specific role and calculated as the related percentage of the commission accrued by the Personal Financial Advisers under supervision;
- growth commission, for the development and volume growth of their group of Personal Financial Advisers.

In addition to this recurring remuneration, and in line with market practice, the distribution networks are rewarded

with incentives designed to guide sales activities towards the achievement of specified targets that take the Group's long-term strategies and objectives into due account so as to reward the results actually achieved, taking risk (including legal and reputational risk) into full account and prioritising proportionality criteria that promote and foster respect for high standards of conduct and care for each customer's interests.

These incentives are both monetary (bonuses) and non-monetary (e.g. annual contests which award prizes in the form of travel or convention attendance, etc.). Dedicated Regulations are provided every year, notifying the Networks of the mechanisms that will be used to incentivise them to achieve their business targets.

In line with the provisions of the Supervisory Authorities, the bonuses are:

- limited to inflows from transactions that are in accordance with the customer's suitability profile;
- subject to controls over a long-term time horizon and therefore based on maintaining effective and lasting medium-term results.

### Intesa Sanpaolo Private Banking

In order to enhance the contribution of employees and in line with the objectives of the Group's Business Plan, Intesa Sanpaolo Private Banking has activated an incentive scheme for the network staff dedicated to the management of Private Banking customers, which involves the provision of bonuses subject to the achievement of specific performance objectives, regarding sales, quality, sustainability and customer satisfaction. Altogether, the objectives relate to size growth, profitability, service quality and growth of financial assets. In this context, the amount of the bonus is based on measurable indicators defined for each objective and for which reference targets have been specified.

## NETWORK EVENTS IN 2017

The organisation of events outside the usual working environment is an essential moment in the development of a unified culture within the Fideuram Group, with the simultaneous engagement of the greatest possible number of Personal Financial Advisers, with a view to meeting and sharing some time together but also for closer examination and study, in a relaxed and pleasant setting.

### FESTA DELLA NEVE



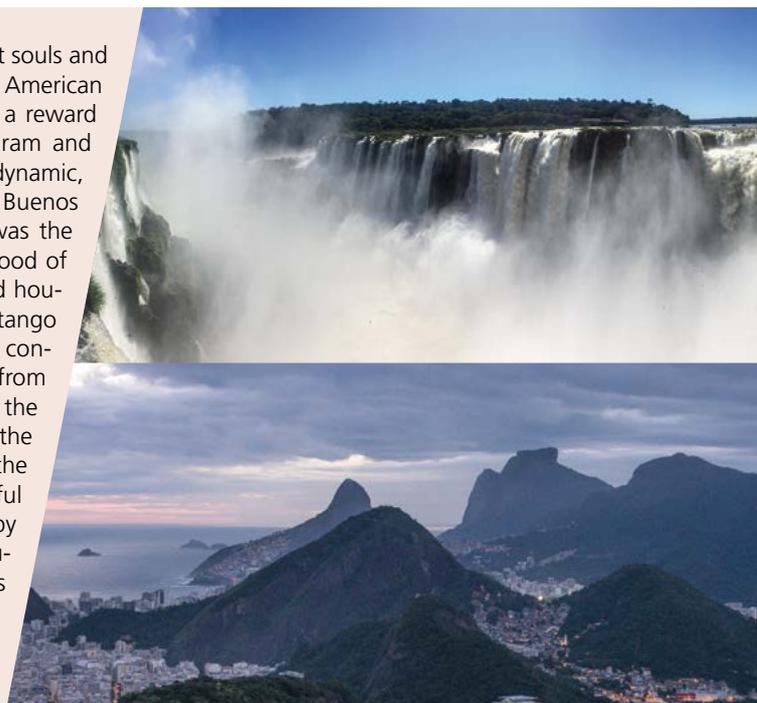
There was a record number of people taking part, in 2017, in the 18<sup>th</sup> Edition of the Gara Sociale and the seventh year of the incentive contest which has for a number of seasons further enriched the traditional sports event with an institutional component. Many competitors were there on the slopes of Bormio. The categories range from Top, to Pioneers, Amateurs, Family Members down to Juniors, to embrace all participants who want to try their hand in a competition with a strong family and festive base. The Team Parallel Slalom brought the event to a close in the afternoon with the naming of the winning area: the Snow Party continued at the Pentagono, the sports arena in Bormio, where the sports and institutional awards ceremony concluded the weekend with goodbyes until the next season.



### SUPERVIAGGIO – ARGENTINA & BRAZIL



Argentina and Brazil, two different souls and emblematic identities of South American culture, were chosen this year as a reward to the best advisers in the Fideuram and Sanpaolo Invest Networks. The dynamic, elegant and sophisticated city of Buenos Aires, with its European touch, was the first leg of the trip. The charming port neighbourhood of La Boca with its Italian origins and brightly-coloured houses, historic theatres and nostalgic rhythms of the tango that started from here, in the 19<sup>th</sup> century, on its conquest of the world. The trip then changed profile: from the Metropolitan wonders to those of nature at the unique Iguazù falls, on the border of Brazil with the unforgettable sight of the amazing play of water at the falls. Finally the view of Rio de Janeiro, the colourful beach life, music at night and the theatres, a happy people with many different identities. A special thought went to the children of one of South America's biggest *favelas*, Rocinha, where our group made a donation to a charity that works hard in the area to promote the rights and dignity of young Brazilians.



## CONVENTION – COSTA NAVARINO



The winners of the Superviaggio and their colleagues who won the Convention in the main incentive competition of the year, met up together, for the 2017 edition, to celebrate their professional achievements on the Greek coasts of the Peloponnese in the region of Messenia. Special hospitality was provided by the Romanos and Westin Resort hotels in Costa Navarino, two eco-luxury structures where the natural stone architecture is perfectly in line with the unspoilt, surrounding environment. As always sport was there to cement team spirit and the competition between the business areas, for the right balance in an event that combines the institutional elements of the Convention Day, the awards ceremony for the best Personal Financial Advisers, interesting workshops and a few in-depth training sessions, with laid-back and recreational sports competitions, where the team colours of each network intermingle with the shared cheering and enthusiasm. In addition to the well-established events of the tennis tournament, the Fideurun and beach volleyball, this year saw the first edition of the Golf Challenge Fideuram Sanpaolo Invest have its debut at one of the most prestigious 18-hole courses on the international competition circuit.



## MOTIVATIONAL EVENTS

In October a meeting was held in Greece, in Costa Navarino, with the sales Network of Intesa Sanpaolo Private Banking and with some of the leading investment companies that are partners of the Bank. The meeting was attended by 490 employees from the branches and from the management. The event was a stimulating opportunity to share experiences and insights on the markets and the Bank's strategic choices and objectives. During the meeting, called "Grandi Insieme" ("Great Together"), the Personal Financial Advisers, Directors and management personnel were able to explore the core subjects of the year, participating directly in round table discussions on the markets and in the business session the following day.



## TENNIS – 4<sup>TH</sup> MEETING IN ROME - FORO ITALICO

The Foro Italico, the temple of Italian and international competitions, hosted the 4<sup>th</sup> Fideuram and Sanpaolo Invest Tennis Meeting. It was attended by eight teams, representing all the Areas of the two Networks and a team from the Head Office for a total of 80 players. The Unranked, Open and Over 50s singles, Open doubles and Mixed doubles matches were held over the course of the three-day event, which ended with the entertaining and enjoyable gala dinner on Saturday, and the prize-giving ceremony on Sunday. The team from Fideuram Area 4 were the winners again after an engaging final with Sanpaolo Invest Area 2, while Sanpaolo Invest Area 1 won the consolation tournament. The traditional competitiveness, excellent skills and will-to-win at the Meeting were also confirmed this year, full of sporting events and enjoyable evenings to celebrate the sporting successes and team spirit of the two networks with the advisers who played, as is now customary, together with their customers. In September, the Fideuram team also continued to put on a good show in the 2017 European Bank Tennis Championships coming second in the team competition finals and in the Over-45 doubles.



## FIDEURAM CUP – PORTO ROTONDO



An excellent location hosted this year's annual challenge between the Este 24s, the boats chosen for the 17<sup>th</sup> Edition of the Fideuram Cup, held in 2017 at Porto Rotondo, in Sardinia. Twelve crews from the two Fideuram and Sanpaolo Invest Networks and a boat for Fideuram Investimenti, all high-profile sailors or simple sailing enthusiasts, did their best to win the title of defender in the second weekend of September dedicated to the challenge. It was a first-class edition of the event thanks to the collaboration with a prestigious Yacht Club and the excellent hospitality facilities at the location. At the end of the first day – a practice day to get the feel of the wind and the boats – the Yacht Club hosted an informal meeting on finance to introduce the world of Fideuram and Sanpaolo Invest with the collaboration of Fideuram Investimenti. It was an event full of professionalism on land and at sea with growing affirmation, social gatherings, official briefings and award ceremonies. The guest of honour was Andrea Mura, the number 1 Italian skipper, with many years' experience in the national team and world champion in solo ocean races. The 17<sup>th</sup> edition of the Fideuram Cup was awarded to Sanpaolo Invest Area 2, the home team, bringing the deserved first prize into Sardinian waters. Good performances were also put on by the crews who were awarded the silver and bronze medals, respectively Fideuram Area 4 and a second crew from Sanpaolo Invest Area 2.



## GfK EURISKO MARKET RESEARCH SURVEYS

### GfK EURISKO PF MONITOR 2017

The **GfK Eurisko PF Monitor** annual market research survey confirmed that the Fideuram Network continued to lead the sector in 2017 for its standing among Italian financial advisers. The survey, in fact, showed that Fideuram:

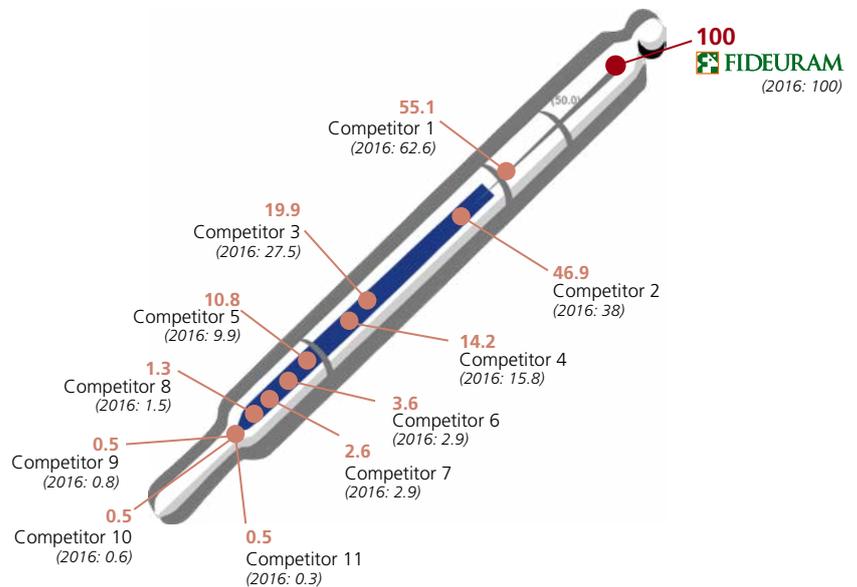
- had an exceptionally high percentage of **satisfied financial advisers, at 97%**, securing it an outstanding position compared with other companies in the sector.
- was the **outright leader for brand awareness and image**.

In addition, Fideuram was also ranked number one for:

- professionalism and dependability;
- growth potential of the Bank in its reference market;
- management excellence;
- placing the financial advisers at the centre of strategic decisions;
- its focus on Network training and financial advisory services.

In a market scenario that continues to be challenging for Italy's banks and financial institutions, recognition such as this is especially significant and a source of great satisfaction.

### Synthetic index of Brand Equity 2017



### GfK EURISKO PRIVATE BANKER MONITOR 2017

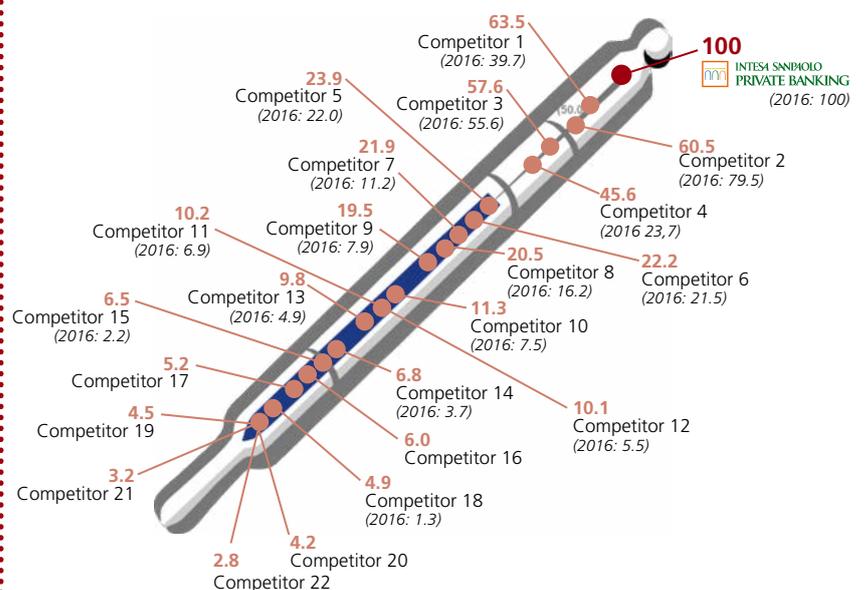
GfK-Eurisko also conducted a survey of the Italian Private Banking sector in the year (**GfK Eurisko Private Banker Monitor 2017**) through a substantial number of interviews with managers and personal financial advisers in the sector. The sample was representative of the Private Banking market in Italy.

The aim of this survey is to identify "best practices" in terms of:

- products, processes and investment solutions;
- satisfaction levels of personal financial advisers;
- image and attractiveness of private banks in Italy.

For the fifth year running, the Intesa Sanpaolo Private Banking came first in the final ranking of Brand Equity 2017, as the bank that is best known and most highly-considered by professionals in the Private Banking sector.

### Synthetic index of Brand Equity 2017



## MAIN IMPROVEMENT OBJECTIVES FOR 2018

Attention towards high-profile recruitment remains one of the elements that will enable the Group to make progress in offering excellent levels of professionalism that can focus on customer needs, by expanding the services provided, especially in terms of quality, effectiveness and competence, in order to respond to even the most complex needs.

In addition, the Group also plans to continue to develop Alfabeto with:

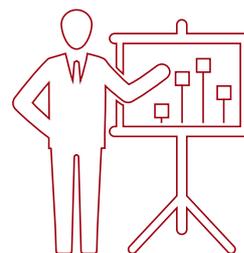
- the increase in the number of Personal Financial Advisers who can use the platform;
- the upgrading of the functions used to acquire new customers;
- support in managing events;
- improvements in the App version for Personal Financial Advisers.

Conversely, as regards the Advisory Platform, there will be:

- improvements in the sales proposal phase;
- new tools supporting global wealth management advisory services;
- new portfolio views;
- enhancement of risk analysis and simplification in browsing the platform;
- an increase in the use of digital tools and processes;
- adjustments in operations in line with the new MiFID 2 regulations.

## NETWORK TRAINING

**329,928**  
Training hours



### MAIN OBJECTIVES FOR 2017

### ACTIONS AND RESULTS ACHIEVED

Complete the roll-out activities on the Fideuram and Sanpaolo Invest Networks as regards the use of Fideuram's Alfabeto Platform.

Roll-out activities on the Fideuram and Sanpaolo Invest Networks aimed at enhancing and evolving the relationship with the customer, through the Alfabeto Fideuram application, were launched in 2016 and completed in the first half of 2017. This ended the first training session involving 130 additional financial advisers, for a total of about 2,550 financial advisers.

Build a complete training course to develop the wealth management method.

The course called "Verso la Consulenza Patrimoniale" (Towards Wealth Management) was designed and completed, divided into four Modules of two days at Fideuram Campus and several local Workshops and Seminars. The course covers the areas of expertise of a financial advisor from the mapping of customer needs to creating the personalised financial and wealth management solutions. The course involved about 660 financial advisers.

Continue offering personalised training.

During 2017 the construction of an educational system continued to support and pursue the tactical objectives that are established each year according to the sales objectives and budget constraints. This operation, which involves the design of customised courses for specific clusters of advisers, was developed and engineered in-house with the collaboration of management structures, prestigious consulting firms and leading university institutes.

Renew the action of engagement of the Intesa Sanpaolo Private Banking Network in the full adoption of the View Advanced Advisory Service, through a stimulus towards better exploitation of commercial and technological opportunities.

During the year, practical and concrete training sessions were held on the technical use of the View platform, which has helped to give new impetus to the service and yielded significant returns in terms of increased assets and contracts/accounts managed with the new advisory model.

Complete the "Business growth" initiative focused on concrete returns in business and customer relationship development, through the application of methods tested in the classroom.

During 2017, the Plan - involving classroom and distance learning activities - was carried out. This plan is designed to disseminate and strengthen business approaches geared towards excellence in behaviour and results, with a post-classroom contest aimed at the expansion of the managed portfolio using specific methods learned in the classroom. This resulted in inflows of approximately €1bn in assets and more than 2,400 new customers.

Constantly develop a culture and understanding of corporate compliance, ensuring not only prompt compliance with regulations, but also the adoption of a distinctive professional style focused on building increasingly clear and transparent business relations.

Conclusion of the three-year plan on anti-money laundering issues and timely activation of the training initiatives on issues of greater importance for the business of Intesa Sanpaolo Private Banking (MiFID 2 and IVASS).

## FIDEURAM CAMPUS: AGGREGATOR OF PROFESSIONALISM AND INCUBATOR OF IDEAS AND TALENTS



Fideuram Campus can no longer be considered exclusively a centre dedicated to training, but rather an aggregator of professionalism and an incubator of ideas and talents. The value of Fideuram Campus continues to grow through the ongoing organisation of working groups composed of managers from head office departments and the network, an intensive program of consultation and the launch of initiatives. In addition to training the professionals in the Group, acting as a crossroads and pivot point of the various corporate identities, it is also the place that develops the new generations of advisers and organises the induction of experienced professionals who have chosen Fideuram as their partner in their professional development and growth.

In 2017, the Campus Go facilities in Genoa were added to those in Turin and Rome, becoming de facto branches of Campus Fideuram and also used for local training events for financial advisers.

### TRAINING PROGRAMMES AND INITIATIVES

There were interesting features and implications in 2017. The educational system was further refined and innovations and updates to the training courses were provided, also in collaboration with the Network management structure and in synergy with the internal structures.

The main courses that were updated were:

1) The **New Colleagues Course**, was extended in its content and learning methods, in response to needs expressed by participants. The Welcome Day was extended to a second training day devoted to the company's IT equipment, which was delivered in collaboration with the IT Support function. A second mo-

dule of two days was also added focusing on an in-depth study of the Fideuram Service Model and its commercial implications.

The programming has also been revised: the two modules are delivered on an alternate monthly basis and enrolment of the financial advisers is the responsibility of the Network management structure which detects effective needs and workloads. Around 160 new financial advisers were involved.

2) The **course "Verso la Consulenza Patrimoniale"** (Towards Wealth Management) was delivered for the first time in 2017. This is a strategic course as it:

- interprets the evolving Fideuram Business Model;
- integrates the evolution of the role from financial adviser to wealth management adviser;
- makes use of the Network management structures in joint teaching initiatives;
- encourages inter-departmental collaboration.

The main educational goal was to train the advisers in the transition from all-round financial advice to wealth management advice.

The course is divided into a Kick off session to launch the initiative, four training modules of two days at Fideuram Campus, interspersed with 12 Seminars and 4 Workshops locally run by the management structures, independently or with the support of Network Training. The whole course involves 25 training days spread over 18 months. The modules, designed in collaboration with the Head Office departments, were provided in partnership with leading companies specialised in the field of vocational training.

Participants (about 660) were selected according to quantitative and qualitative parameters, in agreement with the Network management structure.

The training modules delivered at the Campus were designed according to a logic of increasing complexity, with a strong leaning towards active experimentation and based on the following topics:

a) **Starting from needs:** dedicated to the analysis and testing of mechanisms of interpersonal communication.

A "back to basics" teaching formula with numerous laboratory activities with the purpose of training and refining listening skills primarily.

- b) **Financial Advisory Service:** dedicated to the study of the Company Service Model with a specific focus on the advisory interview as part of the SEI Advanced Advisory Service.
- c) **Wealth Management Advisory Service:** dedicated to the study of institutions, strategies and solutions for the management, protection and development of (family, personal and professional) assets.
- d) **Trends and Technology. From Networking to Social Selling:** dedicated to knowledge of new technologies, social networks and new languages for developing relations and business.

(Technical) Seminars and Workshops were created and shared through intensive cooperation with the Network management structure and with IT Support. The Seminars were mainly provided by Managers (Divisional Managers) who had specific handouts and materials prepared to facilitate their training activities. On the other hand, the Workshops had the aim of increasing knowledge of the various IT tools designed for the Network of financial advisers.

3) **Initiatives for new Executive and Top financial advisers:** specific training sessions were organised dedicated to recently-appointed Executive and Top financial advisers in collaboration with Cattolica University in Milan. The training and celebratory event, organised at Campus Fideuram, was part of the customised training offer and certification course which Fideuram has been working on for about three years in collaboration with Cattolica University.

## IN-AREA TRAINING INITIATIVES

In addition to local Seminars and Workshops connected to the "Verso la consulenza patrimoniale" course, two other important initiatives were organised in the Areas:

- **The Private Wealth Adviser model: size, profitability and advisory services**, an initiative dedicated to the best financial advisers aimed at presenting the logic, structure and benefits of Private Wealth Management services and to provide an overview of the world of private banking in Italy and Europe. The initiative was organised by the Private Wealth Management structure in partnership with Cattolica University in Milan. The course involved about 315 financial advisers.
- **Anti-money laundering**, to complement the classroom lessons given in the previous two-year period, the course continued with 4 hours designed in cooperation with the Anti-money Laundering function, in accordance with the three-year Plan prepared by Intesa Sanpaolo.

## ON-LINE TRAINING

To respond to the recent revision of the regulatory framework, two courses on Market Abuse and Anti-money Laundering were released and attended massively on the "Campus Online" platform.

Regarding IVASS professional training, the courses required to complete the hours specified in the regulations were organised, allowing all financial advisers to be in line with requirements.

Online courses useful for maintaining the EFA and EFP certifications were released for 500 certified financial advisers.

To complement the classroom training on Alfabeto, a web-tutorial will be released in 2018 for training on the new functions and updates to the platform.

## NEW EDITION OF "NEW TALENT"

The eighth of "Essere Fideuram Essere Consulente" (renamed "New Talent") ended in 2017 and was dedicated to about 50 young professionals who want to start a career as a financial adviser. The course allows participants to prepare for the qualifying examination to be enrolled in the Italian Register of Financial Advisers (OCF). At the same time, participants are introduced into the Fideuram world and entrusted to a Tutor who completes their sales preparation through direct experience in the field. To complete this initiative, in 2017:

- a course was provided to train the Tutors;
- mixed teaching sessions were organised to facilitate aggregation and knowledge between the Tutors and New Talents.

## INITIATIVES FOR NETWORK MANAGERS

In 2017, the systemic activity of meetings and exchanges of views with the managerial structure was further consolidated.

Five editions of courses on Fideuram Alfabeto dedicated to Group Managers were provided. The aim was to deepen their knowledge of the system and help them become a reference point and safeguard for the financial advisers in the area.

In the second half of the year, five editions of the course "Public speaking for Managers" were provided, aimed at strengthening and improving the communication skills of Managers through the theatre activities and storytelling which involved about 100 managers.

Seven editions of "Fare Sistema" ("Making a Team") were also held, on the approaches and methods for developing, planning and monitoring of the business activities of the work group and the individual financial advisers (i.e. "Action Plan"), involving the whole management structure.

### PROJECTS AND INITIATIVES FOR THE INTESA SANPAOLO PRIVATE BANKING NETWORK

In 2017, the main lines of action for Personal Financial Advisers of the Intesa Sanpaolo Private Banking Network were organised in:

1) Growth support initiatives, arranged on three specific strands of activity:

- **Business development**, aimed at acquiring and applying practical methods and skills that can be used to enhance business;
- **View Training**, with the aim of training Personal Financial Advisers, also through a practical hands-on approach, to maximise the actual utilization of the technical functions related to the service model in order to exploit their full potential;
- **Management training in support of sales**, aimed at disseminating among those in positions of responsibility the management skills and styles that are useful to develop the professional behaviour and approaches already dealt with in previous actions, in line with the objectives of the Business Plan.

2) Development of specialist expertise, through consolidation of professional knowledge in the areas of:

- corporate finance;
- asset protection, succession management and philanthropy.

3) Professional support actions for recently hired Personal Financial Advisers:

- **Financial Adviser Training**, to prepare for the qualifying examination to be enrolled in the Italian Register of Financial Advisers;
- **Emotional dynamics in relations**, to foster informed approach methods in line with the new professional context;
- **Welcome to ISPB**, to describe and provide in-depth knowledge of the business organisation.

4) Business management compliance:

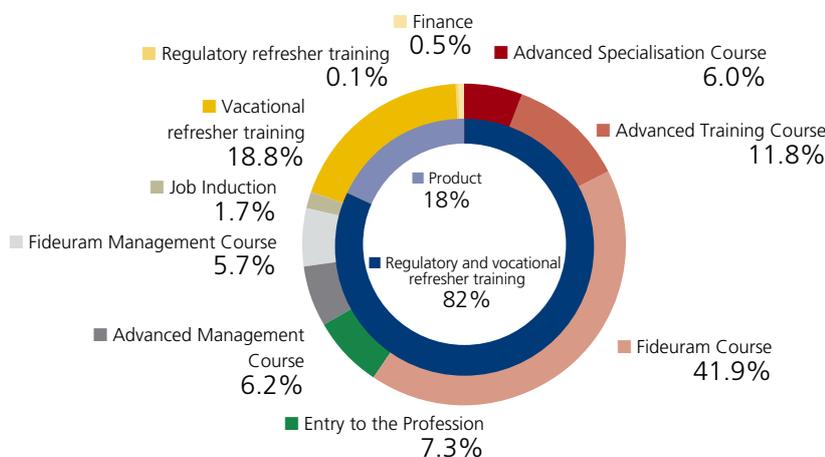
- **Anti-money laundering**, with full implementation, with the support of qualified experts in the field, of the training plan aimed at the whole Network population and also supplemented with distance learning for professionals more affected by the impacts of this legislation;
- **Reporting of suspicious transactions**, an issue for which de-

dedicated remote classrooms have been created for the roles primarily involved in managing such area;

- **MiFID 2**, release of specific content available on the online platform of Intesa Sanpaolo;
- **IVASS**, (the Italian Insurance Regulator: Istituto per la Vigilanza sulle Assicurazioni), basic and refresher training in line with the requirements of the Italian Unified Register of Insurance Brokers;
- **2017 Update for Financial Advisers**, to allow Personal Financial Advisers to maintain their registration with the Italian Register of Financial Advisers.

Personal Financial Adviser training is analysed in the graph below, with the inner ring showing online training and the outer ring showing class-based training.

Group training hours in 2017, analysed by Training Area (%)



## MAIN IMPROVEMENT OBJECTIVES FOR 2018

Our main improvement objectives include the following:

- **MiFID 2: Competence and knowledge assessment**

MiFID 2 requires the implementation of a system for measuring and assessing knowledge. The target for 2018 is to create a process that allows, on an annual basis, the level of professional competence to be measured and assessed in accordance with the criteria set out in MiFID 2 and detailed by the Supervisory Authority. Financial advisers will sit an online assessment, the result of which will express the level of expertise of the individual financial advisers, focusing on areas of skills, and help them design and implement customised actions to bridge the educational gap seen in the result of the test.

Specific training activities will be organised in 2018 – about 120 editions – for the entire Network on the new aspects of MiFID 2. The activities will take place at Fideuram Campus for Managers and Executive and Top financial advisers and in the local areas for the remainder of the Network.

- **Certification for Executive and Top Financial Advisers in collaboration with Cattolica University**

The educational format was completed of the courses for obtaining the Certification of Skills, developed in partnership with Università Cattolica del Sacro Cuore and involving leading professional firms and celebrity endorsements.

Approximately 200 Fideuram and Sanpaolo Invest financial advisers who have already successfully completed all the courses provided in the scheme validated by Cattolica University will be given the opportunity to sit a final exam to obtain certification as a “Wealth Management Adviser” issued by the same University. This certification is in addition to the provisions of MiFID 2, reflecting the evolution of the regulatory framework and allowing the customer to choose their adviser also on the basis of objective parameters of certified professional expertise.

- **Training and Supporting the repositioning of the role of financial adviser as wealth management adviser**

In April 2018, the second edition of the course “Verso la Consulenza Patrimoniale” will start with its project layout being confirmed: 25 training days over a period of 18 months. The target group of financial advisers involved will be identified in consultation with the Network management structure and the Business Development function.

The provision of Seminars and Workshops in the areas will also continue, in collaboration with the Network structure.

- Development of actions aimed at achieving full use of technological opportunities and adopting increasingly top-rate business approaches.
- Increase in the level of sensitivity and knowledge on themes relating to lending.
- Implementation of initiatives of a relational and specialist nature for professionals working in the field of High Net Worth Individuals.
- Continued high focus on corporate compliance as a distinctive characteristic of the Group's business approach.

## EMPLOYEES

Our human resources play a key role in enabling us to achieve our corporate objectives. To this end, we constantly invest in the professionalism of our employees through organisational and training initiatives that aim to enhance individual competencies and promote their development in the Group.

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, as well as atypical staff, came to 3,126 at 31 December 2017 compared with 3,010 at 31 December 2016, an increase of 116.

The breakdown of employees by gender continued to be largely unchanged from the previous financial year, with female employees accounting for 44% of total Group staff while male

employees accounted for 56%. Group personnel working in Italy accounted for 94% of total employees, while those working outside Italy accounted for 6%.

	31.12.2017	31.12.2016	31.12.2015
Fideuram - Intesa Sanpaolo Private Banking ITALY	1,362	1,323	1,297
Intesa Sanpaolo Private Banking ITALY	1,363	1,314	1,267
Sanpaolo Invest SIM ITALY	49	49	52
Sirefid ITALY	60	56	58
Fideuram Fiduciaria ITALY	24	24	23
Intesa Sanpaolo Private Bank (Suisse) SWITZERLAND	33	25	23
Financière Fideuram (*) FRANCE	4	4	4
<b>Asset Management</b>	<b>231</b>	<b>215</b>	<b>204</b>
Fideuram Asset Management (Ireland) IRELAND	66	58	52
Fideuram Bank (Luxembourg) LUXEMBOURG	66	65	65
Fideuram Investimenti SGR ITALY	99	92	87
<b>Total</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

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

## Fideuram Group employees

	2017	2016	2015
Directors	84	76	71
Executive Management	1,920	1,827	1,766
Professional Areas	1,105	1,076	1,065
Temporary work agency and project work contracts	17	31	26
<b>Total</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

## Men

	2017		2016		2015	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	63	12	58	9	54	9
Executive Management	1,146	63	1,097	54	1,060	52
Professional Areas	395	51	401	46	412	34
Temporary work agency and project work contracts	7	-	11	-	12	-
<b>Total</b>	<b>1,611</b>	<b>126</b>	<b>1,567</b>	<b>109</b>	<b>1,538</b>	<b>95</b>

## Women

	2017		2016		2015	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Directors	9	-	9	-	8	-
Executive Management	684	27	649	27	627	27
Professional Areas	633	26	606	23	597	22
Temporary work agency and project work contracts	10	-	19	1	14	-
<b>Total</b>	<b>1,336</b>	<b>53</b>	<b>1,283</b>	<b>51</b>	<b>1,246</b>	<b>49</b>

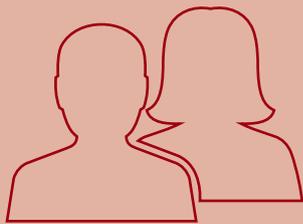
### EMPLOYEES BY CATEGORY AND GENDER (%)



**3,126**  
employees

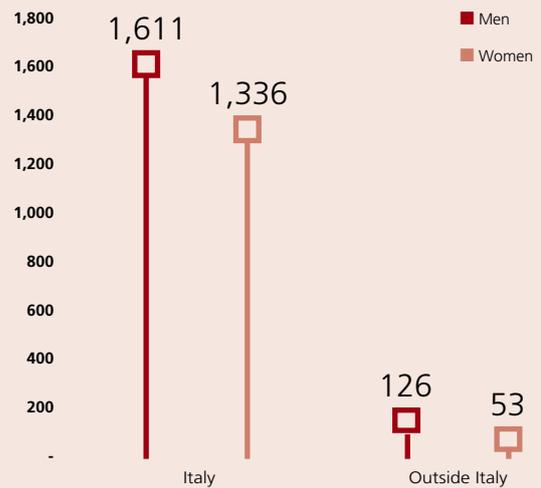


### EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER



**44%**  
Women

**56%**  
Men



### EMPLOYEES BY CATEGORY AND GENDER



**3%** Senior Managers  
**61%** Executive Managers  
**36%** Professional Areas



## Staff contracts

98.5% of Group staff were employed on open-ended contracts (98.9% in 2016).

	MEN			WOMEN			TOTAL		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Open-ended	1,718	1,664	1,614	1,361	1,312	1,277	3,079	2,976	2,891
Fixed-term	12	1	6	18	2	3	30	3	9
Apprenticeship contracts	-	-	1	-	-	1	-	-	2
Temporary work agency and project work contracts	7	11	12	10	20	14	17	31	26
<b>Total</b>	<b>1,737</b>	<b>1,676</b>	<b>1,633</b>	<b>1,389</b>	<b>1,334</b>	<b>1,295</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

## Full-time/Part-time split

A total of 250 people, amounting to approximately 8% of all staff, were on part-time contracts. Women accounted for 97.6% of them, as this type of contract appeals to them due to the flexibility it offers them in organising their work and meeting family commitments.

	MEN			WOMEN			TOTAL		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Full-time staff	1,731	1,670	1,627	1,145	1,091	1,053	2,876	2,761	2,680
Part-time staff	6	6	6	244	243	242	250	249	248
<b>Total</b>	<b>1,737</b>	<b>1,676</b>	<b>1,633</b>	<b>1,389</b>	<b>1,334</b>	<b>1,295</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

## Personnel by age group

Personnel aged under 50 accounted for 55.7% of all staff at the end of 2017, while 52.3% of employees were in the 30-50-year-old age group.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Under 30	-	-	-	3	1	-	98	67	63	4	11	8	105	79	71
30 to 50	23	27	26	876	869	920	724	729	751	13	18	17	1,636	1,643	1,714
over 50	61	49	45	1,041	957	846	283	280	251	-	2	1	1,385	1,288	1,143
<b>Total</b>	<b>84</b>	<b>76</b>	<b>71</b>	<b>1,920</b>	<b>1,827</b>	<b>1,766</b>	<b>1,105</b>	<b>1,076</b>	<b>1,065</b>	<b>17</b>	<b>31</b>	<b>26</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

## Average age of personnel

	2017	2016	2015
Men	49	48	48
Women	47	46	46
Directors	53	52	52
Executive Management	50	50	49
Professional Areas	43	43	42



**48 years**  
Average age of personnel

## Personnel by length of service

The largest length of service group was general staff with more than 20 years of service (46% of all personnel). 31% of employees had between 10 and 20 years' service, while the remaining 23% had under 10 years' service.

	DIRECTORS			EXECUTIVE MANAGEMENT			PROFESSIONAL AREAS			TEMPORARY WORK AGENCY AND PROJECT WORK CONTRACTS			TOTAL		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
up to 5 years	10	6	6	157	86	45	221	146	139	17	31	26	405	269	216
5 to 10 years	7	9	8	87	109	157	220	264	297	-	-	-	314	382	462
10 to 15 years	21	23	24	219	218	232	189	181	178	-	-	-	429	422	434
15 to 20 years	19	15	8	343	321	276	177	169	147	-	-	-	539	505	431
20 to 25 years	8	5	10	180	213	285	50	70	74	-	-	-	238	288	369
over 25	19	18	15	934	880	771	248	246	230	-	-	-	1,201	1,144	1,016
<b>Total</b>	<b>84</b>	<b>76</b>	<b>71</b>	<b>1,920</b>	<b>1,827</b>	<b>1,766</b>	<b>1,105</b>	<b>1,076</b>	<b>1,065</b>	<b>17</b>	<b>31</b>	<b>26</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

## Average length of service of personnel

	2017	2016	2015
Men	20	20	20
Women	19	19	19
Directors	17	17	17
Executive Management	22	23	22
Professional Areas	15	15	15



**19 years**  
Average length of service

## Education

48.5% of staff have a university degree and/or postgraduate qualification.

	MEN			WOMEN			TOTAL		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Degree, Masters or Diploma	841	758	715	674	616	586	1,515	1,374	1,301
Secondary School	804	821	823	656	648	643	1,460	1,469	1,466
Other	92	97	95	59	70	66	151	167	161
<b>Total</b>	<b>1,737</b>	<b>1,676</b>	<b>1,633</b>	<b>1,389</b>	<b>1,334</b>	<b>1,295</b>	<b>3,126</b>	<b>3,010</b>	<b>2,928</b>

## TURNOVER

In 2017, there were 219 people joining the company and of these 58 refer to transfers from companies within the Intesa Sanpaolo Group, while 161 refer to appointments of resources hired in the market.

54.8% of these new employees were men and 45.2% were women.

78% of resources coming from the market were graduates.

39% of new employees are young professionals under the age of 30.

# 219

new employees

A total of 103 employees left their posts, 20 as a result of transfers within the Intesa Sanpaolo Group and 83 due to termination of service. 57.3% of these employees were men and 42.7% women.

### Turnover by geographical area

	2017				2016				2015			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%										
Italy	191	6.7	94	3.3	156	5.6	90	3.2	164	6.0	100	3.7
Outside Italy	28	17.5	9	5.6	27	18.8	11	7.6	16	11.0	17	11.4
<b>Total</b>	<b>219</b>	<b>7.3</b>	<b>103</b>	<b>3.4</b>	<b>183</b>	<b>6.3</b>	<b>101</b>	<b>3.4</b>	<b>180</b>	<b>6.3</b>	<b>117</b>	<b>4.1</b>

### Turnover by gender and age

GENDER	2017				2016				2015			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%										
Men	120	7.2	59	3.5	109	6.7	66	4.0	100	6.2	77	4.8
Women	99	7.4	44	3.3	74	5.7	35	2.7	80	6.4	40	3.2
<b>Total</b>	<b>219</b>	<b>7.3</b>	<b>103</b>	<b>3.4</b>	<b>183</b>	<b>6.3</b>	<b>101</b>	<b>3.4</b>	<b>180</b>	<b>6.3</b>	<b>117</b>	<b>4.1</b>

AGE	2017				2016				2015			
	JOINING		LEAVING		JOINING		LEAVING		JOINING		LEAVING	
	NUMBER	%										
Under 30	57	72.2	8	10.1	37	52.1	17	23.9	43	74.1	10	17.2
30 to 50	124	7.5	28	1.7	112	6.5	50	2.9	112	6.3	56	3.2
over 50	38	3.0	67	5.2	34	3.0	34	3.0	25	2.4	51	4.9
<b>Total</b>	<b>219</b>	<b>7.3</b>	<b>103</b>	<b>3.4</b>	<b>183</b>	<b>6.3</b>	<b>101</b>	<b>3.4</b>	<b>180</b>	<b>6.3</b>	<b>117</b>	<b>4.1</b>

Positive turnover (joined 2017/staff at beginning of year) was 7.3%, while negative turnover (left 2017/staff at beginning of year) was 3.4%.

Total staff turnover rate (joined+left/average staff) was 10.5% in 2017.

The Group companies outside Italy do not have any internal policies regarding the nationality of recruits or that favour local people.

## CAREER DEVELOPMENT

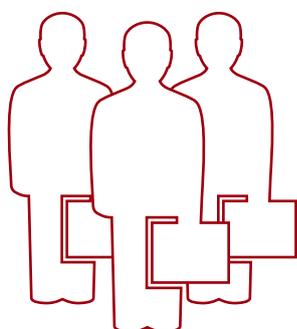
Career development is focused on merit, assessed in relation to results achieved, competencies possessed and individual ability.

Where higher-level appointments are concerned, the management competencies possessed are assessed prospectively to ensure they are aligned with the related job requirements and accompanied by appropriate abilities and attitudes.

### Career development

	2017				2016				2015						
	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL	MEN	%	WOMEN	%	TOTAL
Promotions to Director	5	4.1	-	-	5	2	2.4	2	2.4	4	-	-	-	-	-
Promotions within Executive Management	49	39.8	44	33.8	93	34	41.5	21	25.3	55	7	28.0	4	12.1	11
Promotions to Executive Management	35	28.5	19	14.6	54	22	26.8	11	13.3	33	1	4.0	7	21.2	8
Promotions within Professional Areas	34	27.6	67	51.6	101	24	29.3	49	59.0	73	17	68.0	22	66.7	39
<b>Total</b>	<b>123</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>253</b>	<b>82</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>165</b>	<b>25</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>58</b>

All employees on open-ended contracts who are not in managerial assessment systems undergo an annual performance review if they have been present for a period of more than 110 working days in the reference year.



## CONTRACTUAL RELATIONS

The National Collective Bargaining Agreement covers all our employees in Italy, who account for 94% of total Group staff.

The Italian companies in the Group adhere to the following collective bargaining agreements:

- agreement for senior managers employed by credit, financial and operating institutions (approximately 2% of employees);
- agreement for executive managers and professional area personnel employed by credit, financial and operating institutions (approximately 98% of employees).

In Italy, collective bargaining agreements provide for the prior information of and consultation with workforce representatives in cases of significant restructuring, with a procedure that has a total duration of 45 days at company level. In the Fideuram Group, this period lasts 50 days.

The basic remuneration of women provided for by the National Collective Bargaining Agreement does not differ from that paid to men where either grading or seniority is concerned.

The minimum remuneration applicable in the Group for new recruits is likewise that provided for by the sector National Collective Bargaining Agreement for the different personnel categories in question. Outside Italy, they are aligned with the regulatory provisions and cost of living in the countries concerned.

## RELATIONSHIPS WITH TRADE UNION ORGANISATIONS

In 2017, information and discussion meetings, focused on matters of specific company interest, were held with Trade Union Organisations.

We held the annual meetings provided for in the National Collective Bargaining Agreement and in the Group Agreement to present our corporate data and position, and also addressed specific problems regarding staff and work organisation in the local meetings held in accordance with the said agreement.

Within the Intesa Sanpaolo Group, specific agreements have been signed to incentivise retirement and provide access to the Industry's Solidarity Fund which is always on a voluntary basis.

The welfare agreements provide for a complex series of measures to support Group personnel and their families, including:

- a Time Bank that builds up a pool of paid leave contributed in part by the Group and in part by employees in the form of voluntary time donations for the benefit of colleagues who may need to take more than the contractual supplementary leave to cope with serious personal and/or family situations;

- measures to incentivise the take up of paternity leave, leave for personnel with serious diseases to attend specialist medical appointments, leave to assist children with learning difficulties, and voluntary additional leave at 35% remuneration up to a maximum of 15 working days;

- flexible working from home, from Group hubs closer to home or at customers.

A number of changes were made to the supplementary health care support provided by the Group's Health Care Fund to meet the needs of larger families and to cater for substantial dental expenses, as well as to limit the outlay

of spouses receiving survivor's pensions.

Approximately 49.3% of staff are members of a trade union. Employees spent the equivalent of 832 working days on trade union activities in 2017.

Company regulations provide for better conditions compared with national collective bargaining agreements. In particular, there are special provisions regarding flexible working hours, reduced lunch breaks, area mobility, leave for family, personal or study reasons, part-time employment, pensions and insurance cover.

### Disciplinary actions

	2017	2016	2015
Written warning and verbal or written reprimand	4	6	5
Reduction in pay	-	-	-
Suspension from service without pay (from 1 to 10 days)	3	3	9
Dismissal for cause or justified reason	-	1	-
Disciplinary penalties for corruption of colleagues	-	-	-
Dismissals for corruption	-	-	-

## VULNERABLE EMPLOYEES

Staff belonging to categories of vulnerable persons as defined by Italian law No. 68/1999 totalled 189, broken down as follows:

ITALY (*)	2017	2016	2015
Disabled	140	127	123
Other	49	51	51
<b>Total</b>	<b>189</b>	<b>178</b>	<b>174</b>

(\*) Law No. 68/1999 only applies to the Group's Italian companies.

Approximately 3,919 days of leave were granted in the year to employees with serious illnesses or to care for family members with serious diseases.

## DEVELOPMENT OF HUMAN RESOURCES



The performance of the Private Banking Division featured excellent results also in 2017, testifying to the quality of human resources, the value of their professional expertise and the full synergy of the organisation in all its components: Sales Networks and Central Departments. Training contributed to the creation of these conditions, with targeted actions to support the motivation and development of people, foster collaborative leadership and teamwork, facilitate change and simplification, promoting "made-to-measure" initiatives where the combination of experiences and points of view could lay the foundations for increasingly innovative perspectives and opportunities for action, in step with business demands.

An overview of the major training activities organised is presented below:

- **Management training programmes:**

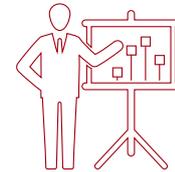
- **workshops on innovation**, organised over two days with a 6-month gap between each of them, which represented an important opportunity to meet and discuss the development of Group projects inspired by the most advanced technological models and on the initial strategic information about the upcoming Business Plan;
- **meetings for Operational and Financial Governance Department Managers and Fideuram Business Area Managers**, where the results achieved and objectives to be pursued within their respective departments were analysed and discussed together, in specific moments dedicated to each of them. Most of these meetings were enriched by the presence of representatives from the world of the arts, sport and social community, whose testimonies stimulated the participants to have a fruitful exchange of ideas and provided interesting connections with the context in which the company operates;
- **seminar for the Heads of the Marketing Department and Network of Intesa Sanpaolo Private Banking**, supporting the previous structural reorganisation. The training programme, divided into two teaching class sessions separated by a practical work phase, focused on sharing a common management style, characterised by distinctive features such as team spirit, ability to relate with

people, and orientation towards interaction with staff and colleagues with a view to providing internal customer service;

- **Internal Coaching courses**, for executives and managers, activated for the sixth consecutive year in compliance with the quality standards of the International Coach Federation. This methodology, whose results have confirmed its effectiveness in accelerating leadership skills, as well as change and complexity management, is also gaining importance in Intesa Sanpaolo, which has recently decided to establish a team of in-house coaches for use within the companies included in its group.
- **Initiatives for specific organisational units/professional profiles**, including:
  - **training for managers and coordinators of the Administration and Reporting Department**, with teaching class sessions and practical work moments, in which topics regarding the effective management of resources and operations were discussed. The initiative was preceded by a focus group with a few people from that area who helped to promote maximum consistency between the content of the programme and the specific organisational and relational characteristics of the department and was followed up by careful monitoring of the individual improvement plans shared with the participants during the meetings;
  - **seminar entitled "L'intelligenza emotiva è...Legale" (Emotional intelligence is...Legal)**, dedicated to managers and coordinators in the Legal Affairs Department, aimed at enhancing emotional intelligence as an essential resource for pursuing effective and lasting results in terms of professional success and personal well-being;
  - **event for the "Business Model" Department**, which was engaged in some important organisational innovations during the previous months, in which they shared and discussed the lines of action consistent with the company's strategic guidelines and defined the criteria for developing aggregation, cohesion and belonging, in support of the new organisation;
  - **building classroom management skills**, for a team of resources from the Chief Operating Officer Area

# 82,641

Training hours



(COO) engaged in providing lessons on issues of technological and service innovation for the sales networks. In addition to insights on training course design and interaction in the classroom, this training course was enriched by a team-building programme to consolidate team spirit and an appropriate level of cohesion within the "trainers team".

As in the past, some of these initiatives allowed the participants to pursue social values and objectives by collaborating with institutions engaged in humanitarian and solidarity projects, which they were able to help effectively through the use of suitable spaces made available by these institutions for holding their course activities.

- The **"Lean Banking" Training project**, initially dedicated to the COO Area with the aim of creating professionals with advanced skills in improving operational processes, succeeded in recording a growing, positive diversification in the origins of participants, thus favouring a greater versatility in the projects examined during the activity. Since 2016, the year the project was launched, 55 certificates (17 Black Belts and 38 Green Belts), internationally recognized as a qualification for the use of Lean Six Sigma method, have been issued.
- **Development of IT skills**, with particular reference to an action plan for the effective use of new tools for accessing the DB2 archives, soon to be introduced, and to enhance the knowledge of the most commonly-used database management applications.
- **Actions to support staff at Fideuram branches and at Intesa Sanpaolo Private Banking branches**, through specific initiatives aimed at enhancing technical and operational skills, to ensure valid risk monitoring in the positions they hold.

- **Sector regulations**, with a constant info-training action in the classroom and online, on the main topics regarding corporate compliance, such as Anti-money Laundering (reports on suspicious transactions), Italian Legislative Decree No. 231/2001, MiFID 2, Payment Services Directive (PSD2), Privacy, Security and operational risks.
- **Language training**, activated mainly using industry funds, with class-based sessions and distance learning, as well as through telephone training and an online platform.

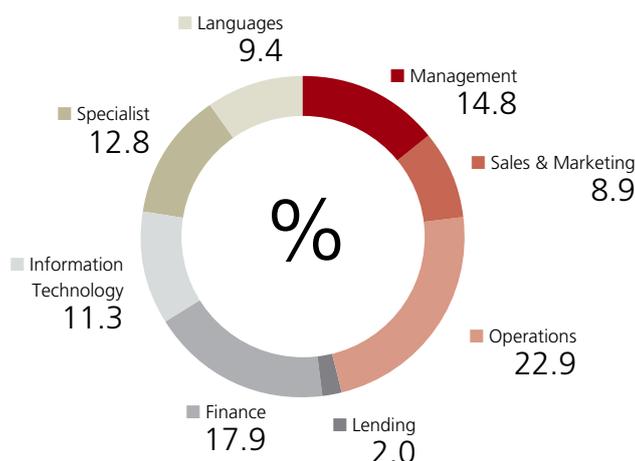
It is also important to point out that:

- colleagues who have put their professional skills on matters of common interest at the disposal of others continued to provide their contribution in a teaching role;
- as is the practice, participation in training activities by vulnerable employees has been favoured, also through appropriate synergies with initiatives promoted by Intesa Sanpaolo.

Lastly, within the scope of the provisions of Italian Legislative Decree 254/2016 (respect for human rights, sensitivity to social and environmental issues and prevention of risks of corruption) and in addition to the abovementioned initiatives in cooperation with organisations working in the field of solidarity, the following info-training actions have also been prepared:

- an experimental initiative, called "Non mandiamo tutto in fumo!" (Don't let everything go up in smoke!), which has allowed a group of colleagues to join, on a voluntary basis, in a cycle of seminars held by a specialist company, focusing on effective techniques for giving up smoking. About 80% of the participants gave up smoking;
- the seminar called "A scuola dai globuli rossi" (At school with red blood cells), organised in collaboration with the "Fideuram Group Association of Blood Donors" and a non-profit entity active in the field, in order to promote a wider culture on topics of health and voluntary blood donation. The benefits of the action resulted in a significant increase in the number of colleagues who donated blood in the days following the seminar, when a mobile blood bank came to the offices in Rome;
- a specific focus on the theme of "social sustainability", within the Lean Banking training project, by defining actions of improvements to business processes connected with it.

### Training by subject matter



### Training by type of delivery

	2017	2016	2015
Class-based training	46,152	56,335	65,554
Distance learning	36,489	66,660	53,159
<b>Total hours of training delivered</b>	<b>82,641</b>	<b>122,995</b>	<b>118,713</b>
No. of participants	2,366	2,784	2,843
Average hours per participant (no.)	35	44	42

### Training by category and type

(average hours per person)

	2017	2016	2015
<b>Directors</b>			
Men	33	37	46
Women	33	33	27
<b>Executive Management</b>			
Men	40	51	46
Women	39	48	44
<b>Professional Areas</b>			
Men	27	40	37
Women	25	32	35

### Health and safety training

	2017	2016	2015
Training hours (No.)	2,277	5,810	6,185
No. of participants	387	1,014	992

Dedicated induction training programmes are provided for new staff, and targeted refresher training programmes are provided for staff who are changing positions.



Special attention was dedicated to training initiatives focused on preventing corruption, including the continuation of our class-based and distance training regarding Italian Legislative Decree No. 231/2001.

During 2017 the training events were focused on actions for maintaining and completing the online initiatives activated in previous years.

### Dedicated corruption prevention training

(%)

	2017	2016	2015
Directors	2.2	1.1	1.8
Executive Management	63.7	58.9	61.4
Professional Areas	34.1	40.0	36.8
Training hours (No.)	2,201	8,465	6,181
No. of participants	651	1,832	1,894

### Training on Italian Legislative Decree No. 231/2001

	2017	2016	2015
Training hours (No.)	316	1,926	1,780
No. of participants	185	1,153	1,341

## EMPLOYEE HEALTHCARE, PENSIONS AND SERVICES

In line with Intesa Sanpaolo's human resource management policies and related tools, we offer a complete spectrum of employee benefits and concessions, including:

- supplementary pension scheme;
- supplementary health care;
- accident insurance covering activities at work and outside work;
- company obligations in the event of the death in service or total permanent disability of employees;
- special staff conditions for bank transactions and loans.

The Group includes company welfare in its internal regulations, offering to all the employees flexible work solutions such as leave, parental leave, flexible start and finish times, part-time work, flexible working and a time bank. Provision is also made for special economic terms and benefits, including for families of children with disabilities and for recreational and sports clubs. These benefits are in place for full-time and part-time employees.

In addition, in April 2018 employees will be paid the liquidation of the Lecoip certificates issued under the long-term Incentive Plan based on financial instru-

ments of Intesa Sanpaolo S.p.A. offered to all employees in the Group in Italy. As specified in the 2014-2017 Business Plan, the initiative is a form of stock ownership plan in the capital of Intesa Sanpaolo, aimed at enhancing the key role of employees in achieving the results of the Business Plan.

On 6 February 2018, Intesa Sanpaolo's Board of Directors resolved, in conjunction with the approval of the 2018-2021 Business Plan, to submit to the Shareholders' Meeting scheduled for 27 April 2018 a new long-term incentive plan based on financial instruments of Intesa Sanpaolo S.p.A..

### Parental leave

	2017	2016	2015
<b>Italy</b>			
Number of employees who took parental leave	183	181	216
Men	35	28	31
Women	148	153	185
Number of employees who returned at end of leave	155	156	188
Men	34	28	31
Women	121	128	157
Number of employees who returned and were still employees of the bank for the next 12 months	163	195	154
Men	28	30	7
Women	135	165	147
Parental leave return rate <sup>1</sup>	85%	86%	87%
Men	97%	100%	100%
Women	82%	84%	85%
Retention rate of returned employees who were still employees <sup>2</sup>	90%	90%	86%
Men	100%	97%	100%
Women	88%	89%	85%

1. Calculated as the number of employees who returned to work at the end of their leave over the number of employees who took parental leave.

2. Calculated as the number of employees who took parental leave in 2016, returned to work in the following 12 months and were still employed on 31.12.2017 over the number of employees who took parental leave in 2016.

## SUPPLEMENTARY PENSION FUNDS



Almost all the employees of Fideuram and the Italian companies in the Group pay voluntary contributions to Supplementary Pension Funds.

The supplementary pension scheme offers employees the benefits of company contributions, the option of early withdrawals and tax relief at the marginal rate on contributions paid.

Outside Italy, subsidiaries Fideuram Asset Management (Ireland) and Fideuram Bank (Luxembourg) have each set up a defined-contribution supplementary pension scheme for their employees. The related group policies, which comply with all the relevant local supplementary pension scheme legislation, have been taken out with life insurance companies authorised to operate in Ireland and Luxembourg.

## HEALTH AND SAFETY



The Group's commitment to occupational health and safety starts with the creation and management of working environments to ensure respect for all the relevant regulations and standards, including full compliance with current legislation. The Accident Prevention, Safety and Environmental Protection Service ensures that occupational health and safety, and environmental protection laws and regulations are complied with correctly.

A total of 119 occupational health and safety inspections were carried out across the Group in 2017. During the year, 757 working days were lost due to work-related accidents involving 33 employees. Only 13 of these accidents happened in the workplace, while the remaining 20 happened while travelling between home and work.

No employees in the Group were engaged in professional activities where a high percentage of practitioners suffer from or are at a high risk of acquiring specific diseases. There were no raids on Fideuram premises in 2017.

### Health and Safety: rates (\*)

	2017				2016				2015			
	ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY		ITALY		OUTSIDE ITALY	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Accident rate	0.38	2.36	-	4.57	1.78	2.27	-	4.75	1.02	1.36	3.83	2.47
- at work	0.08	1.09	-	-	0.31	0.76	-	-	0.08	0.19	1.28	-
- travelling	0.30	1.27	-	4.57	1.47	1.51	-	4.75	0.95	1.17	2.55	2.47
Occupational illness rate	-	-	-	-	-	-	-	-	-	-	-	-
Accident severity rate	8.35	55.34	-	84.62	41.07	28.06	-	14.85	24.43	42.41	48.48	9.89
Absentee rate	3.76%	5.61%	1.72%	4.54%	3.71%	5.30%	2.18%	3.55%	3.81%	5.68%	3.00%	3.80%

(\*) The accident rate is the ratio of the total number of accidents in the year to the total number of theoretical working hours, multiplied by 200,000.

The occupational illness rate is the ratio of the total number of occupational illness claims divided by the total number of theoretical working hours, multiplied by 200,000.

The accident severity rate is the ratio of the total number of working days lost (to accidents at work and occupational illnesses) to the total number of theoretical working hours, multiplied by 200,000.

The absentee rate is the ratio of the total number of days lost (due to illness, accidents, public service leave, leave for blood donations etc., leave pursuant to Italian Law 104/92 and trade union meetings/strikes) to the total number of theoretical working days of employees at period end, shown as a percentage.

The adopted standardisation factor of 200,000 is as provided for by the Global Reporting Initiative (GRI) and is derived from 50 working weeks at 40 hours per 100 employees.

There were no occupational illness claims by or serious accidents involving employees.

## Accidents by type

	2017		2016		2015	
	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY	ITALY	OUTSIDE ITALY
Accidents driving vehicles	10	1	25	1	13	2
Falling/Slipping	16	1	15	1	9	2
Raids	-	-	-	-	-	-
Other	5	-	7	-	5	-

## Absence rate by reason (out of theoretical working days) (\*)

(%)

	2017		2016		2015	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Illness	2.69	3.86	2.69	3.71	2.74	3.82
Accidents	0.03	0.21	0.14	0.10	0.10	0.15
Personal and family reasons	0.31	0.77	0.26	0.68	0.20	0.66
Public service leave	-	-	-	-	-	-
Blood donor leave	0.07	0.03	0.07	0.02	0.07	0.02
Leave pursuant to Italian Law No. 104	0.49	0.68	0.42	0.70	0.39	0.70
Other	0.02	0.03	0.01	0.01	0.06	0.02

(\*) The absence rate is the ratio of the total number of days absent to total theoretical working days (220) shown as a percentage.



Fideuram - Padova Office

## ACCESS OF PERSONNEL TO THE SOLIDARITY FUND FOLLOWING THE ACQUISITION OF THE VENETIAN BANKS BY THE INTESA SANPAOLO GROUP

With effect on 26 June 2017, Intesa Sanpaolo signed a contract with the court-appointed liquidators of Banca Popolare di Vicenza and Veneto Banca, for the acquisition of certain assets and liabilities and certain legal relationships of the two banks, for the token price of one euro. The acquisition concerned a segregated scope that excludes impaired loans, subordinated bonds issued, as well as investments and other legal relationships that were non-functional to the acquisition.

The terms and conditions of the contract guarantee total neutrality of the acquisition as regards the Common Equity Tier 1 ratio and the dividend policy of the Intesa Sanpaolo Group, envisaging in particular:

- a public cash contribution to offset the impact on its capital ratios, so as to establish a phased-in Common Equity Tier 1 ratio of 12.5% to the acquired risk-weighted assets (RWA). This contribution, which was recognised as income in the income statement according to IAS 20, amounted to €3.5bn not subject to taxation and was granted to Intesa Sanpaolo on 26 June 2017;
- an additional public cash contribution to cover integration and rationalisation costs related to the acquisition, involving amongst others the closure of around 600 branches and the application of the Solidarity Fund in relation to the exit, on a voluntary basis, of employees of

the Group resulting from the acquisition, as well as other measures to safeguard jobs such as the use of geographical mobility and training initiatives for the retraining of staff. This contribution, which was also recognised as income in the income statement according to IAS 20, amounted to €1.285bn not subject to taxation and was granted on 26 June 2017;

- public guarantees equal to €1.5bn after tax, in order to sterilise risks, obligations and claims against Intesa Sanpaolo due to events occurring prior to the sale or relating to assets/liabilities or relationships not included among those transferred.

The aforementioned commitments made by Intesa Sanpaolo include sustaining the charges for integration of certain situations acquired within the structures of the Group (including, by way of example, IT integration costs, charges related to staff mobility and early retirement, closure, merger and standardisation of branches, etc.). These integration tasks involve the entire Intesa Sanpaolo Group and thus the companies belonging to the Private Banking Division. In the exercise of its policy guidance over its subsidiaries, Intesa Sanpaolo coordinates Group-wide integration initiatives which the individual subsidiary companies concerned are required to implement. At the same time, it is Intesa Sanpaolo's intention to bear the full burden incurred by its subsidiaries in order to fulfil the instructions given.

On 12 October 2017, Intesa Sanpaolo signed a Memorandum with the trade unions (subsequently supplemented on 21 December 2017) that regulates the impact of the aforesaid acquisition on the personnel of the Group. For those who have the statutory requirements for retirement by 31 December 2023, the agreement provides for voluntary early retirement with access to the Solidarity Fund for the period 31 December 2017 – 30 June 2020.

With reference to the Private Banking Division, the effects of the aforesaid operations mainly referred to the recognition of costs relating to the voluntary early retirement of about 135 employees. The net contribution of Intesa Sanpaolo to the consolidated financial statements of the Private Banking Division, amounting to €19.2m, has been earmarked to restore the effects produced by the restructuring charges totalling €28.7m, included in the provision for risks and charges, which are to be incurred in order to implement the instructions issued by the Parent Company on 28 December 2017.

### **SOCIAL, ENVIRONMENTAL, AND REPUTATIONAL RISK CONTROL**

Effective risk management and control are essential to ensure the dependable and sustainable creation of value to protect the Group's financial soundness and reputation. The 231/2001 Model includes environmental offences, including those which entail administrative responsibility if committed by an employee, and supplemented with a memorandum setting out the principles all employees are required to adopt to prevent the risk of committing environmental offences.

### **SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT IN LENDING: ENVIRONMENTAL OFFENCES**

The assessment of environmental risk in lending is not limited to large projects, but extends to all the loans granted to any of our different types of customers. A thorough assessment of these potential risks also mitigates the risk of environmental offences being committed. Model 231/2001 has for years included environmental offences as a sensitive area, recognising that offences in environmental criminal law entail the administrative responsibility and consequentially indirect responsibility regarding our customers' actions.

### **CONTROVERSIAL SECTORS**

Underlining the importance Fideuram attributes to ethics and consistent conduct marked by rigour and integrity, we have adopted the Code of Ethical Conduct and the Group Internal Code of Conduct of Intesa Sanpaolo S.p.A., assuming our responsibilities as a financial intermediary and adopting a specific Environmental Policy.

### **ASSESSMENT AND MANAGEMENT OF REPUTATIONAL RISK**

Fideuram recognises the extreme importance of reputational risk, which is assessed in the compliance risk management system, in the conviction that respect for the law and regulations, together with high standards of propriety in all business relations, are essential in banking.

Fideuram has adopted the Intesa Sanpaolo Group Code of Ethical Conduct with the objective of explicitly managing certain reputational risks connected with its stakeholder relations. The Code establishes a framework of voluntary commitments to all our stakeholders, in accordance with which we have committed to international standards, issued policies for the most sensitive areas, and set improvement objectives every year as part of our sustainability reporting management process.

Following this decision, we have put in place a series of tools to monitor implementation of the related commitments and achievement of the specified improvement objectives.



## 4.7.5 Relational Capital

Relational capital includes resources attributable to the Group's relations with its key stakeholders, necessary to enhance its image, reputation and customer satisfaction.

	2017	2016	2015
Fideuram and Sanpaolo Invest Networks - Average length of customer relationship (years)	13.0	13.0	12.8
Intesa Sanpaolo Private Banking Network - Average length of customer relationship (years)	11.5	11.1	11.3
Complaints (No.)	1,260	1,214	1,131
New Fonditalia Ethical Fund customers (No.)	891	1,026	1,623
New customer net inflows into Fonditalia Ethical Fund (€m)	5.3	4.8	9.5

## CUSTOMERS

### MAIN OBJECTIVES FOR 2017

Organise local customer events that examine and develop a greater understanding of matters of current interest.

Further develop the Unified Customer Advisory Service Front End to support the roll-out of global wealth management advisory services to our customers.

Continue the development of Alfabeto with the launch of marketing initiatives to support and continue to enhance the tools assisting our digital advisory support.

### ACTIONS AND RESULTS ACHIEVED

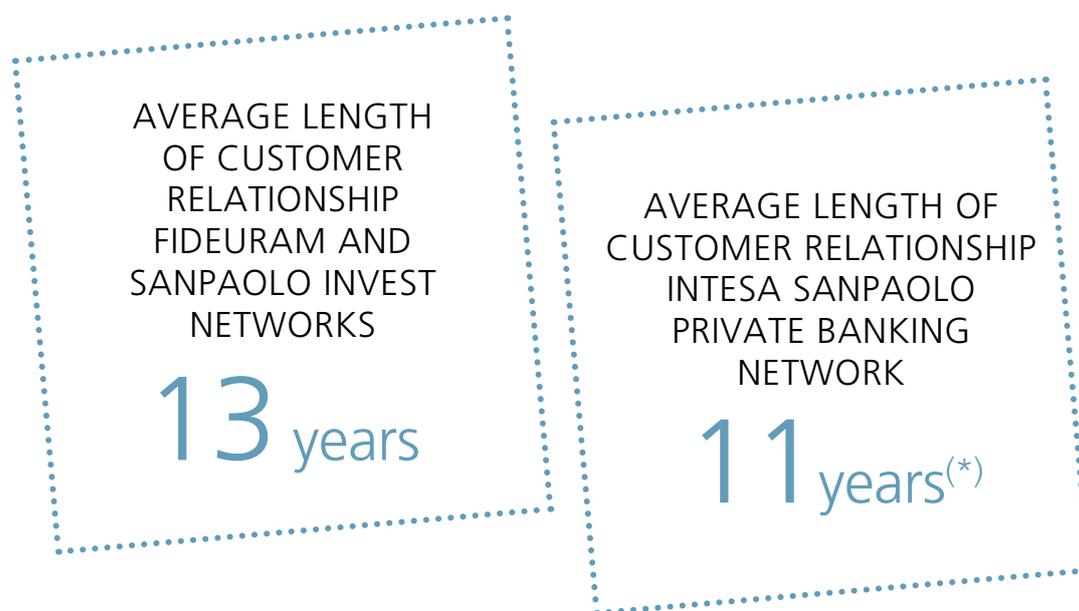
A number of customer events were organised with the aim of consolidating the loyalty of our top customers and developing new contacts. These initiatives helped strengthen personal relationships and create a stronger financial culture. Most events focused on issues of financial education and on topics about significant current events such as MiFID 2, New Normal (i.e. the characteristics of the new normal situation with details on what to do in times of volatility and low interest rates by diversifying the investments in a conscious manner), asset protection and succession management, highlighting the importance of getting advice.

Improvements were made to the Advisory Platform aimed at expanding the level of available information by integrating product information (database, characteristics, performance, etc.).

A number of actions were implemented aimed at exploiting synergies with the world of social networks, improving communication strategies of the brand identity of Personal Financial Advisers and simplifying the relationship with their customers.

The Group has developed its own distinctive customer service model over the years, characterised by the completeness and quality of support provided. The Group principally operates in the Private Banking and High Net Worth Individual segments, providing a service that offers substantial added value in the form of advisory support delivered through highly-professional Personal Financial Advisers.

Analysis and a close understanding of our customers, enhanced by the insights of the main market research initiatives in Italy, enable the Group to extend and develop its services in line with its customers' evolving needs.



## CUSTOMER PROFILE

### Fideuram and Sanpaolo Invest Networks

	2017	2016	2015
No. of Customers (thousands)	695	669	652
Client Assets (€m)	108,037	100,037	94,647

### Intesa Sanpaolo Private Banking Network

	2017	2016	2015
No. of Customers (thousands)	36	36	35
Client Assets (€m)	101,244	92,880	89,361

(\*) Intesa Sanpaolo Private Banking was formed 12 years ago.

## DISTRIBUTION OF CUSTOMERS BY AGE

The age profile of our customers has not changed significantly in recent years, with the majority being in the 53 - 67 age group (32% of customers with the Fideuram and Sanpaolo Invest Networks and 28% with the Intesa Sanpaolo Private Banking Network) and in the over 67 age group (29% of customers with the Fideuram and Sanpaolo Invest Networks and 53% with the Intesa Sanpaolo Private Banking Network), segments of the population that combine high income with substantial assets and property.

## Fideuram and Sanpaolo Invest Networks

No. of Customers (thousands)

	2017	%	2016	%	2015	%
up to 32 years	55	8	49	7	46	7
33 - 42 years	71	11	71	11	73	11
43 - 52 years	137	20	139	21	142	22
53 - 67 years	218	32	208	32	201	32
over 67 years	198	29	188	29	178	28
<b>Total (*)</b>	<b>679</b>	<b>100</b>	<b>655</b>	<b>100</b>	<b>640</b>	<b>100</b>

(\*) excluding legal persons.

## Intesa Sanpaolo Private Banking Network

No. of Customers (thousands)

	2017	%	2016	%	2015	%
up to 32 years	4	11	4	11	1	3
33 - 42 years	1	3	1	3	1	3
43 - 52 years	2	5	3	8	4	11
53 - 67 years	10	28	10	28	11	31
over 67 years	19	53	18	50	18	52
<b>Total</b>	<b>36</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>35</b>	<b>100</b>

## DISTRIBUTION OF CUSTOMERS BY LENGTH OF RELATIONSHIP

The average length of relationship in 2017 was 13 years for the Fideuram and Sanpaolo Invest Networks and 11 years for Intesa Sanpaolo Private Banking, testifying to the strong customer loyalty built over years of stable relationships with our Personal Financial Advisers.

## Fideuram and Sanpaolo Invest Networks

No. of Customers (thousands)

	2017	%	2016	%	2015	%
0 - 1 years	84	12	78	12	79	12
2 - 4 years	112	16	109	16	102	16
5 - 7 years	88	13	80	12	71	11
8 - 10 years	64	9	61	9	61	9
11 - 20 years	201	29	202	30	206	32
over 20 years	146	21	139	21	133	20
<b>Total</b>	<b>695</b>	<b>100</b>	<b>669</b>	<b>100</b>	<b>652</b>	<b>100</b>

## Intesa Sanpaolo Private Banking Network

No. of Customers (thousands)

	2017	%	2016	%	2015	%
0 - 1 years	2	6	2	5	-	-
2 - 4 years	5	14	6	17	6	17
5 - 7 years	14	39	14	39	4	12
8 - 10 years	5	13	5	14	5	14
11 - 20 years	5	14	5	14	16	46
over 20 years	5	14	4	11	4	11
<b>Total</b>	<b>36</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>35</b>	<b>100</b>

### DISTRIBUTION OF CUSTOMERS BY GEOGRAPHICAL AREA

As in prior years, the majority of our customers in 2017 were residents of the Central and Northern Regions of Italy, where most of the country's wealth is concentrated (87% of customers with the Fideuram and Sanpaolo Invest Networks and 91% with the Intesa Sanpaolo Private Banking Network).

### Fideuram and Sanpaolo Invest Networks

No. of Customers (thousands)

	2017	%	2016	%	2015	%
North-East	148	21	141	21	136	21
North-West	264	38	253	38	246	38
Central Italy	194	28	188	28	184	28
South	58	8	56	8	55	8
Islands	31	5	31	5	31	5
<b>Total</b>	<b>695</b>	<b>100</b>	<b>669</b>	<b>100</b>	<b>652</b>	<b>100</b>

### Rete Intesa Sanpaolo Private Banking

No. of Customers (thousands)

	2017	%	2016	%	2015	%
North-East	8	22	8	22	8	23
North-West	19	52	19	52	19	54
Central Italy	6	17	6	17	5	14
South	2	6	2	6	2	6
Islands	1	3	1	3	1	3
<b>Total</b>	<b>36</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>35</b>	<b>100</b>

Geographical distribution of Fideuram and Sanpaolo Invest customers in 2017



Geographical distribution of Intesa Sanpaolo Private Banking customers in 2017

Number of customers

- 0 - 5,000
- 5,000 - 10,000
- 10,000 - 20,000
- 20,000 - 50,000
- 50,000 - 100,000
- 100,000 - 150,000



## EXTERNAL COMMUNICATIONS

Media relations have always played a prime role in the Fideuram Group's external communications.

In 2017, the stakeholder community again had the opportunity of learning about the main events involving the Group and its Networks by means of articles, interviews, press releases and other contributions, published in the main economic and financial newspapers including online versions, and on television channels specializing in economic and financial issues.

The related units put our results in the public eye, enabling us to provide detailed information on the relevant trends, along with insights into the projects and new developments we are working on, duly highlighting the Group's pioneering role in the provision of financial advisory and private banking services in Italy, as well as in the technological support we provide our sales networks with.

The main subjects reported on during the year included:

- our quarterly, half-year and annual financial results, which showed record client assets and profitability;
- the steady growth of our advanced advisory services, with managed assets that stood at €38.7bn;
- the continued success of the "Fideuram Alfabeto" platform with benefits for financial advisers and customers;
- new foreign business horizons;
- our recruitment results and articles on our Personal Financial Advisers;
- local financial education, sports and arts events;
- new offices opened.

In 2017, members of the Group's management team took part in round tables and gave interviews in which they were able to outline the most significant initiatives undertaken. The Group's fund managers gave numerous interviews to the specialist press

and sector TV, and took part in surveys, commenting on market performance and the main financial industry trends.

For Intesa Sanpaolo Private Banking, the excellent income and growth results achieved in 2017 and interest shown by sector operators towards the service model allowed further consolidation of the Bank's visibility. The topics of greatest interest were:

- the private banking market, business model, sales and income results achieved and strategies adopted in relation to major regulatory changes expected in early 2018 (MiFID 2);
- the View Advanced Advisory Service, the distinctive service offered relating to asset management and private insurance;
- wealth management, with the opening of new dedicated branches in Italy, featuring products and services designed for HNWI customers and all-round wealth management; an important focus also on succession management, high sustainability social and environmental investments, and on real estate advisory and art advisory services;
- investment strategies, our open architecture services platform and a distinctive market offering that also includes managed asset and insurance solutions, supported by our synergies with major players on the Italian and international markets and with companies in the Intesa Sanpaolo Group.

In addition, the Bank also participated with its representatives at conferences on key Private Banking issues.

During the year, there was continued targeted use of the Intesa Sanpaolo Private Banking institutional page and of the advertising pages dedicated to the View Advanced Advisory Service and the art advisory service.

## FINANCIAL STATEMENT OSCARS

Fideuram - Intesa Sanpaolo Private Banking was a listed finalist in the 2017 Edition of the Financial Statement Oscars – the Awards promoted by FERPI (Italian Federation of Public Relations) with Borsa Italiana and the Bocconi University – in the category of Non-Listed companies with a minimum €100m turnover.

## PROMOTING A FINANCIAL CULTURE

The Fideuram Group believes it is important to disseminate a solid financial culture among its customers. Increased financial awareness helps foster a common language and strengthen the dialogue between our customers and their Personal Financial Advisers, which has always been a cornerstone of the Group's mission and service model. Financial Culture means awareness in relations, in setting objectives, in clarity of choice and in a shared understanding of the associated risks and opportunities.

We therefore organised a wide range of initiatives promoting financial culture for existing and potential customers in 2017.

Events and financial workshops, designed to provide information on topics of particular relevance and importance for customers were organised throughout the country and dealt with issues such as MiFID 2, the New Normal and succession management, with the aim of bringing the world of management closer to that of distribution. All the above involved the contribution of professionals from both inside and outside the Group, including academics, internal fund managers and the Group's most prestigious regular partners.

In 2017, the Advisory Tour was held throughout the country with 29 sessions, devoted to providing the Networks with sales updates and insights. The main issues addressed in the various meetings included market views and the operating performance of the main products with a particular focus on regulatory changes and MiFID 2.

Furthermore, Fideuram continued to publish "Private News", a regular newsletter designed and produced exclusively for SEI Versione Private customers.

Each issue takes an in-depth look at a specific topic, selected to suit the distinctive characteristics of high-end customers. During the year two issues of the journal were published on topics of significant current interest:

- the eighth issue, devoted to the subject of Small and Medium-sized Italian Enterprises that are resisting the crisis and demonstrating an uncommon resilience, often excelling at world level in their field;
- number nine focused on Succession Management, with a complete renewal of the previous edition and introducing new food for thought on a topic that is always extremely current and still arouses great interest.

Private News aims to stimulate, offer opportunities for in-depth analysis and raise awareness about continually evolving issues.



Intesa Sanpaolo Private Banking continued to publish "Private Top", a monthly global asset management newsletter for customers subscribed to the Private Top platform, with contributions from the Intesa Sanpaolo Research Department and quarterly reports on the property market from Nomisma and on the art market from Eikonos Art. Furthermore, on a quarterly basis an extract on the property market is published on the Bank's public website.

Lastly, the reporting and mailing service was perfected, improving the

layout and management of variable and fixed alerts and messages of personalised statements for the Private Bank, which can also be viewed online by those who signed up to the internet banking service, and the preparation of specific mailing on major regulatory changes in 2017.



## GROUP AWARDS

### PRIVATE BANKING AWARDS



The **Private Banking Awards 2017** were assigned before an audience of 300 managers from the sector, in the prestigious setting of Palazzo Mezzanotte in Milan, the head office of Borsa Italiana. In this second edition, organised by Blue Financial Communication, the award for Customer Experience Innovation went to Fideuram.

### FINTECHAGE AWARDS



The first edition of the **FintechAge Awards** was held in May, organised by Blue Financial Communication. **Fideuram** was awarded the prize for the **Best Advisory Player**.

### CITYWIRE ITALY FUND MANAGER AND GROUP AWARDS 2017

They reward asset management excellence and are an important international mark of recognition, awarded to the top management companies and most talented asset management professionals worldwide at the service of Italian investors and the professionals who select them for their customers.

#### Citywire Best Fund Manager Awards



The Citywire Best Fund Manager Awards are presented to outstanding fund managers able to consistently generate Alpha-Extra return: Equity – Italy went to Luigi Degrada from Fideuram.

#### Citywire Best Group Awards



The Citywire Best Group Awards in recognition of asset management company expertise and fund management team talent at creating value in the category Equity – Italy went to Fideuram.

### MILANO FINANZA – 15<sup>th</sup> EDITION GLOBAL AWARD – 2017



Fideuram was presented the award as “Best Asset Management Bank for net profit” in the “Compagnie di valore” category.

### MORNINGSTAR AWARDS ITALY 2017



On the opening day of the “Salone del Risparmio”, Morningstar presented its awards to funds that excelled in creating value for their investors in 2016 and on longer time horizons: Luigi Degrada of Fideuram was presented award for the Equity – Italy category.  
Best Equity Fund Italy: Fideuram Italia

### ITALIAN CERTIFICATE AWARDS 2017



Intesa Sanpaolo Private Banking achieved second place in the prestigious Special Award for Best Private Banking Distribution Network.

### EUROMONEY 2017

The “Euromoney 2017” survey once again ranked Intesa Sanpaolo Private Banking among the outright leaders in Italy and first in the Italian Private Banks category.

## CUSTOMERS EVENTS

### VENICE – FESTA DEL REDENTORE – ISLAND OF SAN SERVULO

Fideuram organised an exclusive event for its top customers and Personal Financial Advisers in the beautiful setting of Venice, on the occasion of the Festa del Redentore (Feast of the Most Holy Redeemer) on Saturday 15 July. The actual location was the beautiful island of San Servolo, one of the main conference and educational centres in the City of Venice and a world-renowned cultural centre, which was reserved for the day for Fideuram's 200 guests. During this day devoted to them, the guests had the chance to visit the island and the "Museo della Follia" (Psychiatric Hospital Museum), opened in 2006, to have their lunch in the exclusive cloister accompanied by musical entertainment and to bring their day to a close watching the exciting fireworks display from the terrace, which takes place every year during the Festa del Redentore, with the most magical city in the world floating on the horizon. An exclusive and unique event to demonstrate the kind of Bank we want to be, without talking about banking.



### STRENGTH OF THE FIDEURAM MODEL THE NEW NORMAL

Fideuram proposed to its existing and potential customers a series of meetings on the topic "Investing in the era of high volatility and negative interest rates: practical advice for laymen"

During the meetings held throughout the country with the assistance of Fabrizio Crespi, Professor at the Cattolica University in Milan and at the University of Cagliari, we wanted to make the changes in the economic and financial environment clear to our customers, highlighting the benefits of financial planning and the role of an adviser, pointing to how best to exploit the volatility in the markets with managed asset instruments and the diversification of investments and illustrating the main errors made in investing and the basic rules for investing effectively.

The characteristics of the New Normal were explained at the meetings and information was given on what to do in times of volatility and low interest rates through diversifying investments in a conscious manner.

The meetings also focused on the values of excellence and reliability which distinguish our brand and on our financial and pensions advisory services.

More than 29 such events were organised in Italy's major cities, attracting over 3,000 participants.



## SUCCESSION MANAGEMENT AND HOUSEHOLD ASSET MANAGEMENT

We continued to hold the meetings called “Protecting assets when transferring wealth”, where we discussed the important topic of succession management and household asset management, focusing on protecting and transferring assets under the new tax rules.

During the meetings, explanations were given on how crucial it is to know the ineffective customs in the transfer of wealth by analysing emotional, social, legal and fiscal constraints to find the right solutions that can meet the specific needs of Italian households.

These meetings were organised locally in cooperation with Alessandro Gallo, a strategic consultant and trainer at Value & Strategies. Twenty-six major events were held, attended by a total of about 2,600 guests, including customers, professionals and Personal Financial Advisers from the Fideuram and Sanpaolo Invest Networks.



## BEHAVIOURAL FINANCE

A series of meetings on Behavioural Finance were organised for existing and potential customers to equip them with tools to manage the emotional aspects of financial market performance, assisting them in their choices in a context full of uncertainty. The close support and professionalism of our Personal Financial Advisers also plays an invaluable role in this area. The subject was explored by financial experts including Ruggero Bertelli, lecturer in Economics of Financial Intermediation at the University of Siena, and other speakers from our main third-party partners. More than 19 such events were organised in all Italy's major cities, attracting over 2,800 existing and potential customers and Personal Financial Advisers.



## PERSONAL AND FAMILY ECONOMY IN THE ERA OF GREAT CHANGES

A series of meetings was organised on "Personal and family economy in the era of great changes" dedicated to our existing and potential customers supported by Sergio Sorgi, Deputy Chairman of PROGeTICA.

During the meetings, to create awareness about the complexity of the contemporary world and discourage naïve or "do-it-yourself" approaches, certain demographic, sociological, and world change issues were discussed to highlight the need for an adviser to accompany our existing and potential customers towards maintaining and achieving well-being, also in economic terms, through sound, overall economic planning. Four such events were organised, attracting over 500 participants.



## FINANCIAL APERITIFS

A series of events for existing and potential customers, designed to make the world of asset management more accessible, using a transparent comparative approach. Organised in conjunction with our main third-party partners, the meetings focused on aspects of market performance and strategies for managing periods of high volatility effectively, while also providing detailed information on the investment process and Fideuram's service model. A number of meetings included round-table discussions moderated by an independent authority on the funds market, in which customers played an active role, asking questions on current market scenarios. More than 50 of these events were organised, attracting about 4,000 participants.



## WINE & FINANCE

We continued to hold evening events for existing and potential customers organised with Fondi&Sicav on the subject of "Wine & Finance", using this well-received and delightfully innovative format to strengthen personal relationships. Drawing on an amusing parallel with the world of finance, held in splendid venues and benefiting from the convivial atmosphere of refined social occasions, they feature an expert who talks the guests through the rudiments of wine-making and the main techniques of wine-tasting, highlighting the importance of having an adviser to turn to, whether you want to find your way around the world of finance or choose the best wine. At the request of our network managers, we organised over 30 events throughout Italy, attracting about 2,500 existing and potential customers and Personal Financial Advisers. The most refined settings for these events included Palazzo Visconti in Milan, the Fortezza del Priamar in Savona, Palazzo Marchi in Parma, the Pinacoteca del Tesoriere in Rome, the monumental complex of Santa Sofia in Salerno and the Teatro Vittorio Emanuele in Messina.



## CONVENTION "THE VALUE OF PRIVATE MARKETS: CHALLENGES AND OPPORTUNITIES" - FAI

Five meetings were held in major Italian cities, dedicated to high standing customers of Fideuram and Sanpaolo Invest who may potentially be interested in Fideuram Alternative Investments – Private Markets Insight Fund. The events were organised in partnership with Fideuram Investimenti and Neuberger Berman. At the end of each meeting, guests were offered a cocktail dinner in the presence of the Personal Financial Advisers. The guests taking part were 420.



## MEETINGS AT THE PREMISES OF OTHER COMPANIES

Intesa Sanpaolo Private Banking organised twenty-five financial meetings for customers with leading asset management companies.

These meetings, entitled “Economy and financial markets: perspectives and opportunities”, were attended by about 2,500 customers and the cities involved were: Bergamo, Milan, Pinerolo, Frosinone, Verona, Monza, Bologna, Treviso, Venice, Forlì, Perugia, Rome, Palermo, Ivrea, Imola, Asti, Turin, Lodi, Busto Arsizio, Avellino, Padua, Lecce and Florence.

We also organised a meeting in conjunction with Studio Bastia for the third year running, held at the CARISBO head office in the Sala dei Cento in Bologna, on the subject: “Family Business – Valori, finanza e competenze per innovare” (“Family Business – Values, finance and skills for renewal”). Approximately 100 existing and prospective customers attended the event.

## WORKING DINNERS

A series of 13 working dinners at exclusive venues were organised for existing and potential customers to examine market scenarios and provide some food for thought on investment opportunities, with the contribution from the Intesa Sanpaolo Research Department, Eurizon Capital SGR and the management of Intesa Sanpaolo Private Banking Department. These dinners were held in exclusive locations such as: the Egyptian Museum in Turin, Palazzo San Bonifacio in Padua, Ristorante Ca' Sette in Bassano del Grappa, Residenza Carisbo in Bologna, Villa Barbarich in Mestre, Villa del Grumello in Como, Castello di Chiola in Pescara, Cappella Bonajuto in Catania, Palazzo Lombardia in Milan, Hotel Excelsior in Pesaro, Villa Reale in Monza, Ristorante Due Colombe in Corte Franca – Brescia and Villa Borromeo in Padua. About 400 customers attended these dinners.



## ROLEX SAILING CUP (NAPLES-CAPRI)

The most important sailing event in southern Italy was held 5-13 May: the Rolex Capri Sailing Week between Naples and Capri, with the participation of the most famous names in Italian and international sailing.

The week began with the historic Regata dei Tre Golfi and concluded in Capri. One hundred eight boats were registered to participate, including famous personalities from the international sailing community in one of the world's most beautiful gulfs to stage this sailing spectacular. The Private Bankers of Fideuram supported this unforgettable 2017 edition. To mark the occasion, they invited their customers on 4 May to an exclusive cocktail party at the historic Circolo del Remo e della Vela Italia (Italian Rowing and Sailing Club) in Naples to celebrate the opening of the 63rd Regata dei Tre Golfi and then to Capri for another exclusive Night Dance Party at the famous "Anema e core" Tavern.



## VILLEGGENDO (VICENZA)

The third edition of Villeggendo was held in Vicenza from 23 May to 1 July. This festival was conceived to bring together the pleasure of reading with appreciation for the beauties of the Area Berica and its architectural heritage amidst the splendid villas surrounding Vicenza. Fideuram participated again this year as Main Sponsor with a prominent position in all communication materials prepared for the event and great visibility for the Private Bankers in Vicenza, Schio, Thiene and Valdagno, who participated at all 17 special evenings. Leading members of the literary and artistic world participated in this edition, which was a popular success.



## TEDxVICENZA

The third edition of TEDxVicenza was held in May at the Vicenza municipal theatre. This is an international cultural event dedicated to innovative ideas. Life stories and experiences to stimulate visitors and offer a new vision for the future were the focus during the day. Fideuram was a "visionary" partner by helping to make the 6 May event an important day for the whole city.



## MOSTRA LINDBERGH (TURIN)

The exhibition "A Different Vision on Fashion Photography" of Peter Lindbergh was held to great success from 5 October 2017 to 4 February 2018 at the Reggia di Venaria Reale royal villa outside Turin. Fideuram and Sanpaolo Invest organised an exclusive event for customers and prospects on 9 November. This included a visit to the exhibition and then a light dinner at the Rondò Alfieriano of the royal villa. Fideuram decided to sponsor the exhibition on Peter Lindbergh, one of the most important living fashion photographers, because he has always believed that institutional activities have to be combined with art and culture events, insofar as economic history around the world cannot and must not be separated from those engines of thought and action, which generate processes of social evolution.



**PETER LINDBERGH**  
A Different Vision on Fashion Photography  
07.10.2017 - 04.02.2018  
Reggia di Venaria, Sale delle Arti

In nome e per conto del Comitato di Redazione in collaborazione con il Comune di Torino, Torino Municipale, Sanpaolo Invest, Consorzio delle Residenze Reali Sabauda, Sanpaolo Invest, Fideuram.

Traduzione e organizzazione di: Comitato di Redazione in collaborazione con il Comune di Torino, Torino Municipale, Sanpaolo Invest, Consorzio delle Residenze Reali Sabauda, Sanpaolo Invest, Fideuram.

**STUDIO PETER LINDBERGH PARIGI**  
Responsabile del progetto: Peter Lindbergh  
"Your Models"

**KUNSTHAL ROTTERDAM**  
Direttore: Emily Award  
Responsabile del progetto: Christian van Gorp, Rina Wouda, Jorinda Reijnen

**MECANEO, DELT**  
Architettura della mostra: Delt, Mecaneo, Pirella Göttsche

**AREA AMMINISTRAZIONE**  
Daniela Carletti (Responsabile)  
Segreteria di Area: Valentina Carletti (Referente), Valeria Carletti  
Ufficio Personale e Formazione: Simona Pagani (Referente), con Gabriella Romano

**Ufficio Gara e Contatti**  
Soluzione Bussanico (Referente) con Giuseppina Luvaglio  
Ufficio Contabilità: Stefania Baccari (Referente), Alessandra Del Solitto, Daniela Pavia, Giuseppina Romano  
Collaborazione esterna: Pirella Göttsche  
Ufficio Stampa: Giorgio Buffoni (Responsabile), Valeria Carletti

Ufficio Media Planning e Buying: Cristina Pagani (Referente), Paolo Pulimeno  
Ufficio Immagine: Domenico De Gortari (Referente), Anna Giuliano, Chiara Tappero  
Collaboratori esterni: Maria Ruggiero, Costantino Sergi

**AREA ATTIVITÀ COMMERCIALI**  
Ufficio Bookshop: Paola Francabandiera (Referente), Serena Frascione, Enrico Frusta, Verena Neretto, Alessia Nicolosi, Federica Pirota  
Ufficio Servizi di Ristorazione: Paola Francabandiera (Referente), Monica Camparini, Silvia Caparini, Diego De Ceppi, Maria Guardia, Elisa Loria, Giancarlo Loria, Enrico Luciani, Leonardo Paganoni, Massimo Paganoni

**ALLESTIMENTO DELLA MOSTRA**  
Consorzio delle Residenze Reali Sabauda

Organizzazione: Giuseppe Colombano

Ufficio Attività espositive: Tommaso Riccardi di Negro, Giulia Zanasi, Patrizia Raineri

Ufficio Controllo Budget: Francesca Cassano

Ufficio Eventi e Servizi al pubblico: Francesco Bosso, Carlo Riontino, Federica Pulimeno, Chiara Pulimeno

Evento inaugurale: Lara Macaluso  
**FIDEURAM**

## INTESA SANPAOLO PRIVATE BANKING EXPO INVITATIONAL GOLF TOUR

The “Intesa Sanpaolo Private Banking Golf Tour” was played from May to September 2017; the 4 competitions plus the Top Pro-Am were held at the Golf clubs Villa d’Este, Bogogno, Venice, Des Iles Borromées and Torino La Mandria. Around 350 existing and potential golfer customers took part.



## SPORTS

Intesa Sanpaolo Private Banking reserved a sky box for the Milan, Inter and Juventus championship and cup matches, as well as a number of seats for the Torino and Bologna matches.



## BANK AND ART TOGETHER

Many exclusive evening gatherings were held at leading artistic and cultural events throughout Italy.

### TURIN – TEATRO CARIGNANO, PREVIEW PERFORMANCE OF “THE NAME OF THE ROSE” AND TOUR



In 2017 the Fideuram Group, as always sensitive to cultural initiatives, supported the Teatro Stabile di Torino – Teatro Carignano in the theatrical adaptation of “The Name of the Rose” by Umberto Eco. A highly-appealing show, as it was the first theatrical adaptation of one of the most important novels of the second half of the Twentieth Century and also

because it fell right on the first anniversary of the death of the great intellectual.

In recognition of this support, the Teatro Carignano put on an exclusive Preview performance on Tuesday 22 May. The performance was attended by over 500 guests, including Fideuram and Sanpaolo Invest customers and Personal Financial Advisers.

In autumn the play went on its first tour visiting the major cities in Italy, reserving seats for the opening nights and then for an exclusive preview performance in Genoa for the Fideuram Group, on 16 October.



### ROME – NECROPOLIS, VATICAN GROTTOS AND SAINT PETER’S BASILICA

On 8 November, for a select number of existing and potential customers of Fideuram, a prestigious and exclusive guided tour was organised to the Necropolis, the Vatican Grottoes and St Peter’s Basilica. It was an unforgettable occasion rich in culture, from the history of the Basilica to St Peter’s tomb below the Papal Altar, Bernini’s baldachin canopy above it and Michelangelo’s Pietà. The 37 invited guests were absolutely delighted by the places and the stories told by the guides.



VATICAN GROTTOS Chapel of the Madonna delle Partorienti. Courtesy of the Fabbrica di San Pietro in Vaticano.

## ROME – SCHOOL OF MOSAICS AND HISTORICAL ARCHIVES OF ST PETER'S

Two prestigious and exclusive guided tours were arranged to the Vatican State for existing and potential customers of Sanpaolo Invest (on 29 and 30 May) and of Fideuram (13 and 14 November).

A visit dedicated to the School of Mosaics, a beautiful and interesting tour to learn about the Vatican mosaics and the preservation and production of mosaic works by the skilled and experienced mosaicists who explained to our guests the techniques of a unique and complex art.

The other visit was to the Archivio Storico della Fabbrica di San Pietro under the direction of the Fabbrica di San Pietro where all the unique, precious historical documents are kept.

In the Archive there is also a large section of parchment documents, Papal Bulls, Licences and Decrees of the Sacred College of Cardinals and various types of seals and stamps.

The two prestigious visits were dedicated to 75 guests.



GENERAL HISTORIC ARCHIVE ciborium of Pope Sixtus IV. Courtesy of the Fabbrica di San Pietro in Vaticano.

## MILAN – TEATRO GEROLAMO

On 20 November, Fideuram arranged the exclusive show entitled "I Virtuosi Italiani" for its customers, with music and soundtracks from major films.

The event was held in the wonderful setting of Teatro Gerolamo, which was renovated and reopened in early 2017 after its closure of thirty years, a jewel among the theatres of Milan and the only European example of a theatre specially built for puppet shows.

The initiative was enjoyed by nearly 200 participants, who enthusiastically applauded the protagonists.



## MILAN – BRAMANTE’S SACRISTY AND CONCERT IN SANTA MARIA DELLE GRAZIE

On 12 December, Fideuram invited some current and potential customers to the guided tour of Bramante’s Sacristy and the “Christmas Concert” which was held in the Basilica of Santa Maria delle Grazie, performed by the Arteviva Chamber Orchestra conducted by Matteo Baxiu.

At the end of the guided tour, the guests were offered an aperitif in the cloisters and adjacent halls and subsequently attended the prestigious Christmas Concert sitting in the front rows reserved for them, with music by G.F. Haendel – Gloria in Excelsis Deo – Suite n.1 from Water Music – Arias from the Messiah. The initiative was enjoyed by 100 current and potential Private Banking customers.



## ART AND THEATRE ON TOUR

Intesa Sanpaolo Private Banking organised a number of particularly interesting and important artistic events for its customers. In particular, an exclusive tour was arranged at the Gallerie d’Italia in Milan to the exhibitions “Bellotto e Canaletto. Lo stupore e la luce” and “NEW YORK NEW YORK. Arte italiana: la Riscoperta dell’America”; at the Scuderie del Quirinale in Rome to the exhibition “Picasso tra Cubismo e Classicismo: 1915-1925”; and at Palazzo Reale in Milan to the exhibition “Dentro Caravaggio”. The visits always concluded with a social event that reinforced relationships between our Personal Financial Advisers and their customers. Around 800 existing and prospective customers attended these evenings, which included a buffet or dinner.

We also reserved a number of seats for the opening nights of every opera and ballet at the following leading Italian theatres: Teatro San Carlo in Naples, Teatro La Fenice in Venice, Teatro Petruzzelli in Bari and La Scala in Milan. An evening event was organised for the performance of “Nabucco” that opened the 95th Opera Festival at the Verona Arena. A total of 750 customers were invited.



## 30 YEARS OF SANPAOLO INVEST

### TURIN – PALAZZO MADAMA

The event which was held on 6 June at Palazzo Madama in Turin was the beginning of a programme organised by Area 1 of Sanpaolo Invest that included a series of unforgettable events in the most beautiful Italian cities in Northern Italy – Vicenza, Milan and Bologna – to celebrate the 30th anniversary of the company.

200 guests had the privilege to enjoy an exclusive visit admiring the beauties of one of the oldest and most fascinating buildings in Turin, including the masterpieces of the Museum of Ancient Art, such as the portrait of Antonello da Messina, and the marvellous staterooms of the building. To enhance the synergy between arts, history, culture, cuisine and customer relations, a gala dinner was held in the Senate room, with excellent food and refined wine pairings.

### VICENZA – PALAZZO MONTANARI (GALLERIE D'ITALIA) AND BASILICA PALLADIANA

Vicenza, the city of Palladio which bears the title as a "World Heritage" site, was chosen to celebrate the 30th anniversary. The event, which took place on 19 June, began with a visit to Palazzo Leoni Montanari, a pearl of Baroque architecture and first exhibition venue of the Gallerie d'Italia, the museum network that houses the artistic assets of Intesa Sanpaolo. Inside the building there is an important collection of ancient art from the 18th century and the most important collection of Russian icons in the West. After the visit, the festivities continued at the Basilica Palladiana, a world-renowned Italian architectural gem, for a gala dinner held in the portico of the Basilica. A unique setting for the 200 guests who enjoyed this exceptional evening.



## MILAN – ACCADEMIA AND PINACOTECA DI BRERA

On 29 June, the Pinacoteca di Brera art gallery in Milan, the city's iconic Museum, was opened exceptionally for an exclusive private evening dedicated to the excellence of artistic and cultural heritage. More than 200 Sanpaolo Invest guests were able to admire in absolute intimacy some of the greatest masterpieces in the history of world art by Mantegna, Piero Della Francesca, Raffaello, Caravaggio, Tintoretto and Hayez. After the visit to the Museum, in the beautiful porch of the upper floor, there was a gala dinner with many refined pairings. A unique event of huge success that succeeded in combining art, history, food, wine and customer relations with great style.



## BOLOGNA – BASILICA DI SAN PETRONIO AND PALAZZO RE ENZO

On 4 July, we held the event "Italia terra di eccellenze: Arte, Storia, Cibo & Vino" (Italy, land of excellence: Art, History, Food and Wine) that involved current and potential customers of Sanpaolo Invest. The evening began with a guided tour of the Basilica of San Petronio with a talk by the renowned art critic Vittorio Sgarbi. After admiring the masterpieces of the Basilica and being entertained by the art critic, the guests were welcomed in the impressive Palazzo Re Enzo for a gala dinner. The invited guests numbered 200, including both current and potential customers.



## PORTOFINO – CONCERT BY THE TORRE DEL LAGO PUCCINI FESTIVAL ORCHESTRA

The concert performed by the Torre del Lago Puccini Festival Orchestra conducted by maestro Alberto Veronesi was held on 28 September in the most famous village square of Portofino, overlooking the sea. The performance was given by cellist Giovanni Scaglione, baritone Franco Cerri and soprano Maria Maksalova, accompanied by fifty musicians. The evening was organised exclusively for 300 selected guests, all customers and Personal Financial Advisers of Sanpaolo Invest.



## ROME – CAPITOLINE MUSEUMS AND TERRAZZA CAFFARELLI

Rome's Capitoline Museums, a jewel of Italian art and culture, were opened exclusively on 3 October for Sanpaolo Invest's 30th anniversary. After the guided tours during which they were able to admire the Museums' masterpieces, our guests were welcomed to the Terrazza Caffarelli, a wonderful terrace with breathtaking views over the capital, for a delicious convivial gala dinner.



## ROME – PALAZZO COLONNA

The event was held in Rome on 17 October at Palazzo Colonna, one of the city's most prestigious buildings owned by the Colonna princes. There were over 200 guests and Personal Financial Advisers to admire the masterpieces in the Palace and in particular the Gallery exhibiting paintings by Veronese, Tintoretto, Bronzino, Guercino and many other notable artists. One of the most highly appreciated works was the "Mangiafagioli" (Bean eater) by Annibale Carracci. After visiting the rich collection, the guests had the pleasure of meeting together for a gala dinner at the Galleria del Cardinale, with refined gourmet food and excellent wine pairings.



## FLORENCE – UFFIZI E PALAZZO BORGHESI



An event for 200 customers was held in Florence on 13 November. The day provided an exclusive visit to the Uffizi Gallery, one of the most important museums in the world, with an extraordinary exclusive opening. A privilege and unique experience for the guests, who were able to admire artistic masterpieces of unparalleled importance by Raffaello, Botticelli, Giotto, Titian, Tintoretto and Caravaggio and many others, in absolute privacy and quiet as rarely happens. The celebrations then continued with a lunch in a palatial mansion in the city centre: Palazzo Borghese.



## NAPLES – TEATRO AUGUSTEO WITH “LA BANDA DEGLI ONESTI”

All sold out on 26 October at Teatro Augusteo, in Naples, for the preview performance of “La Banda degli Onesti”, a stage adaptation of the famous film starring Totò. An evening of excitement and great fun for about 1,000 guests.



## BARI, FOGGIA AND CATANIA

A talk show with various artists (musicians, writers and local comedians) was organised at the Teatro Nuovo in Mola di Bari on 27 October, which was attended by 100 invited customers. The guests present also included the band Audio2. The celebrations then continued with a dinner at Palazzo Pesce, where the guests, accompanied by their Personal Financial Advisers, were able to visit and admire the beautiful historic building. After the visit in Bari, the 30th anniversary celebrations in Puglia continued on 28 October in Foggia, where a wonderful gala dinner was organised in the historic Masseria Pietrafitta, whose oldest core buildings date back to Mediaeval times. The incomparable elegance of the building, combined with the majestic charm of the surrounding park, was the perfect setting to celebrate this important anniversary, combining art, history, convivial enjoyment and customer relations. More than 170 guests took part, including customers and Personal Financial Advisers from Foggia, Matera and Vasto.



On 24 October, 200 customers and Personal Financial Advisers from the Sicily-Calabria area were welcomed for the event in Catania in one of the most beautiful stately buildings in the city: Palazzo Manganelli. After a guided tour of the rooms with magnificent frescoes and richly decorated with stuccoes and antique furnishings, there was a sophisticated dinner with fine food and excellent wine pairings. An evening in style, where Sanpaolo Invest succeeded in combining the best in art, history, food and wine.

## NEW OFFICES OPENED

The companies in the Group continued opening new offices in 2017. In particular, in January 2017, to celebrate the opening of the new Fideuram premises in Reggio Emilia there was a sponsored preview performance of the show "Night and Day. A music dream" on Wednesday 11 January at the Teatro Municipale Valli in Reggio Emilia. It was a charity event and all donations collected were donated to the Papa Giovanni XXIII Foundation and Community Centre in Reggio Emilia. To highlight the event, a press conference (also attended by the Events and Network Communications Manager, Stéphane Vacher) was organised in the Hall of the Council of the

Province of Reggio Emilia to present the show.

In February, the new Fideuram and Sanpaolo Invest premises in Trento were inaugurated in the "Le Albere" district designed by Renzo Piano. This event was another important step towards the consolidation and development of our presence in the area. The new Fideuram and Sanpaolo Invest premises were opened in Lodi on 17 May and all the guests were offered an aperitif with musical entertainment with 27 advisers from the two Networks also attending.

Lastly, on 8 November, in Cremona, the inauguration of the new Fideuram

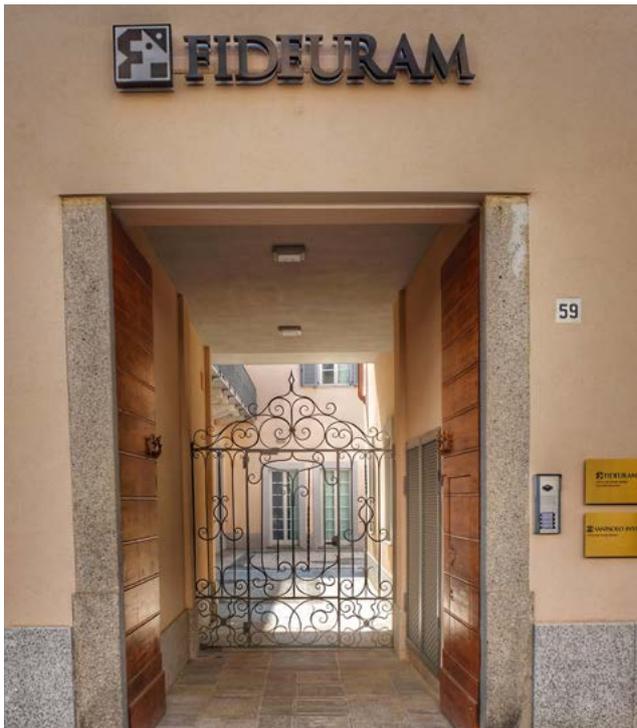
and Sanpaolo Invest premises was attended by numerous guests.

During 2017, Intesa Sanpaolo Private Banking opened new HNWI Branches in Florence, Naples and Turin for customers with potential financial assets of more than €10m. The High Net Worth Individual (HNWI) segment has complex specific needs regarding not only the management of each customer's personal assets, but also the Wealth Advisory structuring and protection of their total assets, including family businesses and succession management.

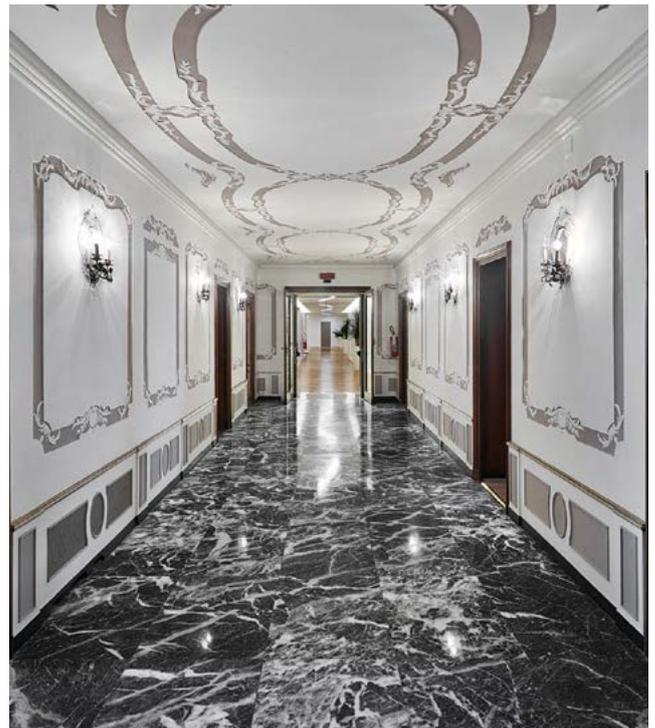
Fideuram - Reggio Emilia, Teatro Municipale Valli



Fideuram and Sanpaolo Invest - Trento Office



Fideuram and Sanpaolo Invest - Lodi Office



Intesa Sanpaolo Private Banking - Turin, HNWI Branch

240 K

contacts with customers

## CUSTOMER ASSISTANCE SERVICE

Our Customer Assistance Service provides information on the Group's products and services, and on each customer's overall financial position, which can also be viewed on the Fideuram Online website.

In 2017, there was a significant reduction in the volume of customer contacts compared to the previous year, as a result of major simplifications introduced in the management of logon credentials to Fideuram Online. Working independently 24/7 on the "Gestione Codici" (Manage Codes) page, customers no longer need to get in touch with Customer Service, but can independently carry out the operations required and have the feel of a service with higher efficiency and effectiveness.

Also the level of service, defined as the percentage of calls processed out of the total received, increased by 3% compared to 2016, standing at 95%.

Customer authentication, introduced in 2016, allowed quick and secure recognition of the caller by the operator. The percentage of authenticated calls increased progressively during 2017, reaching levels above 50% of the total number of calls.

In the light of the positive experience gained in previous years, the Commercial Due Diligence activity of Intesa Sanpaolo Private Banking continued. This involves about 20% of customers every year and includes moments of independent analysis of the Personal Financial Advisers based on the customer's personal knowledge and in a subsequent meeting between the customer and a third person (Branch Manager, management representatives) aimed at collecting comments or suggestions about the service offered by the Bank.

The proper conduct of Commercial Due Diligence consolidates the relationship of trust and can detect new development opportunities and points for improvement in daily relations with customers.

## CUSTOMER SATISFACTION

Customer Satisfaction is one of the most important aspects for programming and checking the quality of services. In a highly competitive environment like the present one, in which the development of digital channels makes products easy to reach, customer needs change at twice the speed of before and are forcing companies to analyse their dynamics.

Starting from this year, **Fideuram and Sanpaolo Invest** will be carrying out a survey in order to monitor the level of customer satisfaction in relation to services used, and will then implement corrective actions that may increase perceived quality and value by leveraging on new market expectations and, lastly, make the relationship more stable.

In 2017, a panel of customers resident throughout the country was interviewed. They were given a question-

naire to investigate every point of contact between the Bank and the customer (relationship with Personal Financial Advisers, Customer Assistance Service, Online Services), in the belief that maintaining or increasing a certain level of satisfaction is associated with a systemic effort involving all the departments and distribution Networks that are in direct contact with the customers. 86% of customers who participated in the survey said they were satisfied or very satisfied, while 14% said they were not satisfied.

At the end of 2016, **Intesa Sanpaolo Private Banking** renewed its annual customer satisfaction survey, whose results were announced in the first half of 2017.

The survey, carried out as always in collaboration with DOXA, was conducted via postal delivery of questionnaires and online questionnaires via internet banking: about 17,800

customers were involved and 17% of the sample responded, slightly up compared to the previous survey.

The survey results confirmed a high level of customer satisfaction, in line with the previous one (June-September 2015), despite the particularly penalizing performance in the markets that characterised the period from September 2015 to the end of 2016. The relationship with Personal Financial Advisers is always a fundamental element in measuring appreciation of the service provided by the Bank: in particular, customers recognise their availability, competence and professionalism.

## CUSTOMER FEEDBACK

The Group's Italian companies received a total of 1,260 customer complaints in 2017, a slight increase on 2016 (+4%).

Response times continued to be below the maximum times specified by the relevant legislation, with an average of 23 days (30 days legal maximum) for banking service complaints and 35 days (60 days legal maximum) for investment service complaints.

At 31 December 2017, there had also been 81 complaints for misconduct by Personal Financial Advisers.

Complaints to the Banking and Financial Services Ombudsman (Arbitro Bancario Finanziario) decreased compared with the previous financial year, moving from 46 to 15, as did complaints to the Financial Disputes Ombudsman (Arbitro per le Controversie Finanziarie), which totalled 8 compared with 12 in the previous year.

# 35 days

Average processing time  
for investment service  
complaints (\*)

(\*) Compared with 60 days maximum legal requirement.

### Complaints by type

(No.)

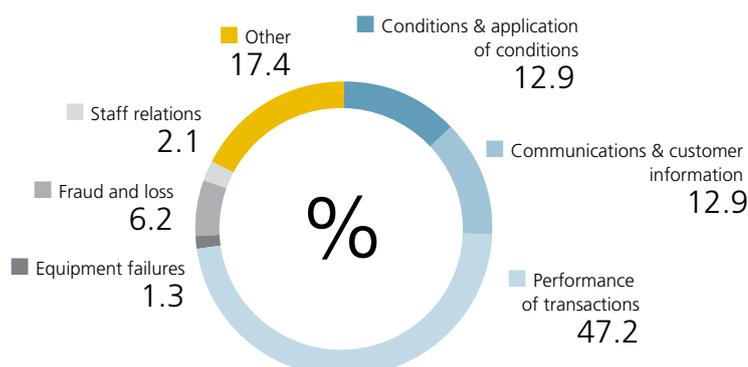
	2017	2016	2015
Complaints regarding investment services	283	311	305
- of which securities in default	14	16	18
- of which structured securities	22	15	1
Cheques and bills	52	57	32
Transfers, wages and pensions	59	46	50
Cards	203	169	131
Loans	7	8	5
Current and deposit accounts	386	283	311
Mortgages and special loans	-	2	2
Insurance products	38	3	1
Remote banking	74	91	77
Other	158	244	217
<b>Total</b>	<b>1,260</b>	<b>1,214</b>	<b>1,131</b>

"Other" includes, for the most part, customer complaints regarding service efficiency and organisational aspects. These include customer complaints regarding privacy, listed in the table below:

### Other complaints

	2017	2016	2015
For Privacy	22	5	13
For Capitalisation of interest due	14	-	2

### Complaints by reason, 2017



## TRANSPARENCY WITH CUSTOMERS

The regulations on the transparency of banking transactions and services allowed us to present the information we provide our customers in every phase of their relations in a manner that is clearer and easier to understand.

The principles of language simplicity and transparency of information represent the guiding principle for a timely update of the transparency documents available to the customer, in accordance with the constantly changing legislation, with the aim of analysing all the products in the catalogue and improving their readability.

The in-house training provided for branch staff consists both of traditional tools and innovative solutions, including Intranet communications, supplementary material supporting training catalogue courses, Web TV and e-learning modules.

### MAIN IMPROVEMENT OBJECTIVES FOR 2018

#### Customers

Our main improvement objectives include the following:

- Strengthen the distinctiveness of investment solutions and services within the already-started customer segmentation process.
- Make long-term investment themes accessible so as to combine the search for value with environmental and social sustainability criteria.
- Increase the level of information provided to customers in the pre-contractual and subsequent phases, paying particular attention to the costs and adequacy of the portfolios.
- Continued support activities regarding the Alfabeto platform by providing specifically-prepared informative content for the public, by internal departments and acquired through new agreements with suppliers (newspapers), with the availability of detailed statistics to better define the scope of the interventions.

#### Advisory platform

The following actions on the advisory platform are scheduled for 2018 to facilitate relationships with customers even further:

- Development in the sales proposal phase.
- New tools supporting global wealth management advisory services.
- New portfolio views for Personal Financial Advisers and customers.
- Simplification in browsing through the platform.

#### Events

Organise local customer events that examine and develop a greater understanding of matters of current interest.

## SUPPLIERS

### MAIN OBJECTIVES FOR 2017

Purchase a new IT solution to optimise management of the supplier administration process.

Increase the uniformity of supplier relations management and selection criteria, leveraging the new infrastructures available through Intesa Sanpaolo's IT systems.

Where necessary, assess new market soundings through the frequent use of Requests for Quotations and Requests for Proposals to award the various different types of supply contracts.

### ACTIONS AND RESULTS ACHIEVED

A new software tool was used for the management of the supplier administration process which resulted in a more efficient supply chain and supplier management.

The Intesa Sanpaolo purchase system portal was used, resulting in improved evaluation and selection of suppliers. Furthermore, by testing the potential of suppliers, the safety and reliability of the choice was guaranteed.

Various Requests for Quotations were made allowing greater diversification in the assignment of supplies and producing significant economies of scale.

## PROFILE OF SUPPLIERS

The work of rationalising the phases in our goods and services procurement procedures was completed in 2017 in line with our internal spending regulations. The Group had business dealings with about 1,700 suppliers during the year, for a total value of approximately €240m. A total of 154

of these partners were classed as Large Suppliers, meaning they each supplied goods or services with an annual

value in excess of €150k, accounting for €219m altogether. All our Large Suppliers are located in Italy.

	2017	2016	2015
Total sales by Large suppliers (€m)	219	211	176
Large Suppliers (No.)	154	142	126

## SUPPLY CHAIN MANAGEMENT

The Fideuram Group pursues economic growth in a manner consistent with safeguarding the environment and respecting human rights and workers' rights. This enhances the quality of our relationships with suppliers and our procurement policies.

The Intesa Sanpaolo procurement centralisation process allowed us to unify rules and processes, applying a uniform model to all Group companies and raising awareness of aspects related to social and environmental responsibility. This saw Fideuram - Intesa Sanpaolo Private Banking also adopting the new "Guidelines for Group Purchases", applying the same criteria as Intesa Sanpaolo and aligning the social and environmental awareness and responsibility processes of every department involved in the sourcing process, from requests for quotations to calls for tenders and supplementary information.

This made the process of identifying suppliers more consistent through the signing of contracts and agreements with Intesa Sanpaolo's suppliers. During 2017, the Fideuram Group continued the process of raising the awareness of suppliers by sending them notices on the new processes and new business relations procedures, thus increasing the transparency of relationships and providing the necessary information for inclusion in Intesa Sanpaolo's Register of Suppliers.

During the year, Fideuram was able to use Intesa Sanpaolo's Suppliers Portal to access the latter's Register of Suppliers, enabling it to manage its tenders online and continue the work of standardising its suppliers, thus making its supplier relations fairer and more transparent.

During 2018, the new Intesa Sanpaolo Suppliers Portal will come into operation and will also be accessible to Fideuram, thus ensuring greater control over the supply chain.

## SELECTION POLICIES

The Group continued its work improving quality standards by selecting suppliers on the basis of legal and ethical integrity, technical and professional suitability, reliability with respect to data confidentiality and commercial competitiveness.

The Register of Suppliers is managed by Intesa Sanpaolo. Fideuram uses the Register to select its suppliers following the above guidelines, choosing those who meet the requirements of economic, social and environmental reliability, and who respect their contractual commitments and respond to calls for sealed bids respecting data confidentiality.

To maximise the reliability of supplier selection in these respects, several supply contracts have been awarded giving a preference to Intesa Sanpaolo suppliers, thereby achieving substantial economies of scale and meeting the stipulated social and environmental responsibility criteria.

The guiding principle of our sourcing strategy is to purchase the goods or services that offer the best value for money in order to maximise the Group's economic returns by containing costs and maintaining appropriate quality and service levels, while simultaneously complying with the general guidelines on the environment and overall sustainability. Traceability is a key element of this principle, in the form of documenting the decision-making processes.

Suppliers are selected by comparing bids submitted by multiple tenderers.

The award criteria used are the following: Request for Proposal, Request for Information and, if it is impossible to make a comparison, Direct Negotiations.

Market comparisons are not required for non-recurring purchases that are not connected with other initiatives and have a value of less than €75k or which are covered by framework agreements or contracts.

The choice of supplier is guided by the following criteria, together with the size and type of supply:

- size of the company and its operational organisation;
- market position in accordance with procurement requirements;
- type of purchase required;
- supplier's specialisation in the product category to which the supply relates;
- significance of the activity for the Group as a percentage of its total value of production;
- corporate, economic and financial assessment of the supplier based on turnover, internal rating and previous orders;

- technical assessment based on the services already provided and punctuality of previous supplies.

The list of suppliers to be involved in a purchase process when making a market comparison or choosing the supplier with which to start direct negotiations is prepared also by taking into account the various needs of the Group. However, the list of suppliers for a Request for Proposal must be authorised in advance by the Office for Supplier Qualification, Coordination and Monitoring of Intesa Sanpaolo, established at the end of 2017.

Prior approval for the supplier from that Office is also required when signing a Framework Agreement or to start direct negotiations for purchases exceeding €25k for product categories that have previously been classified as high risk.

At least three suppliers are required in market comparisons (five in the event of comparisons with an estimated value exceeding €50k). In certain cases (e.g. lack of availability of alternative suppliers, existence of corporate links between suppliers invited), exceptions can be made regarding the number of suppliers involved. In addition, sealed bids are required for contracts exceeding €25k, and for certain product categories, those under €183k, in the event of a Request for Proposal.

The Request for Proposal assumes a technical assessment, a subsequent economic assessment and a joint analysis of the two assessment components (best proposal that meets the combination of technical assessment and price).

The technical assessment must always be completed and formally documented prior to opening the economic proposals; where provided, it will also have to include social and/or environmental responsibility aspects. Unless different criteria are formally set out at the launch phase, that assessment is expressed through an opinion of appropriateness or inappropriateness of the solution.

Conversely, the strategy with Request for Information enables the purchaser to obtain information, solutions and pricing in the form of approximate quotations and define the sourcing strategy to be applied.

The winning bidder is selected upon completion of all the procedures required for the request strategy adopted, in accordance with the award criteria specified and when agreement has been reached on the contractual conditions.

In 2017, we used a substantial number of suppliers with whom Intesa Sanpaolo has Framework Agreements or Framework Agreement Prices, enabling the Fideuram Group to achieve greater savings through economically advantageous rates.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Having implemented Intesa Sanpaolo's guidelines in the supplier selection phase, the Group uses Intesa Sanpaolo's Register of Suppliers to check the information on each bidder's social and environmental responsibility and then assesses their suitability on the basis of technical and sustainability ratings before awarding the contract.

The contractual clauses to be signed also include an undertaking to comply with the principles set out in Fideuram's Organisational, Management and Control Model (Italian Legislative Decree 231/2001), Internal Code of Conduct and Code of Ethical Conduct. Suppliers are required to ensure that their employees and contractors respect the principles set out in these documents under the terms of all procurement contracts.

The selection criteria applied in the bid assessment phase are not confined to best price alone, but also take account of the activities performed. Unjustifiably low bids are excluded on the grounds that they may involve improper conduct by the supplier, such as social security evasion or non-compliance with legal requirements or safety regulations.

In accordance with current regulations, the due compliance of contracted suppliers with respect to their employees is verified, requiring submission of the documents testifying to employer payment of all the required social security contributions and application of the minimum wage. Checks are carried out to verify compliance with the social criteria applicable to the technical conditions of contracts (equipment maintenance) and staff (cleaning) through regular inspection of the suppliers' social security payment certificates (Documento Unico di Regolarità Contributiva - DURC) and Chamber of Commerce registration.

Checks are also performed to verify compliance with environmental criteria regarding the use of cleaning products and the use of electricity from renewable or equivalent sources wherever possible.

The Group has adopted and implemented the Intesa Sanpaolo guidelines on the specifications for white copier paper, using the services of the same supplier, which ensures the same type of supply. Blank paper and Fideuram headed paper is all ecological Forest Stewardship Council (FSC) certified paper from sustainably managed forests.

### MAIN IMPROVEMENT OBJECTIVES FOR 2018

#### Suppliers

Our main improvement objectives include the following:

- Ability to access the new Intesa Sanpaolo Suppliers Portal with its additional information related to the promotion of social and environmental responsibility practices among the suppliers, who will have to provide further guarantees on their respect of commitments declared in this area during the registration process.
- Periodic checks through the filling in of vendor rating questionnaires.
- Expanding the pool of suppliers by joining a larger number of Intesa Sanpaolo Framework Agreements resulting in achieving economies of scale and greater cost savings.

## THE COMMUNITY

Charitable initiatives (or donations) mean exclusively cash donations without the expectation of receiving any compensation or benefit of any kind in return. Therefore, all those activities – in whatever form the conditions are agreed – which directly or indirectly promote and enhance the image of the Bank, do not represent donations.

In defining the principles of conduct in relations with the community, the Code of Ethical Conduct of Intesa Sanpaolo S.p.A., implemented by the Fideuram Group, specifies the need to identify “the requirements and needs of the community and not only in a material sense,” and to support them, amongst other things, “through charitable donations”.

Generally speaking, recipients of donations can be

- legally recognised entities, which do not pursue profit, established and organised according to the rules governing the so-called non-profit sector;
- social enterprises, established pursuant to Italian Legislative Decree 155/2006, as long as the donation, within the sphere of the social enterprise, is destined to support particularly significant social or cultural initiatives;
- third parties (e.g. local entities or bodies including public ones, such as regional, provincial or municipal authorities, community cultural associations, schools, tourism promotion boards, etc.) provided that the project meets the above definition for charitable initiative and has the sole objective to pursue one or more of the aims set out below.

Potential beneficiaries of donations are classified according to the aims they pursue and in relation to the area in which they operate, i.e. by way of example:

- social area (e.g. health and research; education and training, voluntary service, protection of rights, solidarity, protection of minors);
- religious area;
- cultural, artistic, historical and archaeological heritage promotion;
- environmental protection.

Conversely, the following institutions are excluded as potential beneficiaries of donations:

- political parties and movements and related organisation;
- trade union organisations and assistance agencies;
- service clubs, such as Lions, Rotary etc.;
- associations with profit aims and recreational groups, private schools and legally-recognised schools, except for specific initiatives with particular, social, cultural or scientific importance.

In order for a donation to be made, the ethical values of the beneficiaries must be consistent with those specified in the Code of Ethical Conducts, directed towards people, the respect for human rights, economic and social solidarity, sustainable development, conservation of the environment and artistic heritage and support for culture.

As a further constraint regarding the provision of donations, they:

- may be given to organisations whose procedures, including accounting procedures, make it extremely easy to verify the consistency between the declared objectives and the ones they pursue i.e. they prepare financial statements (without prejudice to the requirement for these entities to comply with the primary and secondary rules and the principles of correctness, rigour, integrity, honesty, fairness and good faith);
- cannot be for initiatives with a commercial and promotional value, e.g. for initiatives of promotion, enhancement and reinforcement of the Group’s image, which are realised by entering into contracts or agreements;
- cannot be used for projects that already receive some form of sponsorship;
- must be granted using a form of rotation, so as to ensure as broad, varied and flexible use of resources as possible;
- cannot be given to the same applicant more than once within the same calendar year;
- cannot be granted for more than four consecutive years to the same applicant, except for those projects that have an obvious long-term duration;
- cannot be granted to bodies involved in litigation, known to the Group, on issues relating to the non-respect of human rights, peaceful coexistence, environmental protection and vivisection;
- cannot be granted to natural persons.

A central role in the process of managing donations is covered by the Legal and Corporate Affairs Department, which can draw on various relevant offices/departments whenever necessary during the assessment of the applications received.

The Group’s charitable and other donations totalled €0.7m in 2017 and were distributed to a number of respected bodies operating in the health care, scientific research, arts, sports and humanitarian/aid sectors.

## INITIATIVES TO SUPPORT HEALTH CARE, SCIENTIFIC RESEARCH, ARTS AND SPORTS ORGANISATIONS



The Group supported the following health care organisations:

- **Fondazione piemontese per la ricerca sul cancro** (Piedmont cancer research foundation), assisting the Istituto di **Candiolo** oncology department's purchase of medical and scientific equipment and provision of oncological care;
- **Fondazione IRCCS Istituto Nazionale dei Tumori** (a cancer research institute in Milan), for the promotion of the Foundation's institutional activities dedicated to cancer care and research;
- **Fondazione Giovanni Celeghin**, to organise the annual edition of the "Da Santo a Santo" non-competitive cycling marathon, the proceeds of which are allocated to finance brain tumour research projects;
- **Fondazione Natalino Corazza Psoriasi&Co** Onlus (a psoriasis welfare and research foundation) to assist with its scientific, social solidarity and care initiatives.



The Group supported the following scientific research organisations:

- the non-profit **Associazione Italiana Sclerosi Multipla ONLUS** (Italian Multiple Sclerosis Association) in order to support, assist and promote research on multiple sclerosis;
- **Fondazione IRCCS Policlinico "San Matteo"** in Pavia, to finance a project on stem-cell therapy in post-transplant infections, conducted by the Foundation's Specialist Paediatric Oncology Department.



Recognising the considerable human and social value of the arts and sport, the Group supported the following:

- **Associazione Freewhite Sport Disabled Onlus** with the aim of supporting the promotion, organisation and advancement of sports, in particular skiing, among people with disabilities with the goals of inclusion, bringing people together and physical rehabilitation;
- **Società Canottieri Armida** (a rowing club), also in favour of disabled people involved in sports activities;
- renovation work on the **Scuola Grande di San Rocco**, a 16th century building located in Venice in view of its importance as part of Italy's cultural heritage;
- the **University of Ferrara** to provide a contribution towards the archaeological research and study of the Palaeolithic site of the Grotta di Fumane;
- **Lenz Fondazione** for the organisation of an evening dedicated to celebrating the 72<sup>nd</sup> anniversary of the Resistance and struggle for liberation;
- the football club **S.S.D. Città di Messina**, to promote sport as a way of bringing young people together;
- the amateur sports association **Associazione sportiva dilettantistica Gimaspport**, to assist with its organisation of the 17<sup>th</sup> **GimondiBike International** mountain bike race;
- the football club **A.S.D. Futura Breno**, supporting football for young people;
- the amateur sports activities organised by the Cerignola sports club **U.S.D. Audace Cerignola**, in particular for the creation, training and management of football teams;
- the 21st Giovanni Nasi golf tournament, the proceeds of which supported the athletes in the **Federazione Italiana Sport Invernali Paralimpici - FISIP** (Italian Paralympic Winter Sports Federation);
- the 23rd annual edition of the "Memorial Piero Ciabatti" event, dedicated to the former chairman of **Yacht Club Cagliari** - Associazione Sportiva Dilettantistica (amateur sports club);
- **Associazione letteraria Giovanni Boccaccio**, supporting the 36th Giovanni Boccaccio literary prize;
- **Associazione Festival delle Nazioni Onlus**, for the organisation of an evening in remembrance of the Centenary of the First World War;
- **Fondazione Comunità Mantovana Onlus**, to support local voluntary activities.



## HUMANITARIAN AND AID INITIATIVES

The Fideuram Group provided support for the following humanitarian and aid initiatives and organisations:

- the work of the non-profit **Associazione Unione Genitori Italiani contro il tumore dei bambini Onlus**, for children affected by cancer being treated at the Regina Margherita Children's hospital in Turin;
- the non-profit organisation **Associazione Dynamo Camp Onlus**, which provides "recreational therapy" for children and teenagers suffering from severe and chronic diseases, particularly onco-haematological and neurological diseases, rare syndromes, spina bifida and diabetes;
- **Lega del Filo d'Oro Onlus**, committed to the care, education, rehabilitation and reintegration into the family and the community of children, young people and adults who are deaf and blind and have various psycho-sensory handicaps;
- **Associazione CAF Onlus**, with the aim of supporting the association's objectives involving the accommodation and care of child victims of serious abuse, providing qualified psycho-pedagogical support;
- the independent medical and humanitarian organisation **NutriAid Onlus** fighting child malnutrition;
- **Progetto Etiopia Onlus**, in Lanciano, to assist with the building of some rooms to be used as a small first aid post and local pharmacy in the village of Maganasse in Ethiopia;
- **Associazione Ersilia Onlus**, in its work for the prevention of psycho-physical discomfort of the elderly suffering from senile dementia and Alzheimer's disease and to support the families having to cope with the dramatic situation of their loved ones;
- **Fondazione Il Meglio di Te Onlus**, for its "Studenti Universitari" project that supports deserving, but under-privileged young people through grants to assist with university course fees;
- **Unione Tutela Consumatori Onlus**, a consumer association which organises meetings on food and nutrition;
- **Fondazione Bellotti Maria Rosa - Stefani Giuseppe**, which is engaged in providing care to the sick and destitute;
- the work of **Wecare Onlus**, which promotes solidarity aid to disadvantaged people in Italy and abroad, especially in the field of medicine;
- **U.G.I. Unione Genitori Italiani**, in Novara, engaged in the fight against child cancer and leukaemia through scientific, educational and informative initiatives and with in-patient care;
- **Vidas Organizzazione di volontariato Onlus**, which is involved in raising funds for the construction of a new building – "Casa Sollievo Bimbi" – which will accommodate sick children receiving specialised care and their family members;
- **Chiesi Foundation Onlus**, which supports the "Mamme Canguro" project at the Ngozi hospital in Burundi;
- the association **Ai.Bi. Amici dei Bambini**, supporting its projects for abandoned children.

Lastly, it should be noted that the Fideuram Group also provided economic support to **Associazione di Riferimento e Sostegno alle Malattie Infantili Onlus**, **Assohandicap Onlus**, the association **Il sorriso dei bimbi Onlus**, **Fondazione Banco Alimentare Onlus** and **Associazione Amici Pinacoteca Agnelli**.

### SPONSORSHIP INITIATIVES

The Fideuram Group continued to sponsor high-profile meetings, theatrical, art, musical and sports events and initiatives involving customers in 2017.



In particular, Intesa Sanpaolo Private Banking sponsored the Maratona dles Dolomites (Dolomites Marathon), a cycling race that attracts athletes and cycle-racing enthusiasts from all over the world. Fifty customers took part in the race. The Bank also sponsored international equestrian meetings organised by the Equieffe Equestrian Centre. The Bank also effectively confirmed its commitment to the dissemination of culture and the arts by supporting the organisation of the 26th Edition of the “Settimane Musicali” (musical weeks) at Teatro Olimpico, in Vicenza and, lastly, on the occasion of the 41st Edition of the “Arte Fiera 2017” in Bologna, Intesa Sanpaolo Private Banking put its name forward as a collector programme partner by hosting an exhibition of some unique pieces from the historic Venini glass factory from Murano in one of its lounges in the heart of the fair, which also offered hospitality to a number of demanding collectors, attentive to new artistic expressions. Arte Fiera attracted more than 48,000 art lovers and collectors from all over the world, around 500 of whom were our guests.

Intesa Sanpaolo Private Banking promoted the main exhibitions by the Gallerie d’Italia, by placing advertising banners during the year on its website home page, dedicated to Bellotto e Canaletto – Lo stupore e la luce, Fergola – Lo splendore di un regno, New York New York – Arte italiana: La riscoperta dell’America, Le mille luci di New York, Corrispondenze – De Chirico incontra Boccioni, Grisha Bruskin – Icone sovietiche, L’ultimo Caravaggio – Eredi e nuovi maestri and Da De Nittis a Gemito.

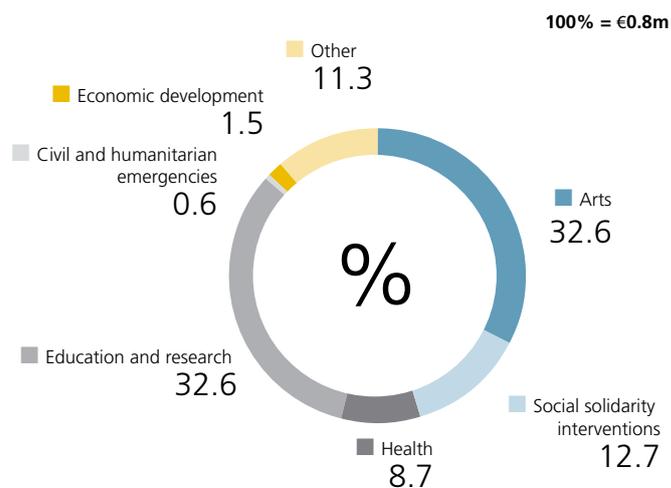
During the year Fideuram was sponsor of various events related to the arts and culture including the tour of “Il Nome della Rosa” at Teatro Stabile in Turin and Genoa, the Villeggendo event and the Exhibition by Peter Lindbergh, whereas in the context of economic development it also helped with the Family Forum Office in October and the ConsulentiA event.

In 2017, the Group’s total donations to local charities (€665k) and sponsorship (€130k) were made almost entirely in cash. The graph shows the Group’s donations to the community by sector of activity.

Our donations, calculated following the guidelines of the London Benchmarking Group (LBG), are classified by objective as follows:

- 21.9% “local investments”, which include long-term strategic partnerships;
- 59.9% “donations”, which meet specific needs and requests;
- 16.4% “marketing initiatives”, which support events that simultaneously promote our brand and business;
- 1.8% “membership subscriptions”.

Group donations by sector supported, 2017



## SUSTAINABLE FINANCE

Ethical finance and Corporate Social Responsibility (CSR) have assumed a more prominent role in recent years thanks to improved sensitivity towards the effects of investment on the social fabric.

According to this new idea, yield, capital and interest are no longer the only assessment criteria considered by investors, but leave some room for people, the environment and society. In order to attract their interest, the key principles governing operations were explained in a Manifesto drafted in 1998, according to which ethically oriented finance:

- believes that credit, in all its forms, is a human right;
- considers efficiency as a component of ethical responsibility;
- does not consider enrichment based solely on the possession and exchange of money as legitimate;
- is transparent;
- provides for the participation not only of the shareholders but also of the savers in important choices made by the company;
- includes social and environmental responsibility among its benchmarks for investments;
- requires comprehensive and consistent compliance by the manager who directs all the activities.

Ethical Finance tools are similar to those at the disposal of traditional finance; the difference lies mainly in the objectives pursued and in the use of capital. The most common are ethical funds and sustainable bonds, micro-finance funds and bonds linked to social issues.

### THE ETHICAL FUND: FONDITALIA ETHICAL INVESTMENT

Fonditalia Ethical Investment, the sub-fund of Fonditalia active since 1 October 2012, is the ethical investment solution that includes economic objectives with characteristics of financial sustainability and social value, promoted by Fideuram and Sanpaolo Invest.

Initially established as a flexible bond fund, it then enhanced its mandate by including equities and greater use of third-party funds. The sub-fund has a component inspired by criteria of SRI (Sustainable and Responsible Investment), which exclude or reward countries based on their level of sustainability associated with their growth patterns. Over time, the component of investment with social and environmental impact has also grown, becoming by far the most important portion in the portfolio. In this component of the Fund investments are made in green bonds, theme bonds (education, vaccines, housing affordability), theme funds (ecology, water) and in companies that provide access to financial services for more vulnerable social groups. Each element in the portfolio is important as a financial opportunity and also because of its positive impact on the community.

The sub-fund invests in:

<b>THEMATIC BONDS</b>	Bond issues intended to finance specific environmental projects (green bonds), or issues such as reducing poverty, education, natural foods, access to health care and related challenges.
<b>ESG GOVERNMENT BONDS</b>	Sovereign bond issues selected according to exclusion criteria and positive sustainability criteria (ESG).
<b>MICROCREDIT INSTITUTIONS</b>	Shares of institutions that actively provide financial services to the weakest segments of the population.
<b>MICROCREDIT FUNDS</b>	Funds that invest in banks which provide micro financing and fair trade.
<b>SUSTAINABLE EQUITY FUNDS</b>	Equity funds that invest in firms which actively promote environmental sustainability.

The fund has undergone significant development in terms of the markets and instruments covered since it was launched. The positive externalities generated by the fund have increased through its providing access to financial instruments with new features and due to the effort in creating value for the customer within a framework of controlled volatility. The instruments used today include the bonds of countries and companies distinguished for focusing special attention on social and environmental matters, supranational bonds that support developing countries, shares and units in companies and funds that seek financial returns combined with social or environmental benefits (such as microcredit funds, fair-trade funds and social bond funds), and other financial instruments with a positive social and/or environmental impact.

Within the Sustainable Development Goals (SDGs), promoted by the United Nations and signed by 193 member countries, Fonditalia Ethical Investment meets the following objectives:



End poverty in all its forms and everywhere.



End hunger, achieve food security, improve nutrition and promote sustainable agriculture.



Ensure healthy lives and promote well-being for all at all ages.



Achieve gender equality and empower all women.



Ensure access to water and sanitation for all.



Ensure access to affordable, reliable, sustainable and modern energy for all.



Promote inclusive and sustainable economic growth, employment and decent work for all.



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

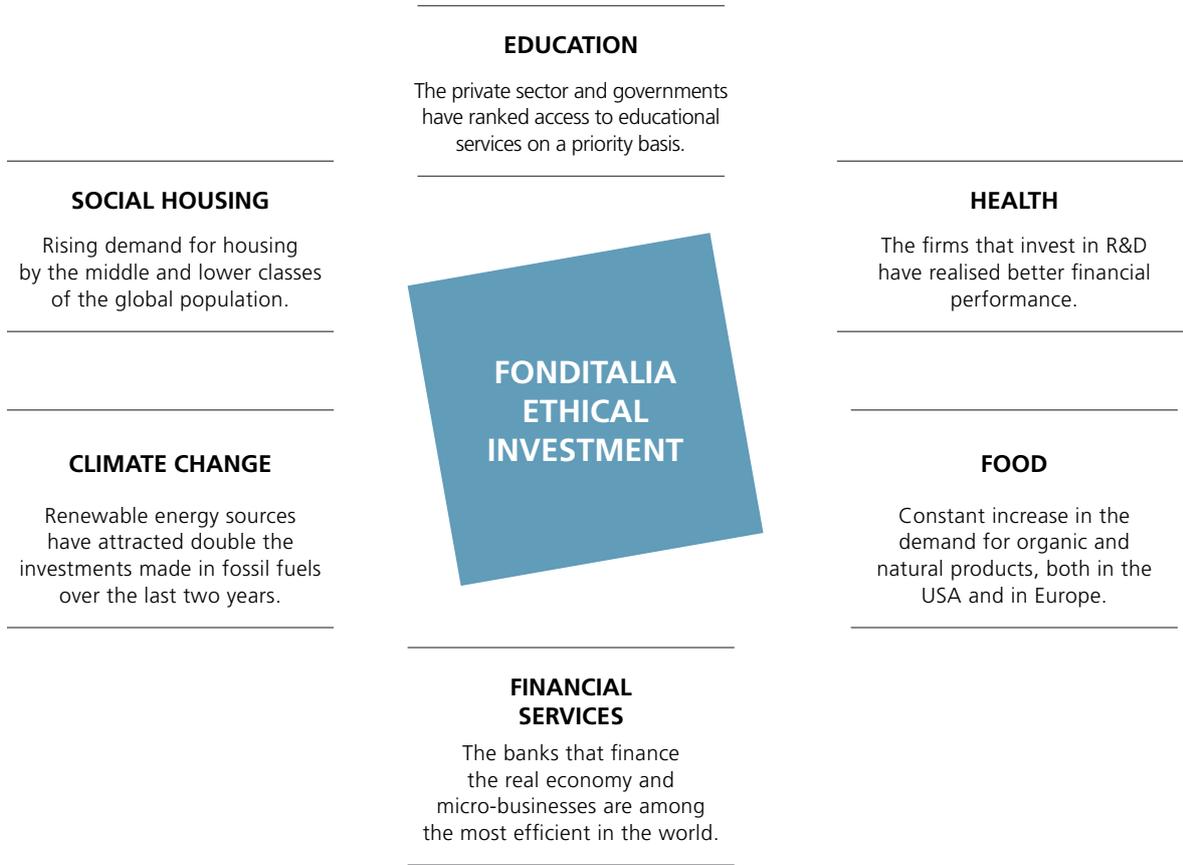


Make cities inclusive, safe, resilient and sustainable.

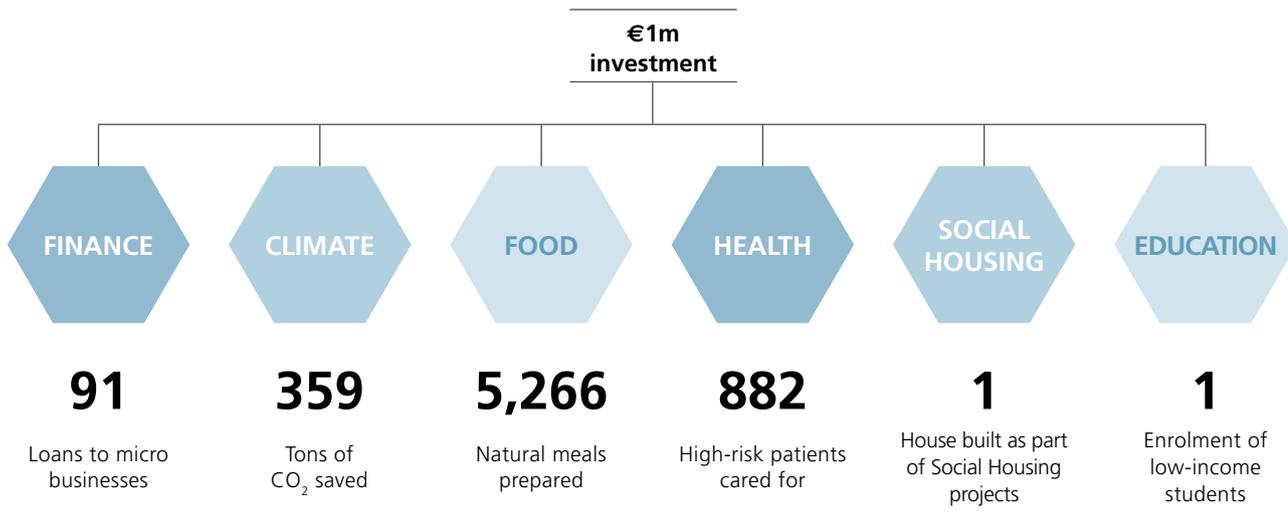


Take urgent action to combat climate change and its impacts.

The main areas of investment with an ethical impact are:



The following social and environmental results are realised for every €1m invested in Fonditalia Ethical Investment:

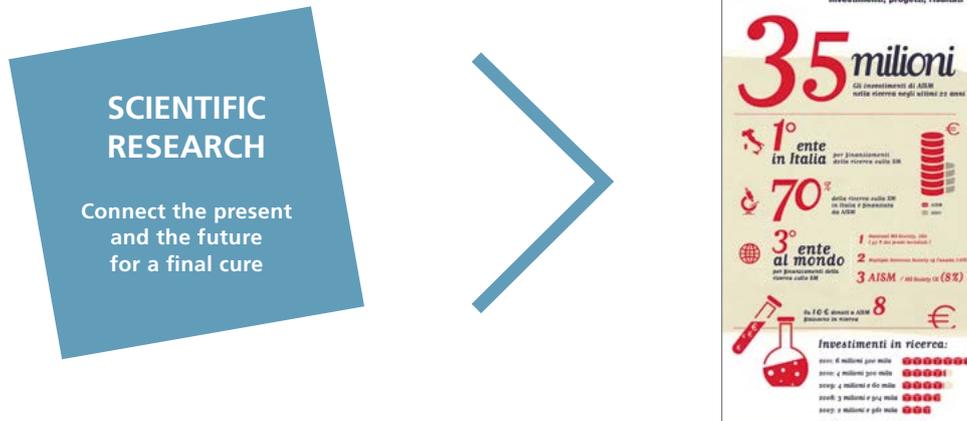


Thanks to diversification, achieved by investing in a wide range of markets and instruments, ethical investment has its own peculiarities in terms of risk.



In the first years of the Fund’s existence the commitment was mainly aimed inwards in order to present its features and subsequent redesign to the financial advisers. This effort was achieved through direct meetings, actions via the company’s internal channel and targeted insights in the form of newsletters. More recently, increasing emphasis has been placed on promotional activities directed towards the outside.

An additional ethical characteristic of the sub-fund is that it supports scientific research by donating a percentage of the commission on the sale of units in the fund to the Italian Multiple Sclerosis Society (AISM) and its Foundation (FISM).



An Ethical Committee with a consultative and proactive role has been established to ensure the investment choices made are consistent with the ethical principles of the Fonditalia Ethical Investment fund, tasked with verifying that the composition of the sub-fund portfolio is at all times aligned with its underlying ethical principles, and with formulating opinions on the ethical status of the investments when appropriate. The Ethical Committee is made up of management and other professionals with proven social, economic, environmental or financial sustainability experience and renowned academic experts. It generally meets at six-monthly intervals and is currently made up of:

- Matteo Colafrancesco, Chairman of Fideuram and of Sanpaolo Invest SIM;
- Gianluca La Calce, Managing Director and General Manager of Fideuram Investimenti SGR;
- Marco Ercole Oriani, Director of the Department of Economics and Company Management at the Università Cattolica del Sacro Cuore;
- Giuseppe Russo, Independent Non-Executive Director of Fideuram and member of the Internal Audit Committee.

As regards inflows, in 2017 the Fund achieved tangible growth in managed assets, confirming the growing interest shown by customers.

In terms of performance, profitability has benefited from a defensive management style as regards the bond component, whose average financial duration has been maintained within quite low financial values (generally within three years). Conversely, at the same time the equity component has had greater emphasis, especially towards the end of the year when the upward movement showed increased strength. Currency exposure arising from global equity investments had a partially detrimental effect. The sub-fund has been particularly engaged in subscribing theme bonds, of which there has been a wide number of issues on the primary market offering good opportunities for diversification.

(euro)	31.12.2017		31.12.2016		31.12.2015	
	ASSETS	RETURN	ASSETS	RETURN	ASSETS	RETURN
Fonditalia Ethical Investment Class R	30,165,223	0.8665%	28,894,554	0.4649%	28,470,478	-0.7170%
Fonditalia Ethical Investment Class T	21,474,906	1.2718%	10,146,325	0.8684%	3,885,160	-0.5983%

### THE MIX SUSTAINABLE LINE OF INTESA SANPAOLO PRIVATE BANKING

Since April 2017 Intesa Sanpaolo Private Banking has introduced its Mix Sustainable line along with the other Navigable Mix lines, leaving its pricing policy unchanged. Also in this case the investment process is based on the fundamental and economic analyses of the instruments and on specific sustainability assessments that pursue social and environmental objectives in the same way as financial ones.

The line adviser is MainStreet Partners, which has developed a solid management method that is capable of realising a return commensurate with the risk while ensuring a positive impact on society and the environment. In particular, the assessment of the investments is a combination of:

- "Negative criteria", to exclude those that are harmful to people and/or the environment;
- "Positive criteria", in order to examine their ability to generate a positive impact;
- "Best in class", to select distinctive investments within a sector or geographical area.

The investments to which the resources are allocated can be divided into two main categories:

- Sustainable investments, which assess the way companies conduct their business;
- Impact investments, which consider also the aim underlying the offer of products and services designed to improve people's lives and protect the environment.

Within the scope of choosing financial instruments, the asset managers prefer, though not exclusively, Governments, companies and supranational organisations that are aligned with the guidelines and objectives set out in the Sustainable Development Goals promoted by United Nations.

## IMPROVEMENT OBJECTIVES FOR 2018

### **Ethical fund**

The Ethical Fund management activities will continue to be aimed at seeking opportunities that feature the dual and complementary research principle of value for the customer and positive impact for the community. In particular, efforts will be made to further expand the scope of investment themes in the portfolio both in the bond and equity asset class.

### **Sustainable wealth management**

In the context of Fideuram Omnia, the Ego Personal Etica line will be developed. This line sets financial performance targets by investing in equity and bond funds that adopt sustainable investment policies and in companies representing excellence in the management of ESG variables.

## THE FINANCIAL SYSTEM AND OTHER INSTITUTIONS

Fideuram and its subsidiaries are members of a number of industry associations in their respective fields, including the Italian Banking Association (ABI), Italian Association of Investment Advisory Companies (Assoreti), the Italian Association Joint Stock Companies (Assonime), the Italian Private Banking Association (AIPB), the Italian Association of Fund Managers (Assogestioni) and the Italian Fiduciary Services Association (Assofiduciaria).

The Bank's Chairman is also Chairman of the Assoreti Board of Directors.

The Bank's Managing Director and General Manager is also Vice-Chairman of the Board of Directors of the Italian Private Banking Association (Associazione Italiana Private Banking - AIPB).

## CORPORATE EVENTS

### PF EXPO 2017



The 10<sup>th</sup> PFEXPO for financial professionals was held on 26 January 2017 in the inspiring setting of Palazzo delle Stelline in Milan. The event was organised by ProfessioneFinanza as part of its work of training, providing communications on and developing the expertise of financial professionals. This high-profile event is an ideal opportunity to compare the Group's educational standard with that of other leading investment companies, corporate issuers, networks, banks and stockbrokers,

associations, insurance companies and other entities providing financial advisory services.

Stéphane Vacher – Fideuram Events and Network Communications Manager – was present at the round table discussion on “Consulenza al patrimonio della famiglia tra sfide e opportunità” (Advice on household wealth: challenges and opportunities), together with some managers from the other leading networks in the sector.

### CONSULENTIA 2017

Fideuram and Sanpaolo Invest were among the sponsors of the Consulentia 2017 conference organised by the Italian National Association of Financial Advisers (Associazione Nazionale Consulenti Finanziari - ANASF), held at the Auditorium Parco della Musica between 13 and 16 February 2017. It was an important moment for sharing views on the profession and a point of reference for the players in the sector. It was attended by the main financial adviser networks and some major asset management companies, which presented their market strategies. As sponsors, Fideuram and Sanpaolo Invest had a stand in the exhibition area, which provided a convenient place to meet financial advisers from all the networks.

On the second day, Paolo Molesini, Managing Director of Fideuram - Intesa Sanpaolo Private Banking was present at the round table discussion “MiFID II: La Proposta di Anasf e il ruolo dei Consulenti Finanziari” (MiFID II: the Proposal of Anasf and the role of Financial Advisers).



## SALONE DEL RISPARMIO 2017

IL SALONE DEL  
**RISPARMIO**  
11-12-13 APRILE 2017  
MiCo Via Gattamelata 5 MILANO

Fideuram was again a partner in the annual Salone del Risparmio in 2017. Organised by Assogestioni, the Italian Association of Fund Managers, the conference was held in Milan from 11 to 13 April 2017 at MiCo Milano Congressi.

The three-day financial services industry conference attracted more than 13,000 visitors and included meetings, cultural projects and opportunities for investors to further their knowledge.



The Fideuram Group was present in the exhibition area with the Fideuram and Fideuram Investimenti brands and organised a conference with the title "Geopolitics

and Financial Markets. A reflection on how the history of financial bubbles can help us understand the evolution of the markets and on the meaning of

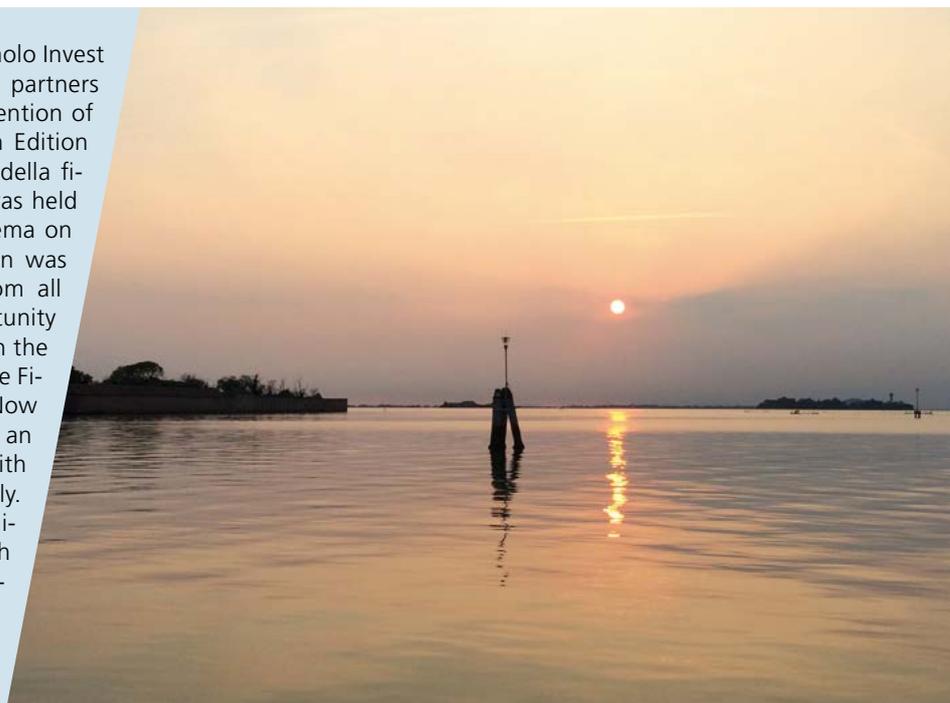
diversification over the long term", an exchange of views between Gianluca La Calce, Managing Director and General Manager of Fideuram Investimenti and three industry experts: Brunello Rosa, CEO and Chief Economist – MacroGeo, Alberto Gallo, Partner and Head of Macro Strategies – Algebris Investments and Lucio Caracciolo Head of Geopolitics – MacroGeo.



## EFPA MEETING 2017

**EFPA Italia**  
Meeting 2017  
I nuovi lidi della Finanza  
Palazzo del Cinema - Lido di Venezia  
12/13 Ottobre 2017

FIDEURAM and Sanpaolo Invest participated as gold partners in the National Convention of Epa Italia in its 10th Edition entitled "I nuovi lidi della finanza" (New Shores of Finance), which was held at the Venice Lido in the Palazzo del Cinema on 12 and 13 October 2017. The convention was attended by investment professionals from all over Italy, who benefited from the opportunity to share their knowledge and experience in the training sessions and exhibition areas where Fideuram and Sanpaolo Invest had a stand. Now an annual fixture, the convention provides an important forum for professionals both with and without certification from across Italy. The two-day programme consisted of seminars, conference sessions and debates with leading experts in the sector and participants that included financial advisers from the top networks and leading asset management companies.



## NOMISMA MEETING 2017



Intesa Sanpaolo Private Banking hosted the presentation of the third 2017 report of Nomisma's Real-Estate Outlook Survey at the Cariplo Foundation Conference Centre.

The event was opened by Saverio Perissinotto, General Manager of Intesa Sanpaolo Private Banking. The presentation of the report was followed by a round table on the subject "Building & Contest: Quale politica economica per l'ambiente costruito?" ("Building & Contest: What economic policy for the built environment?").

## SALONE DELLO SRI 2017

Fideuram Asset Management (Ireland) attended the Salone dello SRI held on 14 November 2017 in Milan, inside the picturesque Palazzo delle Stelline. This was the first event organised in Italy on the subject of responsible finance and the main stakeholders were SGRs, networks, retail investors, Personal Financial Advisers, family offices and consultants. The event was promoted by ETIcaNews, Forum per la Finanza Sostenibile (FFS), Anasf and Efpa Italia and allowed the various operators to display their products and strategies thanks to the available exhibition spaces. At the end of the event, the first Italian SRI Awards were assigned to the best funds (by category) from among the over 300 SRI Funds distributed in Italy.

## SALONE DELLA CSR E DELL'INNOVAZIONE SOCIALE 2017



Fideuram, represented by the Manager responsible for the preparation of the company accounts, Paolo Bacciga, attended the round table discussion held on 3 October 2017 at the Bocconi University in Milan entitled "Ingaggiare gli stakeholder: l'importanza della comunicazione" (Engaging stakeholders: the importance of communication). During the event the 2016 Integrated Annual Report of Fideuram - Intesa Sanpaolo Private Banking was presented, showing how the Private Banking Division creates value for its stakeholders.



## 4.7.6 Natural Capital

Natural capital includes the processes and environmental resources which contribute to generating goods and services for the Group's business.

### THE ENVIRONMENT



Following Intesa Sanpaolo's guidelines, the Fideuram Group's environmental policy aims to contain and rationalise energy consumption and waste generation through maintenance activities that enable us to reduce pollutant emissions and paper, waste, water, electricity and gas consumption in order to make a positive contribution to sustainable development. In line with Intesa Sanpaolo's environmental and energy policies, the Fideuram Group is continuing, where possible, to improve energy efficiency through using renewable sources and eliminating waste, monitoring both direct impacts and indirect impacts. In accordance with this environmental policy, during 2017 Fideuram disposed of hazardous and non-hazardous wa-

ste properly, ensuring compliance with current legislation, including the provisions of the Italian waste-tracking system (Sistema di controllo della tracciabilità dei rifiuti - SISTRI). The Group pays special attention to its paper consumption by rationalising its purchases and establishing paperless processes. Despite not having a significant impact on the environment, and given the nature of its business the Group continues to pay close attention to environmental matters, undertaking initiatives to improve energy efficiency in its offices, branches and buildings, including through projects such as the New Logistics System, which rationalised local logistics.

Beginning in 2017, in compliance with the provisions of Legislative Decree 254/2016 and other regulations, the Group will start reporting the environmental data for all consolidated companies. Therefore, the data are not comparable to those relating to the Italian companies alone and published in previous years.

### PAPER

#### MAIN OBJECTIVES FOR 2017

Continue the process of rationalisation involving the use of ecologically-sustainable networked all-in-one devices and printers, with consequent reductions in paper consumption, consumables and the emission of hazardous pollutants.

Extension of electronic filing to a broader type of documents and consequent reduction in paper used by offices and Personal Financial Advisers.

Use of digital signatures, provide documents and information for consultation online and create editable PDFs, consequently reducing paper consumption and waste generation.

#### ACTIONS AND RESULTS ACHIEVED

Paper consumption was reduced significantly, with a decrease in the procurement of supplies for office machines and commencement of the recovery of exhausted consumables through their supplier.

Electronic filing of a greater quantity and type of documents has been adopted, with consequent reduction in the quantity of paper used at offices.

The digital signature has been introduced, with consequent reduction of paper consumption and waste. Moreover, the creation of editable PDFs has increased for the sales network, with a consequent reduction in paper consumption and printing materials.

In 2017, the Italian companies in the Group consumed a total of 197 tonnes of paper, 97% of which was environmentally-friendly Forest Stewardship Council (FSC) certified paper from sustainably managed forests, with a pro capita consumption of 63 kg.

The plan to transition to paperless documents continued with the upgrading of our digital document system and the extension of the application to handle an increased range of documents, together with the provision of online statements and reporting for customers.

# 97 %

FSC-certified  
ecological paper

## ENERGY

### MAIN OBJECTIVES FOR 2017

### ACTIONS AND RESULTS ACHIEVED

Refurbish and update existing systems, replacing boilers with condensing boiler systems, and high-efficiency heat pumps and refrigeration units.

In accordance with business targets, latest generation air conditioning systems have been installed in new and relocated branches and offices of Personal Financial Advisers.

Modernise our electrical systems with new installations and/or the refurbishment of existing installations, and replace incandescent light bulbs in light fittings and floor-standing lamps with LED and high-performance light bulbs.

The use of devices with some of the highest standards on the market has permitted the modernisation of electrical systems and reduced energy consumption.

Steadily replace air conditioning systems that use non-ecological refrigerant gases and consequently reduce energy consumption.

The project to update air conditioning systems continues, with replacement of the last units to be completed during the year.

The Group continues to contain consumption through management optimisation and energy efficiency initiatives. These initiatives have, generally speaking, involved replacing refrigeration units, installing LED or other high-efficiency lighting in branches and signboards, bringing in systems that automatically switch off computers at night, using new low-energy printing methods, bringing in smart lighting systems that automatically adjust lighting levels and switch lights on and off, installing thermostatic valves and launching initiatives to reduce excessive temperature levels. Electric power consumption totalled 71,010 GJ, natural gas (methane) consumption totalled 37,966 GJ, and fuel oil consumption totalled 3,722 GJ during 2017.

### MAIN IMPROVEMENT OBJECTIVES FOR 2018

Increase the installation of electrical systems and latest generation air conditioning systems permitting the containment of energy consumption and the reduction and replacement of existing systems in the branches and offices of Personal Financial Advisers.

## OTHER ENVIRONMENTAL OBJECTIVES

### Water consumption



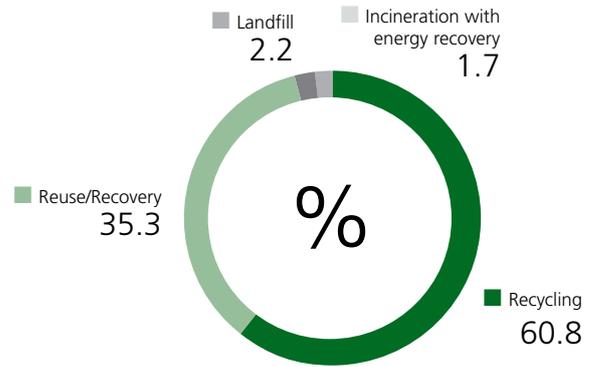
Water resources are mainly used by the Group for civil purposes. The water used came from the public water supply or other water supply companies. Water consumption totalled 123,766 m<sup>3</sup> in 2017, with pro-capita water consumption of 39 m<sup>3</sup>.

### Waste



The Group implements Italian waste disposal regulations and joined the SISTRI electronic waste tracking system register with a view to more effectively controlling the disposal of special waste. The system makes it possible for the entire waste chain to be computerised, simplifying procedures and compliance, and reducing costs. The Group also complied with municipal waste disposal directives, adopting suitable processes and procedures for separate waste collection. Most of the waste collected by separate waste collection was paper and cardboard. During 2017 the Group generated 84 tonnes of waste (27 kg per employee), including 82 tonnes of non-hazardous special waste and 2 tonnes of hazardous waste.

### Total weight of wastes according to disposal method:



### Toner consumption



Used toner cartridges and hazardous waste (fluorescent tubes and batteries etc.) were disposed of separately and appropriately, in accordance with current regulations, using specialist companies and maintaining the related compulsory registers and documentation.

## MAIN IMPROVEMENT OBJECTIVES FOR 2018

Our main objectives for 2018 include the following:

- preparation of the gradual process to replace all-in-one network devices with ecologically sustainable latest generation printers and consequently achieve further reductions in paper consumption and pollutant emissions, and implementation of the recovery rather than disposal of consumable materials;
- the production of a new electronic filing system for different types of documents and consequent reduction in paper consumption;
- expanded use of digital signatures and the creation of a greater number of editable PDF documents, with consequent reduction in paper consumption and waste output;
- transition to paperless procedures for documents produced by the sales network through the promotion of biometric signature.

## LEAN BANKING

### THE PROJECTS TREE



A training course based on the acquisition of “Lean Six Sigma” tools and methods was launched in February 2016, which are certified and recognised at the international level.

This initiative, divided into classroom hours alternating with hands-on training, made it possible to select employees capable of effectively redesigning work processes to improve their efficiency and quality and correspondingly identify significant actions to improve the quality of the service offered.

During 2017, the focus of the Work Group concentrated especially on the goal of contributing to improvement of the position of the Group on environmental issues, outlining a new approach to prevention, management, and reduction of the impact generated by Group’s activity.

The assessment phase documented a significant number of qualitative objectives, which may be summarised as follows:

- Proposal to establish a permanent interdepartmental work group, i.e. a supervising unit, dedicated to sustainability issues which, after having defined and agreed with top management on the initiatives and objectives of the Fideuram Group, continuously monitors the status of ongoing activities and assesses the obtained results.
- Launch of an awareness campaign among the main stakeholders:
  - **Customers:** use of periodic communications (account statements) to focus Group attention on environmental issues, notifying customers of the use of certified paper, and engaging their participation through the proposal to opt for electronic reports and statements, construed as a tool for environmental protection; illustration of

environmental protection initiatives on the institutional website.

- **Shareholder:** presentation of environmental protection initiatives and the results achieved at the Shareholders’ Meeting.
- **Employees and Personal Financial Advisers:** courses on environmental issues (e.g. reducing the use of paper and recycling of paper/plastic) and sharing experiences with the initiatives and results achieved on the corporate intranet.

Special attention has been dedicated to the participation of employees. When they were asked in targeted interviews, they illustrated actions taken to implement two projects. One was dedicated to reducing the reams of certified paper used by employees, while the other was dedicated to continuous innovation of the procurement procedures for forms used by our Personal Financial Advisers through the use of an electronic and/or biometric signature.

## 4.8 Events after the reporting period and outlook

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

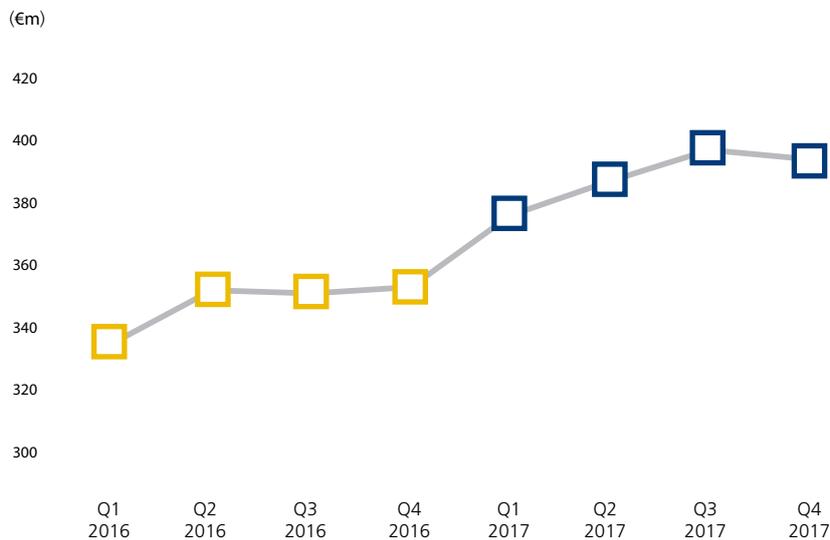
Work continued on the pending merger (effective 1 January 2018 for tax and accounting purposes) of the two fiduciary companies in the Private Banking Division, with the merger by incorporation of Fideuram Fiduciaria S.p.A. in Sirefid S.p.A. Its purpose is to create one of the largest Italian operators in the sector, capable of best satisfying the needs of top-end customers in the Private Banking Division. To this end, it will enhance the outstanding professional and organisational expertise of the two entities, reinforcing the sales units dedicated to the Group distribution Networks.

The international development activities of the Division, which will lead to the acquisition of the holding company of the Morval Vonwiller Group (active in private banking and wealth management) in Switzerland by the end of the first quarter of the year, are continuing.

Despite the year beginning with increased volatility in the financial markets, the Group achieved positive net inflows into managed assets of over €470m. Managed assets, totalling €151.4bn at the beginning of 2018, were far higher than the average figure for 2017, which came to €144.3bn, and are boosting recurring fee and commission income to levels higher than in 2017.

For a more exact analysis of profitability during the current year, see the approved results for the first quarter, which will confirm the forecast trend in Division profits growth.

### Quarterly net recurring fees



- 5.1 The values and history of the Group
- 5.2 Organisational structure
- 5.3 Ownership structure
- 5.4 Role of sub-holding company
- 5.5 Company management
- 5.6 Remuneration policies
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- 5.10 Board of Statutory Auditors
- 5.11 General Management of the Private Banking Division

Fideuram – Intesa Sanpaolo Private Banking is a sub-holding company of the Intesa Sanpaolo Banking Group

Fideuram heads the Intesa Sanpaolo Group's **Private Banking Division**, comprised of the companies providing the Group's **financial advisory, asset management and fiduciary services**



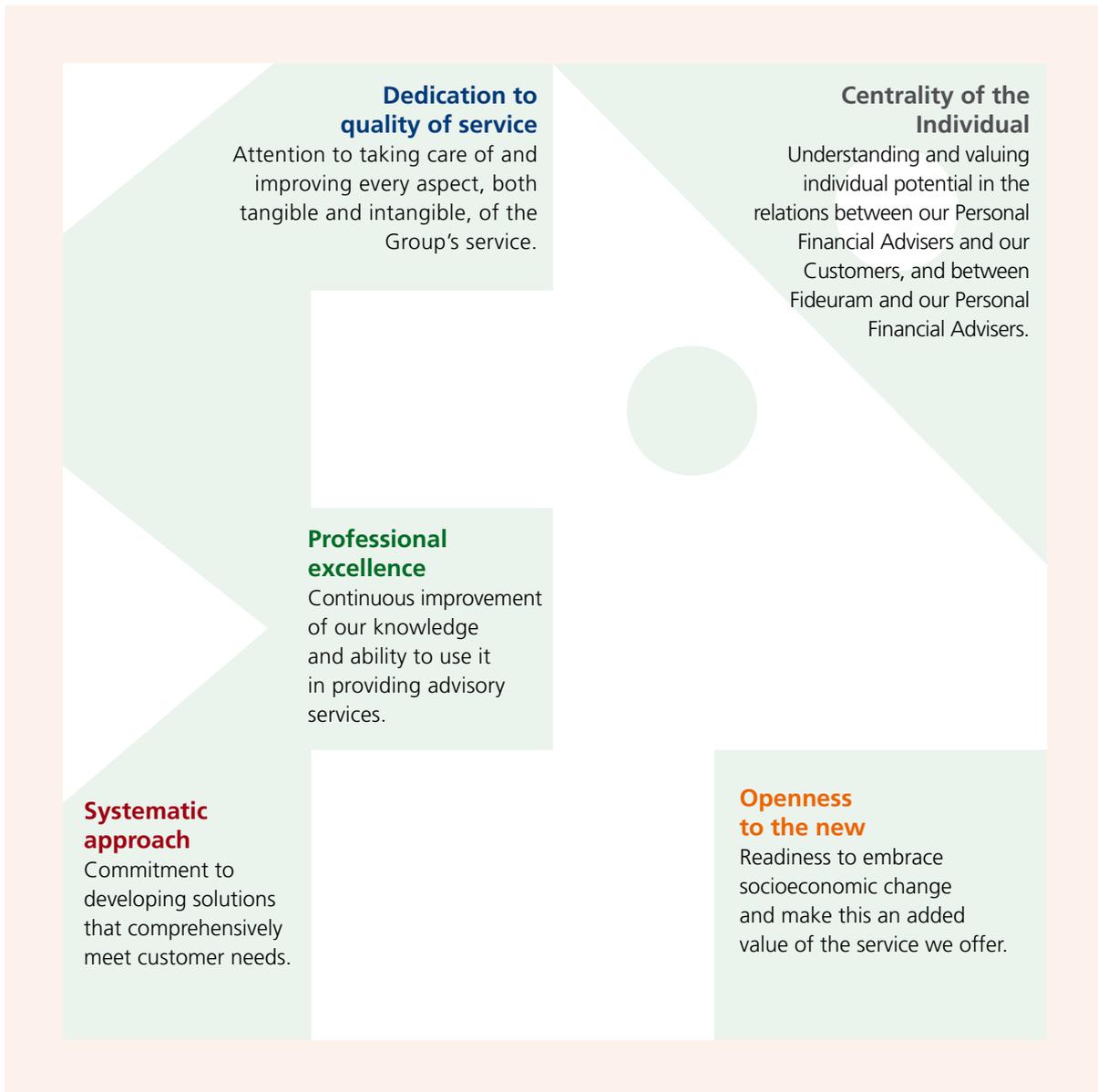
## 5. Governance

## 5.1 The values and history of the Group

Fideuram has adopted the Intesa Sanpaolo Group’s Code of Ethical Conduct as part of a comprehensive vision of social and environmental responsibility centred on strong relationships with its stakeholders.

The values and principles set out in the Code of Ethical Conduct are an expression of the rich corporate cultures that are the living heritage of the Intesa Sanpaolo Group, and the source of concrete rules of behaviour which guide our relations with stakeholders.

Our growth strategy aims to create value that is solid and sustainable from economic, financial, social and environmental standpoints, built on the trust of our stakeholders and based on the principles of our Code of Ethical Conduct and on the values that have always distinguished Fideuram’s culture and tradition.



The Code of Ethical Conduct, set up as a real “Charter of Relations” between the Bank and all stakeholders, has contributed to explaining the values and principles of conduct resulting from that Code, and specifically in regard to:

- support for the human rights affirmed in the Universal Declaration of Human Rights and subsequent international conventions;
- protection of the fundamental rights contained in the eight fundamental conventions of the ILO (International Labour Organization);
- recognition of the principles set out in the 2006 United Nations Convention on the Rights of Persons with Disabilities;
- contribution to the fight against bribery and corruption, by supporting the guidelines issued by the OECD and prescribing zero tolerance for any episodes that might occur.

The Intesa Sanpaolo Group recognises the fundamental principle enshrined in the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, which obligates businesses and individuals to respect, protect, and promote human rights and fundamental freedoms.

Intesa Sanpaolo also adheres to the UN Global Compact and is a member of the UNEP Finance Initiative (UNEP FI), whose principles pursue sustainable development with environmental protection.

In view of implementing these concepts in the Private Banking Division, Intesa Sanpaolo has issued a document entitled “Principi in materia di Diritti Umani” (Human Rights Standards), accepted by the Board of Directors of Fideuram on 2 February 2018.

Consequently, Fideuram is committed to promoting respect for human rights in all situations where it recognises any effects of its own activity. The implementation and gradual extension of human rights protection is monitored through:

- analysis of the areas of impact on and contingent risks to human rights, which emphasises the most exposed areas in light of the International Bill of Human Rights and the eight principal ILO conventions;
- training sessions for employees tailored to their assigned tasks, roles, and responsibilities;
- sustainability reports, certified by an independent auditor, engaging the participation of stakeholders and defining improvement targets, associated measurement indicators, and results of monitoring activity.

1968



Fideuram was acquired by Istituto Mobiliare Italiano (IMI) in order to operate in the mutual fund sector, taking over the business of International Overseas Services (IOS). Fideuram offered Italian investors the Fonditalia and Interfund “historical” Luxembourg mutual funds through a Network of approximately 300 Personal Financial Advisers.

1992



Banca Fideuram was formed through the merger of two companies in the IMI Group: Banca Manusardi, which was listed on the Milan stock exchange, and Fideuram. The shares continued to be listed under the new company name.

Net profit	€12.3m
Client assets	€14,505m
Personal Financial Advisers	2,206 (No.)

1997



Banca Fideuram launched a personalised financial planning service benefiting from an advanced technological platform to the advantage of its customers.

Net profit	€107.4m
Client assets	€25,440m
Personal Financial Advisers	2,813 (No.)

Fideuram started offering its first Italian mutual funds: Imirend and Imicapital.



1984

Net profit	€78.0m
Client assets	€20,317m
Personal Financial Advisers	2,729 (No.)

Banca Fideuram was included in the MIB 30 Italian blue-chip index.



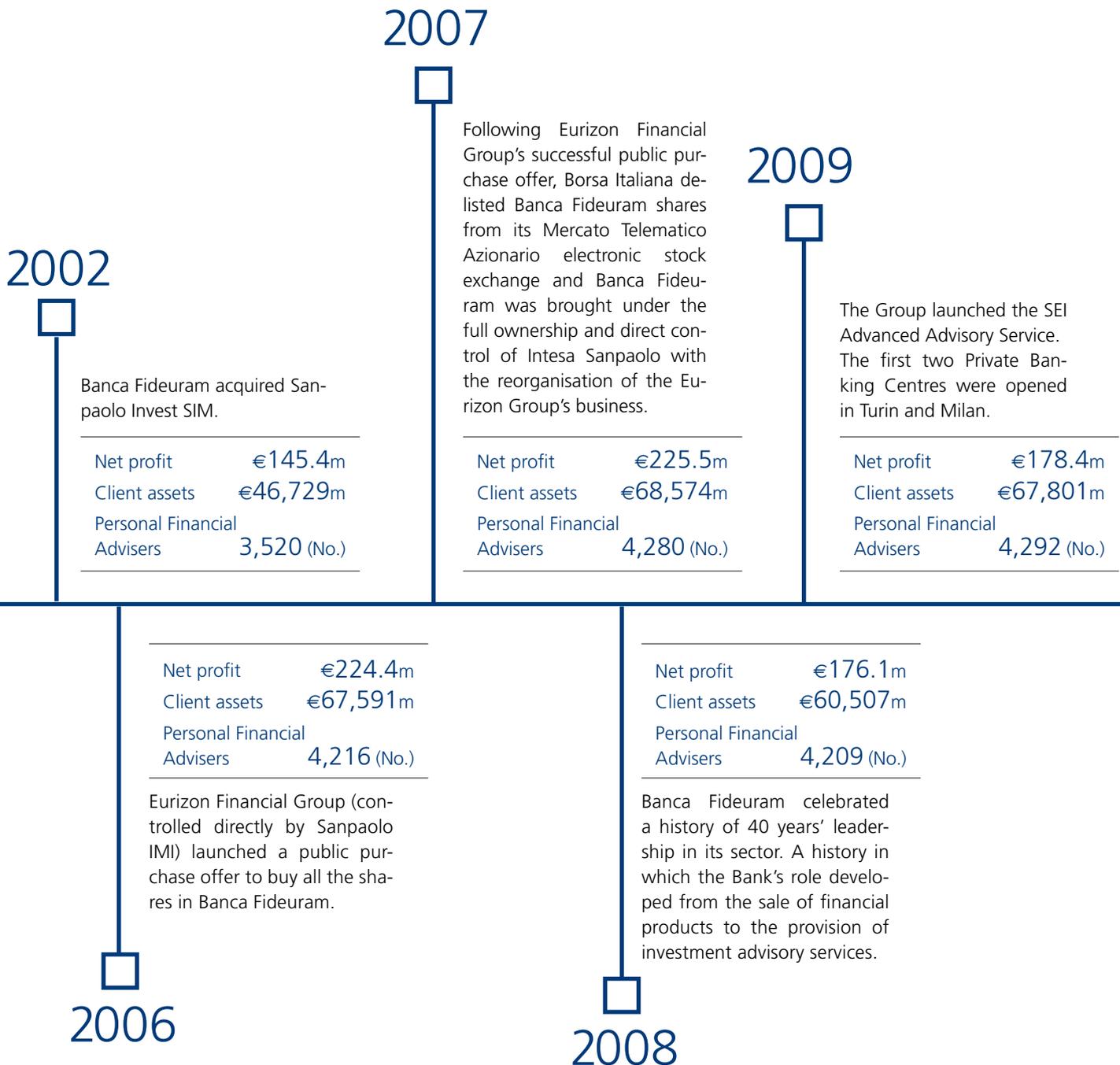
1996

Net profit	€152.0m
Client assets	€32,167m
Personal Financial Advisers	3,168 (No.)

Establishment of the subsidiary Fideuram Bank (Luxembourg).



1998



2010

Fideuram Vita was formed as part of the Intesa Sanpaolo Group's project to reorganise its insurance and pensions segment. Banca Fideuram took a 19.99% stake in the share capital of the new life insurance company, while Intesa Sanpaolo holds the remaining 80.01%.

Net profit	€216.6m
Client assets	€71,591m
Personal Financial Advisers	4,349 (No.)

2012

Launch of the Fideuram Campus Personal Financial Adviser Training School with the creation of customised training programmes. The Banca Fideuram Group launched its first ethical investment solution for the Italian market, Fonditalia Ethical Investment, conceived in conjunction with the Italian Multiple Sclerosis Society/Foundation (AISM/FISM).

Net profit	€205.1m
Client assets	€79,296m
Personal Financial Advisers	5,082 (No.)

Net profit	€175.1m
Client assets	€70,949m
Personal Financial Advisers	4,850 (No.)

Banca Fideuram acquired Banca Sara S.p.A., which was subsequently spun off to Banca Fideuram and Sanpaolo Invest SIM. Fideuram Bank (Suisse) was sold to Banca Credinvest S.A. Banca Fideuram launched its Fideuram Mobile Solution project, further streamlining the operations of its Personal Financial Advisers and enabling them to dedicate even more time to customer relations.

2011

Net profit	€401.9m
Client assets	€90,161m
Personal Financial Advisers	5,044 (No.)

The direct management of the Banca Fideuram Group's Luxembourg funds was transferred to Fideuram Asset Management (Ireland) Ltd, which became the only management company for the Group's funds outside Italy. The reorganisation of the Intesa Sanpaolo Group led to the creation of a Private Banking Division, including Banca Fideuram and its subsidiaries, with the mission of serving high-end customers (Private Banking customers and High Net Worth Individuals).

2014

2015



To enable the Intesa Sanpaolo Private Banking Division to control and coordinate all the companies necessary to provide outstanding service to high-end customers, Banca Fideuram acquired controlling stakes in Intesa Sanpaolo Private Banking S.p.A., Sirefid S.p.A. and Intesa Sanpaolo Private Bank (Suisse) S.A. - becoming the operational sub-holding company of the Division.

As part of the project reorganising the Private Banking Division, Banca Fideuram changed its name to Fideuram – Intesa Sanpaolo Private Banking.

Intesa Sanpaolo Private Banking – London Branch was opened.

Net profit	€747m
Client assets	€188,898m
Personal Financial Advisers	5,846 (No.)

2017



The new London Branch of Fideuram Asset Management (Ireland) dac was opened in April 2017.

Net profit	€871m
Client assets	€214,214m
Personal Financial Advisers	5,950 (No.)

Net profit	€786m
Client assets	€198,026m
Personal Financial Advisers	5,848 (No.)

The merger of Euro-Trésorerie with Financière Fideuram took effect on 1 July 2016.

In December 2016, Fideuram participated in the establishment of a wealth management company in China to offer financial products to high-end customers. The new company, named **Qingdao Yicai Wealth Management** ("Italian Talent"), is wholly owned by Intesa Sanpaolo Group companies (25% Fideuram, 20% Eurizon Capital and 55% Intesa Sanpaolo).



2016

## 5.2 Organisational structure

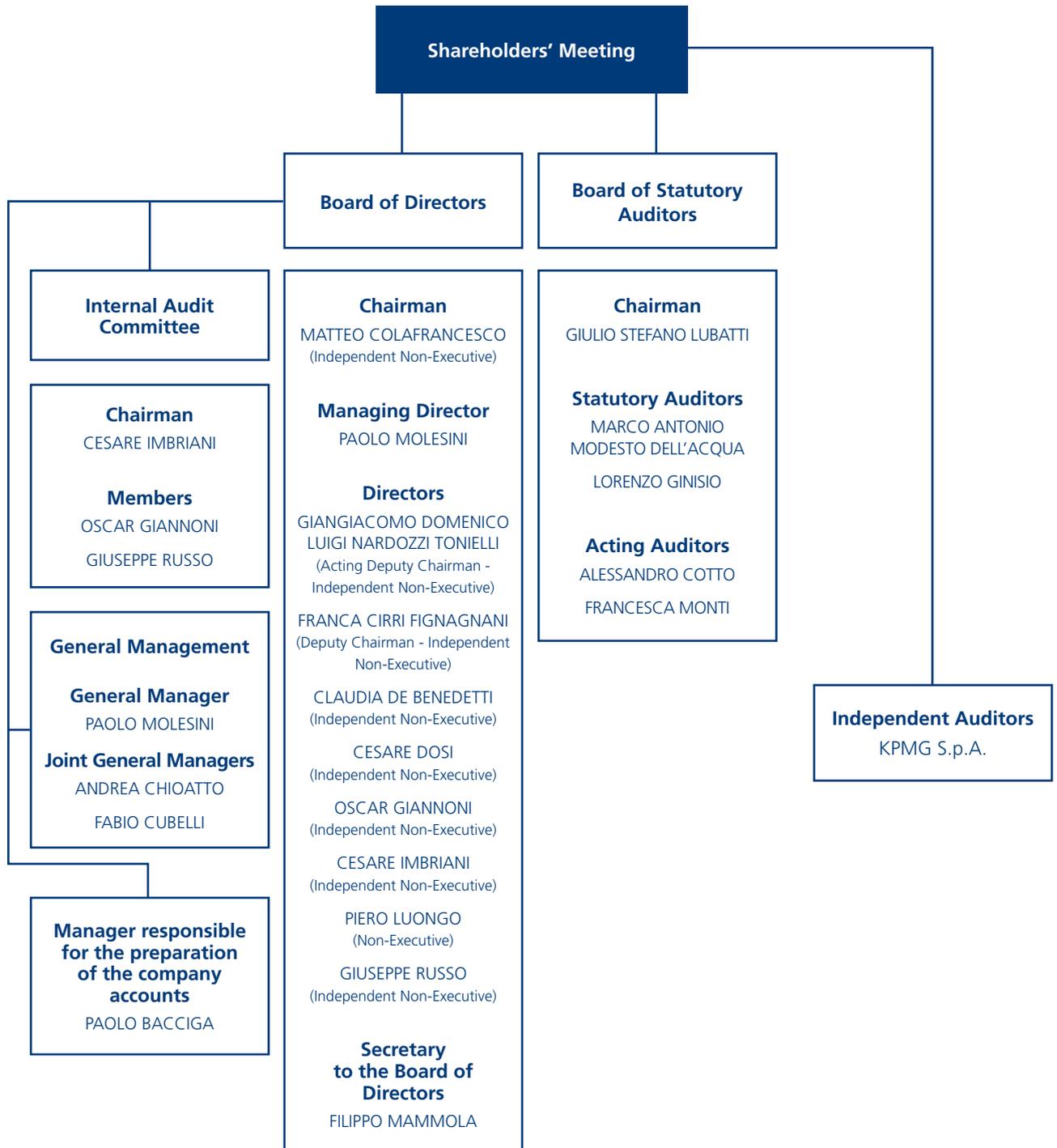
Fideuram's governance model provides for the following company bodies:

- the Shareholders' Meeting, which expresses the shareholder's wishes;
- the Board of Directors, appointed by the Shareholders' Meeting for a period of three financial years and vested with all management powers regarding the Bank;
- the Chairman of the Board of Directors – appointed by the Board of Directors from among its members - who is the Bank's legal representative in dealings with third parties and in legal proceedings;
- a Managing Director, appointed by the Board of Directors, which determines his/her powers in accordance with the By-Laws;
- the Internal Audit Committee, established within the Board and made up of three of its independent, non-executive members, which is a technical body that acts in an advisory and inquiry capacity;
- Pursuant to the By-Laws, the General Management comprises a General Manager, if appointed, and one or more persons who may be appointed Joint General Manager and/or Deputy General Manager. In accordance with the duties and competencies assigned by the Board of Directors, they execute the decisions taken by the Board of Directors and delegated bodies, managing the Bank's current business, organising its activities and deciding the appointment and assignment of personnel. The General Management, each member of which is appointed by the Board of Directors, currently comprises
  - a General Manager (position filled by the Managing Director) and two Joint General Managers;
  - the Board of Statutory Auditors, appointed by the Shareholders' Meeting for a period of three financial years and made up of three Statutory Auditors and two Acting Auditors, which acts in a supervisory role regarding compliance with the law, regulations and By-Laws, respect for the principles of good management, and, in particular, regarding the suitability of the organisational, administrative and accounting solutions adopted by the Bank and their operation in practice. The Board of Statutory Auditors also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree 231/2001;
  - the Manager responsible for the preparation of the company accounts, appointed as provided for in the By-Laws, who is in charge of the internal audit system with respect to accounting and financial reporting.

The powers and operating procedures of the Company Bodies are set out in laws and regulations, in the By-Laws and in resolutions of the competent bodies. The Board of Directors has approved the Fideuram "Regulations governing the operation of the Board of Directors with respect to multiple appointments", in compliance with the internal regulations implementing the Bank of Italy Supervisory Regulations.

The statutory audit is carried out by an independent auditing firm that meets the requirements of Italian law. Fideuram has appointed KPMG S.p.A. as the independent auditors for its separate and consolidated financial statements for the 2013 to 2021 financial years.

## Company Officers



## 5.3 Ownership structure

The Bank's fully paid-up share capital pursuant to article 5 of the By-Laws is €300,000,000.00 divided into 1,500,000,000 ordinary shares with no par value, wholly owned by Intesa Sanpaolo S.p.A., which is responsible for the Bank's management and coordination as the parent company of the banking group of that name.



Fideuram - Intesa Sanpaolo Private Banking - Registered Office, Turin  
Permanent Secondary Office, Milan  
Administrative Headquarters, Rome

## 5.4 Role of sub-holding company

Intesa Sanpaolo plays a management and coordination role, issuing directives and formulating instructions to govern company operating procedures and ensure that aligned organisational and management rules are adopted, ensuring levels of integration suitable for achieving shared strategic goals with a view to maximising value and optimising the synergies of belonging to the Group, leveraging the characteristics of its different members.

As part of its drive to achieve the objectives of the 2014-2017 Business Plan, Intesa Sanpaolo formed a Private Banking Division within the Group, which brings together the Group companies providing financial advisory, asset management and fiduciary services.

The Division's mission is to serve the high-end customer segment, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets

through constant development of our product range and service delivery solutions, focusing on products with high service content and introducing innovative remuneration schemes.

In line with the mission and objectives Intesa Sanpaolo has assigned the Private Banking Division, Fideuram has been made the sub-holding company of its subsidiaries in the Division.

In this capacity, Fideuram heads an integrated group of companies both in and outside Italy that specialise in the distribution and management of financial products. Alongside the distribution of financial products, the Group also distributes insurance and pension products provided by Fideuram Vita S.p.A., an insurance company in the Intesa Sanpaolo Group.

### Equity investments at 31.12.2017

COMPANY	REGISTERED OFFICE	(%) OWNERSHIP
Sanpaolo Invest SIM S.p.A.	Turin	100.000
Intesa Sanpaolo Private Banking S.p.A.	Milan	100.000
Fideuram Investimenti SGR S.p.A.	Milan	99.500
Sirefid S.p.A.	Milan	100.000
Fideuram Fiduciaria S.p.A.	Turin	100.000
Fideuram Asset Management (Ireland) dac	Dublin	100.000
Fideuram Bank (Luxembourg) S.A.	Luxembourg	100.000
Financière Fideuram S.A.	Paris	99.999
Intesa Sanpaolo Private Bank (Suisse) S.A.	Lugano	100.000



Fideuram - Milan Office

## 5.5 Company management

### Composition and role of the Board of Directors

The Bank's current Board of Directors comprises 10 members, appointed by the Ordinary Shareholders' Meeting of 1 July 2015, whose term of office ends with the Shareholders' Meeting called to approve the financial statements for the 2017 financial year.

Within the Bank's Board of Directors, the title of Executive Director may only be applied to the Managing Director and General Manager, in consideration of their assigned duties and powers of executive management and for the direction of the Bank's business and of the Personal Financial Adviser Networks.

Eight of the other Directors meet the requirements of independence specified in article 13 of the By-Laws. These Directors:

- 1) are not employed by and do not have ongoing consultancy or remunerated work or other financial relations with the Bank or its subsidiaries, parent companies or companies in which it has a joint controlling interest able to compromise their independence;
- 2) are not Executive Directors of the Bank or its subsidiaries, parent companies or companies in which it has a joint controlling interest;
- 3) are not relatives up to the second degree of consanguinity or affinity of any people in the situations specified at sub-indent 2) above.

Pursuant to said article 13 of the By-Laws, the Board of Directors issued a specific regulation setting the maximum number of appointments outside the Intesa Sanpaolo Group that may be held by Directors (five for Executive Directors and ten for Non-Executive Directors).

On the basis of the declarations of the individual Directors concerned, all the Directors respect the limits on the total number of appointments they may hold.

In accordance with article 17 of the By-Laws, the Board of Directors is in charge of the Bank's ordinary and extraordinary management, excepting in those matters where Italian law restricts decision-making power to the Shareholders' Meeting. In particular, the Board of Directors has the authority to make decisions concerning, inter alia, general management policy, strategic policy and operations, business and financial plans and the system of corporate governance, the approval and amendment of internal regulations, the appointment of General Management, the appointment/dismissal of company audit unit managers, and the purchase and sale of equity investments.

The Board of Directors likewise has the authority to make decisions concerning the following:

- mergers and spin-offs in the cases and following the procedures provided for by applicable laws and regulations;
- the establishment and closure of secondary registered offices;
- reductions in the share capital when shareholders withdraw
- amendments to the By-Laws in accordance with regulatory provisions.

The Board of Directors must be kept constantly informed of all decisions taken by the delegated bodies through information provided at regular intervals by the Managing Director and General Manager.

The Board of Directors also receives and examines the regular information provided by the company audit units, the Group Business Continuity Plan Manager, the Manager responsible for the preparation of the company accounts and the Supervisory Board established pursuant to Italian Legislative Decree 231/2001. Meetings of the Board of Directors, which the By-Laws stipulate must as a rule be held at two-month intervals, are normally held every month.

OFFICE	MEMBERS	DATE OF APPOINTMENT	% OF MEETINGS ATTENDED	NUMBER OF OTHER OFFICES HELD IN THE INTESA SANPAOLO GROUP	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT AS DEFINED IN THE BY-LAWS
Chairman	Matteo Colafrancesco	01/07/2015	100%	3	-	X	X
Deputy Chairman	Giangiaco­mo Domenico Luigi Nardo­zzi Tonielli	14/04/2016	100%	-	-	X	X
Acting Deputy Chairman	Franca Cirri Fignagnani	01/07/2015	100%	-	-	X	X
MD/GM	Paolo Molesini	01/07/2015	100%	1	X	-	-
Director	Claudia De Benedetti	01/07/2015	100%	-	-	X	X
Director	Cesare Dosi	01/07/2015	100%	-	-	X	X
Director	Oscar Giannoni	01/07/2015	100%	-	-	X	X
Director	Cesare Imbriani	01/07/2015	100%	-	-	X	X
Director	Piero Luongo	01/07/2015	31%	2	-	X	-
Director	Giuseppe Russo	01/07/2015	100%	2	-	X	X

The Board of Directors also retains sole responsibility for the following duties:

- examining and approving the strategic business and financial plans of the Bank and its subsidiaries, the Bank's corporate governance system and the Group structure, as well as formulating directives governing relations with subsidiaries;
- approving the budget and separate and consolidated monthly, quarterly, half-year and annual financial statements;
- assessing the suitability of the organisational, administrative and general accounting systems of the Bank and of its strategically significant subsidiaries put in place by the Managing Director and General Manager, paying particular attention to the internal audit system and management of conflicts of interest;
- delegating authority to the Managing Director and General Manager, and revoking such authority, speci-

fying the limits to and procedures for the exercise of said authority;

- deciding, with the agreement of the Board of Statutory Auditors, the remuneration of Directors with special positions or duties. Drawing up guidelines for the internal audit system in conjunction with the Internal Audit Committee, and annually assessing the system's suitability and effective operation;
- deciding, in accordance with Group policies, the remuneration of the members of General Management;
- evaluating general performance, taking into consideration, in particular, the information received from the delegated bodies and regularly comparing the results achieved with those planned;
- examining and providing prior approval for strategically, economically or financially significant transactions by the Bank and its subsidiaries, paying particular attention to situations in

which one or more Directors have a potential direct or indirect conflict of interest, or, more generally, to transactions with related parties;

- reporting to the Shareholders at the Shareholders' Meeting on the work carried out and planned.



## Chairman

In accordance with the provisions of the By-Laws, the Chairman is empowered to act as the Bank's legal representative. In addition, the Board of Directors has assigned the Chairman duties of direction and coordination and non-managerial powers that are instrumental in the operation of the Bank, including:

- supervising the Managing Director and General Manager's implementation of the resolutions of the Board of Directors;
- acting on the decisions of the Board of Directors, having taken due note of the opinion of the Managing Director and General Manager, with respect to the Bank's share capital and the purchase and sale of equity investments;
- proposing the appointment and dismissal of members of General Management to the Board of Directors, in consultation with the Managing Director and General Manager, and specifying their duties and responsibilities;
- formulating and managing media communications, branding and charitable activities, in consultation with the Managing Director and General Manager.



### CHAIRMAN

## Matteo Colafrancesco

Non-Executive and Independent Director

% attendance at meetings of the Board of Directors **100%**

Length of service / first appointed: **29 June 2007**

Other significant offices held:

- Chairman of Sanpaolo Invest SIM S.p.A.
- Chairman of Fideuram Vita S.p.A.
- Deputy Chairman of the Board of Directors of Intesa Sanpaolo Private Banking S.p.A.
- Chairman of the Board of Directors of the Italian Association of Investment Advisory Companies (Assoreti)

## Internal Audit Committee

The Board of Directors is supported in its corporate duties by a Technical Committee, made up of three independent non-executive Directors in accordance with the By-Laws, which acts proactively in an advisory and inquiry capacity regarding the internal audit system, risk management and the accounting information system. The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him, the Managing Director and General Manager and the Heads of the corporate control units of the Bank participate in the work of the Committee.

The Internal Audit Committee conducts prior assessments of the action plans and periodic information prepared by the Bank's Internal Audit Managers for the Board, receives the monthly information provided by the Head of the Audit Department, and prepares an annual report on the work carried out for internal audits, the risk management system and the accounting information system.



## Managing Director and General Manager

The Managing Director and General Manager is responsible for the operational management of the Bank and of the Personal Financial Adviser Networks, with full powers of ordinary and extraordinary management in accordance with the general planning and strategic policies decided by the Board of Directors, with the sole exception of those powers which by law may not be delegated and those restricted to the Board of Directors or other company bodies.



### MANAGING DIRECTOR AND GENERAL MANAGER

Paolo Molesini

Executive Director

% attendance at meetings of the Board of Directors **100%**

Length of service / first appointed **1 July 2015**

Other significant offices held:

- Director of Intesa Sanpaolo Private Banking S.p.A.
- Member of the Board of Directors of the Italian Private Banking Association (Associazione Italiana Private Banking – AIPB)
- Intesa Sanpaolo Group, Head of Private Division

## General Management

In line with the powers delegated to the Managing Director and General Manager, and in line with the broader system of delegation in place in the Private Banking Division, Joint General Manager Andrea Chioatto is Head of Operational and Financial Governance, while Joint General Manager Fabio Cubelli is Head of Business Coordination.

Each Joint General Manager is invested with specific powers to enable them to perform the duties assigned to them in their areas of responsibility and their corporate duties: powers to act proactively in an advisory and inquiry capacity, submitting proposals to the Managing Director and General Manager, and executive powers to implement the resolutions of the Board of Directors and the instructions of the Managing Director and General Manager.

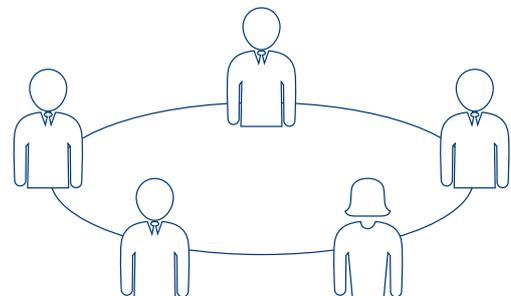
Legislative Decree 254/2016

### Composition of the Board of Directors by gender

	2017	
	No.	%
Women	2	20
Men	8	80
<b>Total</b>	<b>10</b>	<b>100</b>

### Composition of the Board of Directors by age

	2017 No.
under 30	-
30 to 50	-
over 50	10



## 5.6 Remuneration policies

Fideuram has adopted a traditional management and control system. Consequently, the Shareholders' Meeting has sole authority to decide the remuneration policies for Directors.

In accordance with article 2364 of the Italian Civil Code, the Shareholders' Meeting is, moreover, responsible for determining - in accordance with Group guidelines - the annual remuneration of the members of the Board of Directors it has appointed, together with any compensation payable for attending Board meetings.

The Shareholders' Meeting is also responsible for approving (i) the remuneration policies for employees and for human resources that are not salaried employees of the company, (ii) share-based compensation arrangements, and (iii) the criteria for determining the remuneration due in the event of early severance of employment or early termination of office, including any limits established for such remuneration.

The Shareholders' Meeting may also set, with the qualified majorities defined by Supervisory Regulations, a ratio between the variable component and fixed component of individual staff remuneration exceeding 1:1 but not exceeding the maximum limit set by those regulations.

In accordance with the Supervisory Regulations, the remuneration policy document is drawn up by our parent company for the entire banking group to ensure its overall consistency, provide the necessary guidance for its implementation and to verify its correct application at Group level.

The remuneration of Directors with special positions or duties is decided by the Board of Directors in accordance with article 2389 of the Italian Civil Code and in compliance with the By-Laws and the remuneration policies approved by the Shareholders' Meeting, having taken due note of the opinion of the Board of Statutory Auditors.

The Managing Director, as General Manager, and the Joint General Managers, are entitled to a fixed gross salary and a variable bonus, linked to the achievement of targets set in advance by the Board of Directors, in accordance with the guidelines of parent company Intesa Sanpaolo and the Supervisory Regulations regarding remuneration and bonus policies and practices.

Details of the remuneration paid to the Directors are provided in the Notes to the Financial Statements.



Fideuram - Catania Office

## 5.7 Internal audit system

The internal audit system is an essential core component of the Bank's corporate processes, designed to ensure – through managing the related risks – that the Bank and its subsidiaries are managed properly with a view to achieving their stated goals and, at the same time, to safeguarding their stakeholders' interests.

Fideuram – Intesa Sanpaolo Private Banking combines profitability with the informed undertaking of risks through the monitoring and management of the risks connected with the company's processes and the proper management of the Bank and its subsidiaries.

The internal audit system operates in accordance with the relevant European and Italian laws and regulations in force and, in particular, the related provisions of the Bank of Italy's supervisory regulations, the Italian Finance Consolidation Act and the provisions implementing it issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy, as well as the internal regulations of the Intesa Sanpaolo Group.

The Bank's internal audit system, which has been organised in accordance with the law, Supervisory Regulations and international best practices, is based on a set of rules, duties, resources, processes, procedures and organisational units that aim to ensure alignment with company strategies and the achievement of the following objectives:

- due implementation of company strategies and policies;
- risk containment within the limits specified in the Bank's Risk Appetite Framework (RAF);
- protection of the value of assets and protection against loss;
- effectiveness and efficiency of corporate processes;

- reliability and security of corporate information and IT procedures;
- risk prevention regarding the Bank's involvement, including unintentionally, in unlawful activities (particularly with regard to money laundering, the lending of money at exorbitant interest rates and the financing of terrorism);
- compliance of operations with the law, supervisory regulations and internal policies, procedures and regulations.

The internal audit system plays a crucial role and involves the entire company organisation (company bodies, departments, and personnel at all levels). It is formalised by a body of "Governance Documents", which govern the running of the Bank (including the By-Laws, Code of Ethical Conduct, Group Regulations, Policies, Guidelines, Organisation Charts and the Organisational Model pursuant to Italian Legislative Decree 231/2001), and operational regulations which govern its corporate processes, single activities and related controls.

In line with the provisions of the Supervisory Regulations on internal audits (Bank of Italy Circular No. 285/2013, Title IV, Section 3), Intesa Sanpaolo approved its "Integrated Internal Audit System Regulations", which specify the internal audit system for the entire Banking Group.

The Bank, which is subject to said Supervisory Regulations, has consequently both adopted the aforesaid regulations and approved its own regulations that reflect the specific nature of its operations and comply with the guidelines and decisions of its parent company.

This regulations document constitutes the reference framework for the Bank's internal audit system, setting out the auditing principles and rules for the documents issued in complian-

ce with specific Supervisory Regulations.

In particular, it sets out the reference principles and specifies the tasks and responsibilities of the company bodies and units with audit duties that variously contribute to the proper functioning of the internal audit system. It also sets out the coordination procedures and information flows which promote the integration of the system.

More specifically, the company rules outline organisational solutions that:

- ensure there is sufficient separation between operating and audit units and avoid situations where there could be a conflict of interest in the allocation of responsibilities;
- are able to appropriately identify, measure and monitor the main risks assumed in the various operating areas;
- ensure that there are reliable information systems and suitable reporting procedures in place at the various different levels with governance and control responsibilities;
- enable any issues encountered by the operating units, as well as by the audit units, to be promptly reported to the appropriate levels so that they may be dealt with immediately;
- ensure appropriate levels of business continuity.

The Internal Audit Committee plays a core role in the Bank's internal audit system, acting proactively in an advisory and inquiry capacity regarding the internal audit system, risk management and the information and accounting system.

From an operational standpoint, the internal audit and risk management system comprises three levels:

1. line audits performed by the operational and business units;
2. risk and compliance audits which aim, inter alia, to ensure:
  - the due and effective implementation of the risk management process;
  - compliance with the operating limits assigned to the various units;
  - compliance of company operations with applicable regulations, including those regarding self-regulation. The units responsible for these audits ("Level II units") contribute to the development of the risk management policies and process. Fideuram's Level II units include the Risk Management Unit, headed by the Chief Risk Officer, the Compliance and Anti-Money Laundering Units, headed by the Chief Compliance Officer, and our parent company's Internal Validation Service, which performs the risk management function duties

specified in the related regulations in its areas of competence;

3. internal audits ("Level III units") that aim to identify any breaches of the procedures or of the regulations, as well as to periodically assess the completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal audit system and information system (ICT Audit), at predetermined intervals to suit the nature and severity of the risks. Fideuram's Level III units include the Audit Department.

The company audit units that perform the required activities enjoy the necessary autonomy and independence from the operating units and have unrestricted access to company data, archives and assets in the performance of their respective duties. These units are organisationally separate from one another. In order to ensure their independence, these units:

- have the authority, resources and competencies required to perform the duties assigned to them;
- have a budget over which they have independent control;
- have access to all company data and external data (e.g. regarding outsourced activities);
- have a sufficient number of human resources with the necessary technical and professional competencies, who receive ongoing training.

Fideuram's Integrated Internal Audit System Regulations also provide for the establishment of an Audit Coordination Committee which acts as a technical body made up of management professionals at the Bank, with the purpose of strengthening interdepartmental cooperation and coordination regarding the Division's internal audit system.

The Committee operates within the guidelines drawn up by the Company Bodies and on the basis of the operational and functional powers assigned to it by the Bank's Board of Directors.

## INTERNAL AUDIT COMMITTEE

The Internal Audit Committee has the following duties:

- assist the Board of Directors in the performance of its duties of establishing guidelines regarding and periodic checks on the suitability and effective operation of the Bank's and its subsidiaries' internal audit systems;
- provide prior evaluation of the action plans and periodic information prepared by the Heads of the Bank's internal audit units for the Board of Directors, and receive the periodic reports prepared for the Committee in accordance with the Bank's current internal regulations;
- perform the duties required by the Bank of Italy's Supervisory Regulations covering risky activities and conflicts of interest with related parties and the dedicated decision-making procedures approved by the Board of Directors, performing the functions of the Related Parties Committee in this capacity;
- evaluate, together with the Manager responsible for the preparation of the company accounts and the Independent Auditors, the suitability and effective operation of the Bank's accounting system and the suitability of the accounting policies used, as well as their consistency for the purposes of preparing the separate and consolidated financial statements, through prompt examination of the annual and interim accounts, together with the findings presented in the Independent Auditors' reports;
- maintain close contact with the Board of Statutory Auditors, through the Chairman of the Board of Statutory Auditors' participation in the Committee's meetings, in order to ensure a prompt two-way exchange of information on matters relevant to the internal audit system;
- evaluate the acceptance and rejection of customer complaints regarding the bonds of corporate issuers in default, examining the investigations carried out by the competent offices of the Bank in accordance with the criteria and management approaches specified by the Committee itself;
- provide prior evaluation of proposals for compensation for damages to customers for any offences committed by Personal Financial Advisers that are to be handled by the Board of Directors;
- perform any additional duties provided for by current company regulations or assigned by the Board of Directors;
- report to the Board of Directors upon the approval of the financial statements on the activities carried out and on the suitability of the Bank's and its subsidiaries' internal audit systems.

## AUDIT COORDINATION COMMITTEE

This body has the responsibility of:

- monitoring implementation and maintenance of the integrated internal audit system on a continuous basis, facilitating coordination among the audit functions and guiding the joint actions taken for this purpose;
- participating with the audit functions in the planning of activities and sharing their results and actions, facilitating standard assessment of joint findings;
- coordinating discussion of the assessments made by the corporate audit functions, including in order to decide on mutually compatible times, standards and content;
- coordinating preparation of an annual report to the Company Bodies of the Bank on the audits of the Bank and its subsidiaries, the results of those audits, the weaknesses found, and the measures to be taken to eliminate any deficiencies found;
- identifying the most important issues to be brought to the attention of the Managing Director and General Manager;
- facilitating coordination among the audit functions in defining and updating the methods used in cross-project situations, while pursuing effective integration of the risk management process.

## SUPERVISORY BOARD

Fideuram - Intesa Sanpaolo Private Banking adopted the “Organisational, Management and Control Model in accordance with Italian Legislative Decree 231 of 8 June 2001” (most recently updated as approved at the Board of Directors Meeting of 27 October 2016), designed to prevent the possibility of committing the offences specified in the Decree and, consequently, to rule out the Bank’s administrative liability. The duty of supervising the operation, effectiveness and suitability of the Model and compliance with it, of preventing the offences specified in Italian Legislative Decree 231/2001, and of updating the Model, is entrusted to a Supervisory Board vested with autonomous powers of initiative and control that is autonomous, independent, professional and operates with continuity of action. The work, operation and duties of the Supervisory Board are, in addition to being specified in the Model, also governed by the related “Regulations governing the Supervisory Board established in accordance with Italian Legislative Decree 231/2001” as most recently approved by the Board of Directors on 12 April 2017. The Supervisory Board duties provided for by Italian Legislative Decree 231/2001 are assigned to the Board of Statutory Audi-

tors. This option was chosen by the Bank in accordance with the provisions of the law and the Supervisory Authorities, and with article 14 of Law 183/2011, specifically permitting joint stock companies to assign the duties of the Supervisory Board to the Board of Statutory Auditors in order to streamline their corporate controls.

The members of the Board of Statutory Auditors are, therefore, also members of the Supervisory Board, which can also include acting auditors, who are permitted to stand in for statutory auditors - solely for performing the duties of members of the Supervisory Board - in those cases provided for by the Model, when there are causes for the suspension of statutory auditors or statutory auditors are temporarily prevented from attending or their term of office has come to an end. No acting auditor has ever needed to stand in for a statutory auditor to date. The Supervisory Board sends a dedicated report at least every six months to the Board of Directors on the suitability of and compliance with the related Organisational, Management and Control Model. The Supervisory Board held 13 meetings in 2017.

## INTERNAL AUDITING

The Audit Department reports directly to the Board of Directors.



In June 2017, Fideuram approved the project to outsource its own Audit Department to the parent company Intesa Sanpaolo. The new Fideuram auditing model has been set up to assure consistent third-level controls through the establishment of a specialised unit within the Intesa Sanpaolo Internal Auditing Department. That unit is dedicated to the entire Private Banking Division and to further reinforcing synergies between the current Audit Unit of Fideuram and that of Intesa Sanpaolo. This project was notified by Intesa Sanpaolo to the European Central Bank and copied to the Bank of Italy on 25 July 2017. At the end of the regulatory waiting period, the project was implemented on 1 October 2017.

The Head of the Audit Department, appointed by the Board of Directors, enjoys the necessary autonomy and independence from the operating departments and reports directly to the Board of Directors, Board of Statutory Auditors and Internal Audit Committee. The duties of the Head of the Audit Department are clearly defined and approved by resolution of the Board of Directors, which also specifies their authority and responsibilities, including the requirements regarding their reporting to the Board of Directors and Internal Audit Committee.

In particular, the Head of the Audit Department must report monthly to the Board of Statutory Auditors and Internal Audit Committee, and once every six months to the Board of Directors, on the activities they have performed, including the internal auditing carried out in accordance with specific service contracts for Sanpaolo Invest, Fideuram Investimenti, Fideuram Fiduciaria, Sirefid, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg), Financière Fideuram, Intesa Sanpaolo Private Banking and Intesa Sanpaolo Private Bank (Suisse). The Head of the

Audit Department also reports quarterly to the Supervisory Board on the results of the actions carried out in respect of the Organisational, Management and Control Model in accordance with Italian Legislative Decree 231/2001.

The Head of the Audit Department also submits an annual report to the Internal Audit Committee, Board of Directors and Board of Statutory Auditors on the audits carried out on the important operational functions that have been outsourced.

When any significant issues having financial or reputational impact are found, the Head of the Audit Department promptly notifies them to the Chairman of the Board of Directors, the Managing Director and General Manager, the Chairman of the Internal Audit Committee and the Chairman of the Board of Statutory Auditors, presenting the related information at the earliest possible meeting of the Internal Audit Committee and, where necessary, of the Board of Directors.

The Audit Department also provides constant and independent supervision of the proper conduct of the Group's operations and processes to prevent or detect the occurrence of anomalous and risky conduct or situations, monitoring maintenance of the value of activities, including those connected with ethical commitments and social responsibility. Internal Auditing also supports the Supervisory Board in overseeing compliance with the principles and values in the Code of Ethical Conduct.

Audit activities follow an annual programme that is presented to the Board of Directors following examination by the Board of Statutory Auditors, the Internal Audit Committee and, for those aspects within its remit, the Supervisory Board established in accordance with Italian Legislative Decree No. 231/2001. Audits of the sales networks and bank

branches are conducted both through on-the-spot investigations and through a dedicated remote audit IT tool (Audit Information System) developed and constantly updated and implemented for monitoring specific operating areas.

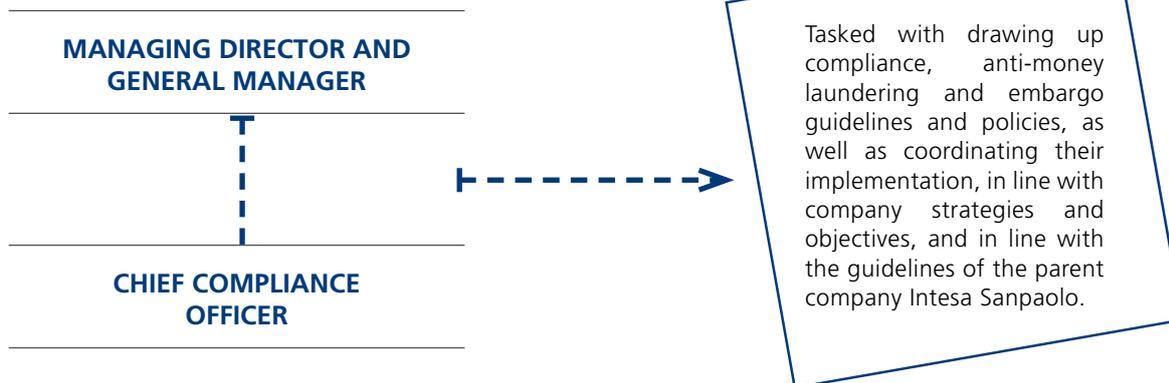
During 2017, the work of 51% of the financial advisers in the Fideuram and Sanpaolo Invest sales networks was audited at the various different levels possible, ranging from analysis of the individual alerts issued by the Audit Information System to the analysis of customer complaints and audits of all the financial adviser operating areas, with further on-the-spot investigations where necessary.

A total of 702 audits were carried out across all the financial adviser operating areas of both sales networks in 2017 (501 for Fideuram and 201 for Sanpaolo Invest), 185 of which (approximately 26% of the total) involved further on-the-spot investigations (121 for Fideuram and 64 for Sanpaolo Invest). A total of 3,815 alerts from the Audit Information System were noted and individually validated (2,684 regarding Fideuram and 1,131 regarding Sanpaolo Invest), concerning 2,013 financial advisers (1,413 regarding Fideuram and 600 regarding Sanpaolo Invest). The Department examined 90 cases of customer complaints (70 regarding Fideuram and 20 regarding Sanpaolo Invest) to investigate the work of our financial advisers.

In 2017, a total of 14 audits were carried out across all Intesa Sanpaolo Private Banking's operating areas, 6 of which were on the Network (3 Private Banking Branches, 2 High Net Worth Individual Branches and the London Branch), while 8 were process audits. Moreover, 7 investigations were carried out, and 10 alerts from the Audit Information System were verified, in connection with the activities of financial advisers.

## CHIEF COMPLIANCE OFFICER

Reports directly to the Managing Director and General Manager:



## COMPLIANCE

The Fideuram Group considers compliance risk management to be of strategic importance, in the conviction that respect for the law and regulations, together with high standards of propriety in all business relations, are essential in banking, which is by its very nature built on trust. Compliance Risk is managed by the Chief Compliance Officer with the support of a dedicated Compliance Unit established in accordance with the Supervisory Regulations issued by the Bank of Italy on 10 July 2007 and the regulatory provisions issued jointly by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy on 29 October 2007. The Compliance Unit is autonomous and independent of the operating units, and also organisationally and operationally separate from both the Audit Department and the Risk Management Department.

The Compliance Model is governed by the "Fideuram Group Regulations implementing Group Compliance Guidelines" (hereinafter, the "Implementing Regulations") approved by the Fideuram - Intesa Sanpaolo Private Banking Board of Directors, adopting the Intesa Sanpaolo "Group Compliance Guidelines" (hereinafter, the "Guidelines") and adapting them to its own operating context and applicable regulations. These Regulations specify the reference regulatory frameworks, compliance roles, responsibilities and macro processes with a view to mitigating compliance risk through the combined action of all bank staff.

The current Compliance Model complies with the Supervisory Regulations of the Bank of Italy regarding internal audit systems, issued in July 2013 and subsequently updated (hereinafter, the "Regulations"). These Regulations make the Compliance Unit responsible for compliance risk management in every regulatory area applicable to the Group's business, with the option of grading its duties for those regulations that require appropriate forms of specialist supervision.

The current Implementing Regulations have adopted the provisions of the Bank of Italy's Regulations, taking into account every regulatory area applicable to the Group's operations and identifying any Units in the Group with specialist management responsibilities regarding certain specific regulations.

In particular, the Compliance Unit is responsible for establishing our compliance risk management guidelines, policies and methodology rules. The Compliance Unit is also responsible for identifying and assessing compliance risk, including through coordinating other units and departments, proposing organisational interventions for mitigating compliance risk, ensuring the alignment of the company bonus system, assessing the compliance of innovative projects, transactions and new

products and services in advance, providing consultancy and support for management bodies and business units on all matters where compliance risk is significant, monitoring ongoing compliance conditions, and fostering a corporate culture focused on honesty, propriety and respect for the letter and spirit of the law and regulations.

The Compliance Unit is directly responsible for performing all the tasks that current regulations require of a compliance unit with respect to the regulatory frameworks considered to be most important by the Supervisory Authorities or regarding which it is in any case considered necessary to provide centralised compliance risk management (investment services, market abuse, transparency of contractual conditions, customer protection regulations and initiatives, lending of money at exorbitant interest rates, administrative liability of entities, insurance and pensions brokering, remuneration and incentive systems, payment systems, outsourcing, anti-money laundering, embargo management and combating the financing of terrorism).

For all other regulatory areas presenting compliance risks for which Specialist Units with all the necessary competencies have been identified, the duties assigned by the regulations to the Compliance Unit have been assigned to said Units, without this altering the Compliance Unit's responsibility for assessing the suitability of the specialist controls used for managing the compliance risk profiles, specifying - in conjunction with the Specialist Units - the appropriate risk assessment methods and risk mitigation procedures, and auditing the suitability of said procedures for preventing compliance risk. The regulatory areas covered by the Specialist Units - identified on the basis of a continuously-updated detailed analysis of those areas considered to present material risks for the Group - include the following: tax regulations, reporting and prudential supervision, data security, privacy protection, business continuity, occupational safety, environmental protection, transactions with related parties, associated parties, obligations of bank managers, company bodies, corporate governance and compliance, non-financial equity investments, regulatory authorisation procedures and financial equity investments, Code of Ethical Conduct and social responsibility, employment law (employees and Personal Financial Advisers), acquisitions, real estate, foreclosure and loans.

The Implementing Regulations require the Compliance Unit to submit an annual report to the Board of Directors, identifying and assessing the main compliance risks to which the Group is exposed, detailing the activities carried out, any critical situations identified and corrective actions formulated, and provi-

ding an annual programme setting out the related management interventions. The Unit also prepares detailed reports providing information on particularly significant events when they occur.

The Chief Compliance Officer submits the following periodic reports on the suitability of the compliance management provided to the Company Bodies:

- half-yearly: a report on the audits carried out, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, and a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence. This report is submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee;
- half-yearly: a report on the work carried out in relation to Italian Legislative Decree 231/2001, outlining the audits performed, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them. This report is submitted to the Supervisory Board established in accordance with Italian Legislative Decree 231/2001;
- early: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions. This Work Plan takes into account any deficiencies noted in the audits and any new risks identified. The Work Plan is submitted to the Board of Statutory

Auditors, following its prior submission to the Internal Audit Committee, and approved by the Board of Directors.

If any particularly critical issues are identified, a report must be sent promptly to the Managing Director and General Manager so that he can determine what, if any, management actions need to be taken, and to the Chairman of the Board of Directors, the Chairman of the Internal Audit Committee and the Chairman of the Board of Statutory Auditors. The activities during the year were focused on those regulatory areas considered of greatest importance regarding compliance risk. Specifically:

- in the investment services segment, the Unit continued its activities supervising the organisational and procedural system that supports the Group's service model, including with respect to recently issued regulations, such as, for example, the EU revision of the Markets in Financial Instruments Directive (MiFID) and market abuse regulations, and implementation of the EU Regulation on Key Information Documents (KID) for Packaged Retail Investment and Insurance Products (PRIIPs). In addition, a series of governance and organisational actions were completed, through the preparation and updating of regulations, processes and procedures, aiming in particular to enhance customer service (strengthening the service model), the management of conflicts of interest and personal transactions, the process for approving new products and services, the launching of new activities and en-

try into new markets, and the product governance rules covering retail financial products. The compliance activities also included providing the necessary training initiatives, clearing new products and services and monitoring customer transactions to prevent any market abuse;

- the Unit monitored regulatory developments concerning banking products and services, in particular with regard to transparency, consumer credit and payment systems, developing and updating regulations, procedures and operating practices for preventing any offences or breaches of the regulations in force regarding said products and services, and providing guidance and support to the Group's business departments to ensure proper management with respect to customer protection legislation. Product governance rules covering retail banking products were also adopted;
- The Organisational, Management and Control Model in accordance with Italian Legislative Decree 231/2001 was monitored, taking into account the changes in the reference legislation. In addition, improvements were made to strengthen and update the Model, ensuring its alignment with company regulations.

Legislative  
Decree  
254/2016

## CORRUPTION RISK MONITORING

The Fideuram Group has for many years deployed dedicated tools for managing and preventing the risk of corruption and extortion offences.

In addition to what has been specifically mentioned in the Code of Ethical Conduct, the Group Internal Code of Conduct and the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/2001 on the administrative liability of entities, there is an extensive body of internal regulations, with which all employees must be familiar and comply. These regulations imposed detailed rules for the corporate processes that might be instrumental to the commission of those sorts of offences. The internal audit units assure that the audit and behavioural guidelines set out in the Organisational, Management

and Control Model pursuant to Italian Legislative Decree 231/2001 in regard to corruption are always consistent with the internal regulations in force at any time, while also assuring compliance with those regulations.

Rounding out and further reinforcing the existing anti-corruption protections, the parent company Intesa Sanpaolo has prepared the Group Anti-Corruption Guidelines. These identify the sensitive areas and define the roles, responsibilities and macro-processes relevant to the management of corruption risk by the Group, further reinforcing the existing regulatory framework. Fideuram has implemented the Group Guidelines and begun work on the preparation of Implementation Rules for the Private Banking Division.

## ANTI-MONEY LAUNDERING

In compliance with the regulations issued by the Bank of Italy and in implementation of the Intesa Sanpaolo Guidelines, the Fideuram Group's Chief Compliance Officer is responsible for anti-money laundering, terrorism financing and embargo matters, supported by the Anti-Money Laundering Unit, which is independent of the operating units and organisationally and operationally separate from the Audit Department. The Chief Compliance Officer acts as the Group's Anti-Money Laundering Officer and Delegated Officer in accordance with article 36 of Italian Legislative Decree 231/2007.

The Anti-Money Laundering Unit is responsible for managing compliance risk where money laundering, terrorism financing and embargo management are concerned, acting as follows:

- formulating the Fideuram Group's general compliance risk management guidelines;
- continuously monitoring Italian and international reference regulatory developments with the support of the relevant units, verifying the suitability of the corporate processes and procedures in place for ensuring compliance with the applicable laws and regulations, and proposing appropriate organisational and procedural modifications;
- providing consultancy for the units and departments of the Bank and its subsidiaries and developing appropriate training programmes;

- providing appropriate periodic information to the company bodies and Top Management;
- performing the specific compliance actions required for the Bank and its centrally-managed subsidiaries, including in particular enhanced due diligence, controls on the appropriate management of the Single Information Archive and the analysis of operating unit reports of suspicious transactions to assess whether or not they require reporting to the Financial Information Unit as well founded.

The Group's complex anti-money laundering and embargo activities are governed by specific regulations ("Regulations on Anti-Money Laundering and Combating the Financing of Terrorism" and "Embargo Management Regulations"), approved by the Bank's Board of Directors, which have adopted the equivalent Intesa Sanpaolo Group Regulations, adapting them to the Group's operating context and applicable regulations. These Regulations incorporate and coordinate all the regulatory and operating provisions in effect.

In addition to fulfilling its regulatory supervision duties and submitting regular reports to the Company Bodies, the Anti-Money Laundering Unit continued its routine activities in the following main areas in 2017:

- monitoring the management of the Single Information Archive to ensure that it is kept correctly, using automatic tools for checking that the data is

entered correctly and cross-checking the Archive and management systems;

- assessing suspicious transactions reported by the operating units to decide whether or not they require reporting to the competent authorities;
- appropriate customer due diligence, particularly in cases where enhanced customer due diligence is necessary due to a high risk of money laundering.

In addition, we implemented the main interventions planned to strengthen our supervision of anti-money laundering and completed the system enhancements for increasing the efficiency of the related analysis and monitoring processes, also specifying a series of interventions to strengthen this supervision, taking increased transaction volumes into account.

Lastly, coordination and control of anti-money laundering, terrorism financing and embargo management activities of the companies under governance were implemented, by assigning these activities to the Coordination, Audits and Banking Services Compliance Unit, which reports directly to the Bank's Chief Compliance Officer.

Work also continued on bringing anti-money laundering monitoring under the unified control of the Chief Compliance Officer beginning in February 2018, on behalf of the subsidiaries Intesa Sanpaolo Private Banking and Sirefid.

## CHIEF RISK OFFICER

Reports directly to the Managing Director and General Manager



In line with the strategies, corporate objectives and guidelines of parent company Intesa Sanpaolo, the Chief Risk Officer is tasked with continuously monitoring the suitability of the risk management process and the effectiveness of the measures taken to rectify any deficiencies identified.

## RISK MANAGEMENT

The Risk Management Unit acts independently of the operating units, particularly those tasked with the “operational management” of risks, and is separate from the Audit Department and the units reporting to the Chief Compliance Officer. The Chief Risk Officer reports directly to the Managing Director and General Manager, reporting functionally to the Chief Risk Officer of Intesa Sanpaolo.

The Chief Risk Officer sits on the Risk Committees at Division level and at the main subsidiaries, providing risk management through service contracts and providing functional coordination for those Division companies with their own internal risk management units.

The Chief Risk Officer’s responsibilities cover two areas. The first regards the Bank’s proprietary risks - financial, credit, operational and reputational risk in particular - which impact on the capital and other regulatory requirements, while the second regards the risks assumed by customers in respect of their investment portfolios and other services provided by the Bank, either directly or through the Personal Financial Adviser Network.

The Chief Risk Officer is responsible for risk management controls, specifying the appropriate methods, criteria and tools for measuring and controlling financial, credit and operational risk in line with the regulatory provisions of the Supervisory Authorities, the guidelines of Intesa Sanpaolo and the instructions of the Bank’s Company Bodies.

The Chief Risk Officer works with Intesa Sanpaolo to develop and implement the Risk Appetite Framework (RAF) and related risk management policies. The Chief Risk Officer is also required to ensure effective current and prospective measurement, management and control of the exposure of the Bank and its subsidiaries to the different types of risk, submitting proposals to Top Management regarding the operating limits structure formulated in line with the Group RAF, and to constantly monitor the actual risk assumed and its alignment with the risk objectives, as well as compliance with the operating limits.

The Chief Risk Officer also ensures that the metrics used by the risk measure-

ment and control systems are aligned with the company activity assessment processes and methods specified by Intesa Sanpaolo, fully implementing Intesa Sanpaolo’s Guidelines and Policies, adapted where necessary to the Bank’s specific reference context through the issue of company-level Policies and Regulations.

Where credit and counterparty risk are concerned, the Chief Risk Officer is required to provide effective monitoring of the total portfolio exposure and to monitor lending to retail customers and to bank, insurance company and financial institution counterparties through dedicated Level II audits.

Where financial risk is concerned, the Chief Risk Officer periodically measures the Bank’s and its subsidiaries’ exposure to the volatility of market variables (interest rates, exchange rates and prices) and monitors the sustainability of the short and medium-term liquidity position.

Where operational risk is concerned, the Bank and its subsidiaries operate in accordance with the “Fideuram Operational Risk Management Regulations” which implement the “Group Operational Risk Management Guidelines” by adapting the guiding principles, organisational architecture and principal macro-processes provided for Operational Risk Management at Intesa Sanpaolo Group level to its own operating context. Within this context, the Chief Risk Officer is in charge of designing, developing and maintaining the internal operational risk management and measurement system (model, regulations and processes) of the Bank and its subsidiaries, ensuring its compliance with the regulations in force and international best practice, and implementing the “Group Operational Risk Management Guidelines”.

The Chief Risk Officer also ensures that the risks assumed by customers through the purchase of financial products and services from the Division’s Sales Networks are assessed and monitored, including following fluctuations in the financial markets. The unit also ensures that the metrics and models used comply with the requirements of the

law, with Intesa Sanpaolo’s guidelines and with the instructions issued and limits specified by the Division’s internal investment and management committees.

The Chief Risk Officer submits periodic reports to the Company Bodies, as follows:

- quarterly: a management report on respect for the limits assigned by the RAF and Internal Policies regarding all the areas of their competence. This report is submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee;
- half-yearly: a report on the audits carried out, the resultant findings, any weaknesses identified and the interventions proposed for eliminating them, and a report on the completeness, suitability, functionality and reliability of the internal audit system in the areas of their competence. These reports are submitted to the Board of Directors and Board of Statutory Auditors, following their prior submission to the Internal Audit Committee;
- yearly: a report on the investment services offered to customers that complies with the regulatory provisions issued jointly by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy, monitoring the suitability of the products offered to customers with respect to their risk profiles. This report is likewise submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee;
- yearly: a Work Plan identifying and evaluating the main risks to which the Bank is exposed, and planning the related management interventions. This Work Plan takes into account any deficiencies noted in the audits and any new risks identified. The Work Plan is submitted to the Board of Statutory Auditors, following its prior submission to the Internal Audit Committee, and approved by the Board of Directors.

## FINANCIAL MANAGEMENT GOVERNANCE

Italian Law 262/2005 brought in a number of important new requirements regarding the role and duties of Regulatory and Supervisory Authorities, the composition of Boards of Directors, the provisions regarding conflicts of interest and the protection of non-controlling shareholders. In addition, specific regulations were introduced governing the figure of the Manager responsible for the preparation of the company accounts, who reports directly to the Internal Audit Committee and Board of Directors.

In particular, the Manager responsible for the preparation of the company accounts is required to provide suitable administrative and accounting procedures for preparing the financial statements and all other financial disclosures and to certify that the accounts comply with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. Fideuram - Intesa Sanpaolo Private Banking S.p.A. has formulated specific guidelines and coordination rules for its Model of Financial Management Governance, which was developed taking into account international frameworks such as the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for IT and related technology (COBIT).

The Manager responsible for the preparation of the company accounts submits the following periodic reports to the Company Bodies:

- half-yearly: a report detailing the analyses performed on procedures sensitive to the accounting and financial reporting of Fideuram and the subsidiaries included in the

scope of analysis due to their significance and the results of monitoring of the progress of the Corrective Action Plans for anomalies identified in prior years. This report is submitted to the Board of Directors and Board of Statutory Auditors, following its prior submission to the Internal Audit Committee.

- early: the Audit Plan for Fideuram and the subsidiaries to be audited, identified on the basis of quantitative (individual contribution to the Fideuram Consolidated Financial Statements) and qualitative (specific operating characteristics or risk profiles able to increase the complexity of determining the accounting data) assessments. The Work Plan is submitted to the Board of Statutory Auditors, following its prior submission to the Internal Audit Committee, and approved by the Board of Directors.

The audits carried out in 2017 were conducted on those processes believed to pose the greatest potential risk. They addressed certain areas of the administrative accounts management of financial and insurance products and mutual funds, and of the management of commissions and fees paid to Personal Financial Advisers, risk control, planning and monitoring, outsourcer monitoring and the monitoring of certain processes supporting the business (Administration, Regulatory and Tax Reporting), as well as of the processes for managing the Group's technological infrastructure and the applications for its administrative processes.

Upon completion of said activities, the internal audit system monitoring financial reporting by Fideuram - Intesa Sanpaolo Private Banking and its subsidiaries was found to be suitable.



Fideuram - Turin, Cairoli Office

## OPERATIONAL AUDIT

The Operational Audit Unit was set up in Fideuram to assure fulfilment of line audits, in view of constantly monitoring business operational risks. This unit reports directly to the Joint General Manager – Fideuram Business Coordination Unit.

Upon full implementation, the Operational Audit Unit will perform the following activities:

- monitor fulfilment of the line audit activities for constant monitoring of business operational risks, in cooperation with other delegated units, using remote audits and, when necessary, on-the-spot audits as well, sharing with those units the results of audits and determination of solutions for any problems found;
- provide assistance and advice on the procedures for performing controls and related regulatory measures;
- promote the principles and spirit of audits at all units of the Business Coordination Unit;
- coordinate internal audit reports, based on the information shared with the various internal and Group reporting units.

During the last four months of the year, activities were launched to define the dimensions of the unit and establish an

initial core of controls focused on anti-money laundering measures. This involved the selection of IT tools and applications supporting the audit activity and holding several days of training courses.

The Operational Audit Unit exists within Intesa Sanpaolo Private Banking, reporting directly to the General Manager and dedicated to coordinating audits and protection of the Network. In addition to monitoring the Network's prompt compliance with line audits, the Unit's operational supervision includes performing remote audits and on-the-spot investigations directly on the Network's operations. A Branch Network rating system has been developed and is currently being rolled out to monitor branch operations and identify any potential risks, making it possible to obtain short-form risk assessments of the individual branches so that the Operational Audit Unit can engage in risk-driven planning of its on-the-spot investigations on the Intesa Sanpaolo Private Banking sales network.

Network audits are conducted both through on-the-spot investigations and through dedicated audits for different operating areas (Anti-Money Laundering, Investment Services, Insurance Services, Loans and Operations). In 2017, a total of 34 on-the-spot audits were carried out on the Intesa Sanpaolo Private Banking sales network, including 5 Branches in the High Net Worth Individuals segment, examining 38,500 cases relating to 86 audits.



Fideuram - Savona Office

## 5.8 Insider information

Pursuant to Italian market abuse law and regulations, the Board of Directors has implemented the Intesa Sanpaolo “Regulations governing the communication of insider information to the market”.

## 5.9 Shareholders’ meetings

The practice adopted to date by the Board of Directors has always been as follows:

- to ensure the shareholder is provided with information on the Bank at Shareholders’ Meetings;
- to encourage the participation of all the Directors in Shareholders’ Meetings.

Shareholders’ Meetings are called in accordance with the By-Laws, giving written notice delivered at least eight days in advance by registered mail with return receipt to all shareholders in the list of shareholders, sent to their respective places of domicile or, if a shareholder has specifically requested it for this purpose, to their fax number or e-mail address. In the 2017 financial year, Fideuram held the following Shareholders’ Meetings:

- an ordinary general meeting on 15 March to approve the financial statements, appoint the members of the Board of Statutory Auditors, confirm assignment to the Board of Statutory Auditors of the functions of Supervisory Board pursuant to Italian Legislative Decree 231 of 8 June 2001 and set their remuneration;
- an extraordinary general meeting on 19 June to approve the amendments to the By-Laws required by the Bank of Italy Supervisory Regulations on the corporate governance of banks, and an ordinary general meeting to approve i) the Intesa Sanpaolo Remuneration Report, ii) the Remuneration and Incentive Policies of the Personal Financial Advisers Networks of the Fideuram - Intesa Sanpaolo Pri-

vate Banking Group, iii) the criteria for determining the compensation to be granted upon early termination of the employment relationship or early termination of the position, including the limits set for that compensation, iv) the increase in variable remuneration as a percentage of fixed remuneration benefiting all Risk Takers not belonging to the Corporate Audit Functions, and v) the authorisation to buy and sell ordinary shares of the parent company Intesa Sanpaolo S.p.A..



## 5.10 Board of Statutory Auditors

The Board of Statutory Auditors of the Bank, appointed by the Ordinary Shareholders' Meeting on 15 March 2017, also performs the duties of a Supervisory Board pursuant to Italian Legislative Decree 231/2001.

In consideration of these additional duties, the Board of Statutory Auditors receives all the information sent to the Board of Directors and Internal Audit Committee as well as that specifically sent to the Board of Statutory Auditors itself. The Board of Statutory Auditors receives adequate flows of periodic information from the other Company Bodies and Departments, including risk management and control audits, in order to perform its duties.

The Board of Statutory Auditors, which has autonomous powers of initiative and supervision, takes part in every meeting of the Board of Directors and is therefore continuously informed about the Bank's operations. In accordance with the combined provisions of article 2381 of the Italian Civil Code and article 19 of the By-Laws, and to ensure that the Board of Statutory Auditors possesses every information necessary to perform its duties effectively, the Directors report to the Board of Statutory Auditors at least quarterly on the work they have carried out and on the most significant economic, financial and asset-related activities of the Bank and its subsidiaries, as well as, in particular, on the transactions in which they have a direct or indirect interest, or which have been influenced by the party that plays a management and coordinating role.

In accordance with Italian Legislative Decree 39/2010 (the Italian Auditing Consolidation Act - Testo Unico della Revisione), the Board of Statutory Auditors performs the supervisory duties provided for by the auditing regulations regarding, inter alia, the financial reporting process, the effectiveness of the control, internal auditing and risk management systems, and the annual audit. In addition, the Board of Statutory Auditors is required to evaluate the Independent Auditors' proposals, submitted with the aim of gaining appointment, as well as the work plan prepared for the audit and the findings set out in the report and letter of comments.



## 5.11 General Management of the Private Banking Division

Andrea Chioatto has been Joint General Manager, Head of Operational and Financial Governance, of Fideuram – Intesa Sanpaolo Private Banking S.p.A. since July 2015.

Between 2013 and 2014, he was Head of Product Company Management at the Banca dei Territori Division, where he managed the establishment of the Corporate Finance Hub (Mediocredito, Leasing and Factoring), launching the merger process that brought consumer lending into Intesa Sanpaolo and that spun off medium-/and long-term doubtful loans to Capital Light Bank.

Prior to that he was the Cost Control, Service Level Agreement and Investments Manager of the Intesa Sanpaolo Group, reporting directly to the Chief Financial Officer and was involved, inter alia, in the establishment of Intesa Sanpaolo Group Services (ISGS).

Before joining the Intesa Group, he occupied a number of positions of responsibility at multinationals (Unilever and ICI), after holding previous auditing roles.

Born in Milan, he graduated with a first-class degree in Business Economics from Luigi Bocconi University.  
Born in Milan, he graduated with a first-class degree in Business Economics from Luigi Bocconi University.

Since May 2017 he has been Joint General Manager, Head of Business Coordination, Fideuram – Intesa Sanpaolo Private Banking S.p.A., and General Manager of Sanpaolo Invest.

From 2014 until he took up his present position, he held the position of Managing Director and General Manager of Fideuram Vita S.p.A., while also holding the position of Head of Banking Services at the General Management of Fideuram from December 2014 until the end of 2016. He was the Head of the Network and Banking Services Department from 2011 to 2014.

He began his career at Credito Italiano, then Banca Manusardi. Over the following years, he held positions with growing responsibilities at Fideuram until he was appointed to his present position as Joint General Manager.

Born in Milan, he graduated with a degree in political science from the University of Milan.



**FIDEURAM – INTESA  
SANPAOLO PRIVATE  
BANKING**

**Andrea Chioatto**

**Joint General Manager  
Operational and Financial Governance**



**FIDEURAM – INTESA  
SANPAOLO PRIVATE  
BANKING**

**Fabio Cubelli**

**Joint General Manager  
Business Coordination**

Degree in Economics and Business from Ca' Foscari University of Venice. Saverio Perissinotto started his career as a financial analyst in the Research Department of Banque Indosuez in Paris in 1986, where he stayed for three years before moving to become a manager at Banque Indosuez Jakarta until 1991. Back at Banque Indosuez in Paris from 1991 to 1995, he began working in Wealth Management for the International Customers and Wealth Engineering sections.

In 1995, he attended the International Executive Programme (IEP) at INSEAD (Fontainebleau, France), subsequently becoming Managing Director of Fiduciaria Indosuez SIM S.p.A. and Managing Director and General Manager of Crédit Agricole Indosuez Private Banking S.p.A. until 2005. During this period, he was also Managing Director of Finanziaria Indosuez International Ltd in Lugano.

From 2005 to 2015 Saverio Perissinotto was Substitute Joint General Manager of Intesa Sanpaolo Private Banking and Managing Director of Sirefid from 2005 to 2010.

He was appointed Chairman of the Board of Directors of Intesa Sanpaolo Private Bank (Suisse) for the two-year period 2011-2012.

He has been General Manager of Intesa Sanpaolo Private Banking S.p.A. since 2015.

Born in Rome and a graduate in Business Economics with a first-class degree from the University of Pavia, Gianluca La Calce went on to gain a Master's in Business Accounting, Financial Reporting and Financial Control in 1992, organised by Consorzio Pavese per gli Studi Post Universitari.

He began his professional career at Sige Consulenza, which subsequently became Fideuram Capital, rising through various positions of responsibility in the company until being appointed Stock Markets Manager.

In 1998, he became Investments Director with responsibility for the bond, stock and foreign exchange sectors. In 2005, he was appointed Deputy General Manager of the company, which had in the meantime become a member of the Intesa Sanpaolo Group and taken the name Fideuram Investimenti SGR – Italy's third-largest asset management company by client assets – and Director and General Manager of Fideuram Asset Management (Ireland).

In 2014, he was appointed Managing Director and General Manager of Fideuram Investimenti SGR and Managing Director of Fideuram Asset Management (Ireland), a position he held until May 2016. He has been Head of the Investment Center of Fideuram - Intesa Sanpaolo Private Banking since July 2015.



**INTESA SANPAOLO  
PRIVATE BANKING**

**Saverio Perissinotto**

**General Manager**



**FIDEURAM  
INVESTIMENTI SGR**

**Gianluca La Calce**

**Managing Director  
and General Manager**



From left to right:

<b>Andrea Chioatto</b>	Joint General Manager, Head of Operational and Financial Governance, Fideuram – Intesa Sanpaolo Private Banking
<b>Gianluca La Calce</b>	Managing Director and General Manager of Fideuram Investimenti SGR
<b>Paolo Molesini</b>	Managing Director and General Manager of Fideuram – Intesa Sanpaolo Private Banking
<b>Fabio Cubelli</b>	Joint General Manager, Head of Business Coordination, Fideuram – Intesa Sanpaolo Private Banking, General Manager of Sanpaolo Invest SIM
<b>Saverio Perissinotto</b>	General Manager of Intesa Sanpaolo Private Banking

**The Board of Directors**  
Turin, 22 February 2018

Consolidated balance sheet  
Consolidated income statement  
Consolidated statement of comprehensive income  
Statement of changes in consolidated equity  
Statement of consolidated cash flows  
Notes to the consolidated financial statements



6. Consolidated financial statements

# Consolidated balance sheet

(€m)

	31.12.2017	31.12.2016
<b>ASSETS</b>		
10. Cash and cash equivalents	78	71
20. Financial assets held for trading	43	41
30. Financial assets measured at fair value through profit or loss	259	195
40. Financial assets available for sale	4,596	4,297
50. Held-to-maturity investments	-	125
60. Loans and advances to banks	22,510	18,705
70. Loans and advances to customers	9,645	9,602
80. Hedging derivatives	5	3
90. Adjustments to financial assets subject to macro-hedging	-	-
100. Equity investments	148	141
110. Reinsurers' share of technical reserves	-	-
120. Property and equipment	53	40
130. Intangible assets	188	181
of which: goodwill	140	140
140. Tax assets	161	180
a) Current	26	28
b) Deferred	135	152
of which: convertible to tax credits (Italian law No. 214/2011)	17	21
150. Non-current assets held for sale and discontinued operations	-	-
160. Other assets	1,045	1,091
<b>TOTAL ASSETS</b>	<b>38,731</b>	<b>34,672</b>

Chairman of the Board  
of Directors  
**Matteo Colafrancesco**

Managing Director  
**Paolo Molesini**

Manager Responsible for the Preparation  
of the Company Accounts  
**Paolo Bacciga**

# Consolidated balance sheet

(€m)

	31.12.2017	31.12.2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
10. Due to banks	2,641	2,665
20. Due to customers	30,581	27,561
30. Debt on issue	-	-
40. Financial liabilities held for trading	45	27
50. Financial liabilities measured at fair value through profit or loss	-	-
60. Hedging derivatives	981	1,103
70. Adjustments to financial liabilities subject to macro-hedging	-	-
80. Tax liabilities	96	64
a) Current	35	11
b) Deferred	61	53
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100. Other liabilities	1,097	759
110. Provision for employment termination indemnities	53	54
120. Provisions for risks and charges	459	458
a) Pensions and other commitments	11	8
b) Other provisions	448	450
130. Technical reserves	-	-
140. Valuation reserves	(69)	(84)
150. Redeemable shares	-	-
160. Equity instruments	-	-
170. Reserves	1,470	1,373
175. Interim dividends (-)	-	(600)
180. Share premium reserve	206	206
190. Share capital	300	300
200. Treasury shares (-)	-	-
210. Equity attributable to non-controlling interests	-	-
220. Net profit (loss) for the year	871	786
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>38,731</b>	<b>34,672</b>

Chairman of the Board  
of Directors  
**Matteo Colafrancesco**

Managing Director  
**Paolo Molesini**

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**Paolo Bacciga**

# Consolidated income statement

(€m)

	2017	2016
10. Interest income and similar income	331	326
20. Interest expense and similar expense	(160)	(150)
<b>30. Net interest income</b>	<b>171</b>	<b>176</b>
40. Fee and commission income	2,416	2,190
50. Fee and commission expense	(743)	(663)
<b>60. Net fee and commission income</b>	<b>1,673</b>	<b>1,527</b>
70. Dividends and similar income	-	-
80. Net profit (loss) on trading activities	8	10
90. Net profit (loss) on hedging derivatives	1	2
100. Net profit (loss) on sale or repurchase of:	5	22
a) Loans	6	8
b) Financial assets available for sale	(1)	14
c) Held-to-maturity investments	-	-
d) Financial liabilities	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	6	5
<b>120. Total net interest and trading income</b>	<b>1,864</b>	<b>1,742</b>
130. Net impairment of:	(1)	(3)
a) Loans	2	(2)
b) Financial assets available for sale	(3)	(1)
c) Held-to-maturity investments	-	-
d) Other financial transactions	-	-
<b>140. Operating income</b>	<b>1,863</b>	<b>1,739</b>
150. Net insurance premiums	-	-
160. Other income/expense from insurance activities	-	-
<b>170. Operating income from financing and insurance activities</b>	<b>1,863</b>	<b>1,739</b>
180. Administrative expenses:	(835)	(795)
a) Personnel expenses	(360)	(317)
b) Other administrative expenses	(475)	(478)
190. Net provisions for risks and charges	(39)	(44)
200. Depreciation of property and equipment	(3)	(3)
210. Amortisation of intangible assets	(22)	(17)
220. Other income/expense	250	214
<b>230. Operating expenses</b>	<b>(649)</b>	<b>(645)</b>
240. Profit (loss) on equity investments	9	10
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-
260. Goodwill impairment	-	-
270. Gain (loss) on disposal of investments	8	-
<b>280. Profit (loss) before tax from continuing operations</b>	<b>1,231</b>	<b>1,104</b>
290. Income taxes for the year on continuing operations	(360)	(318)
<b>300. Profit (loss) after tax from continuing operations</b>	<b>871</b>	<b>786</b>
310. Profit (loss) after tax from discontinued operations	-	-
<b>320. Net profit (loss) for the year</b>	<b>871</b>	<b>786</b>
330. Net profit (loss) for the year attributable to non-controlling interests	-	-
<b>340. Parent company interest in net profit (loss) for the year</b>	<b>871</b>	<b>786</b>

Chairman of the Board  
of Directors  
**Matteo Colafrancesco**

Managing Director  
**Paolo Molesini**

Manager Responsible for the Preparation  
of the Company Accounts  
**Paolo Bacciga**

# Consolidated statement of comprehensive income

(€m)

	2017	2016
<b>10. Net profit (loss) for the year</b>	<b>871</b>	<b>786</b>
<b>Other comprehensive income after tax not transferred to the income statement</b>	<b>12</b>	<b>(3)</b>
20. Property and equipment	14	-
30. Intangible assets	-	-
40. Defined-benefit plans	(2)	(3)
50. Non-current assets held for sale	-	-
60. Valuation reserves related to investments carried at equity	-	-
<b>Other comprehensive income after tax that may be transferred to the income statement</b>	<b>16</b>	<b>(31)</b>
70. Hedges of net investments in foreign operations	-	-
80. Exchange rate differences	(3)	-
90. Cash flow hedges	(4)	-
100. Financial assets available for sale	25	(28)
110. Non-current assets held for sale	-	-
120. Valuation reserves related to investments carried at equity	(2)	(3)
<b>130. Total other comprehensive income after tax</b>	<b>28</b>	<b>(34)</b>
<b>140. Total comprehensive income</b>	<b>899</b>	<b>752</b>
150. Total comprehensive income attributable to non-controlling interests	-	-
160. Total comprehensive income attributable to parent company	899	752

Chairman of the Board  
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Managing Director  
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**Paolo Bacciga**

# Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2016	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2017	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR										SHAREHOLDERS' EQUITY AT 31.12.2017	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY													
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME AT 31.12.2017					
<b>Share capital:</b>	<b>300</b>	-	<b>300</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>300</b>	<b>300</b>	-	
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Share premium reserve</b>	<b>206</b>	-	<b>206</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>206</b>	<b>206</b>	-	
<b>Reserves:</b>	<b>1,373</b>	-	<b>1,373</b>	<b>72</b>	-	<b>25</b>	-	-	-	-	-	-	-	-	-	-	<b>1,470</b>	<b>1,470</b>	-	
a) From net income	1,299	-	1,299	72	-	25	-	-	-	-	-	-	-	-	-	-	1,396	1,396	-	
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-	
<b>Valuation reserves</b>	<b>(84)</b>	-	<b>(84)</b>	-	-	<b>(13)</b>	-	-	-	-	-	-	-	-	-	<b>28</b>	<b>(69)</b>	<b>(69)</b>	-	
<b>Equity instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Interim dividends</b>	<b>(600)</b>	-	<b>(600)</b>	-	<b>600</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Treasury shares</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net profit (loss) for the year</b>	<b>786</b>	-	<b>786</b>	<b>(72)</b>	<b>(714)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>871</b>	<b>871</b>	<b>871</b>	-
<b>Shareholders' equity</b>	<b>1,981</b>	-	<b>1,981</b>	-	<b>(114)</b>	<b>12</b>	-	-	-	-	-	-	-	-	-	-	<b>899</b>	<b>2,778</b>	<b>2,778</b>	-
<b>Equity attributable to owners of the parent company</b>	<b>1,981</b>	-	<b>1,981</b>	-	<b>(114)</b>	<b>12</b>	-	-	-	-	-	-	-	-	-	-	<b>899</b>	<b>2,778</b>		-
<b>Equity attributable to non-controlling interests</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

Chairman of the Board  
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Managing Director  
**Paolo Molesini**

Manager Responsible for the Preparation  
of the Company Accounts  
**Paolo Bacciga**

# Statement of changes in consolidated equity

(€m)

	BALANCE AT 31.12.2015	CHANGE TO OPENING BALANCE	BALANCE AT 1.1.2016	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE YEAR										SHAREHOLDERS' EQUITY AT 31.12.2016	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY							TOTAL COMPREHENSIVE INCOME AT 31.12.2016					
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	INTERIM DIVIDENDS	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS		CHANGES IN EQUITY INVESTMENTS				
<b>Share capital:</b>	<b>300</b>	-	<b>300</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>300</b>	<b>300</b>	-	
a) Ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	300	300	-	
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Share premium reserve</b>	<b>206</b>	-	<b>206</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>206</b>	<b>206</b>	-	
<b>Reserves:</b>	<b>1,328</b>	-	<b>1,328</b>	<b>33</b>	-	<b>12</b>	-	-	-	-	-	-	-	-	-	<b>1,373</b>	<b>1,373</b>	-	
a) From net income	1,254	-	1,254	33	-	12	-	-	-	-	-	-	-	-	-	1,299	1,299	-	
b) Other	74	-	74	-	-	-	-	-	-	-	-	-	-	-	-	74	74	-	
<b>Valuation reserves</b>	<b>(50)</b>	-	<b>(50)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>(34)</b>	<b>(84)</b>	<b>(84)</b>	-	
<b>Equity instruments</b>	<b>-</b>	-	<b>-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Interim dividends</b>	<b>(501)</b>	-	<b>(501)</b>	-	<b>501</b>	-	-	-	<b>(600)</b>	-	-	-	-	-	-	<b>(600)</b>	<b>(600)</b>	-	
<b>Treasury shares</b>	<b>-</b>	-	<b>-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net profit (loss) for the year</b>	<b>594</b>	-	<b>594</b>	<b>(33)</b>	<b>(561)</b>	-	-	-	-	-	-	-	-	-	-	<b>786</b>	<b>786</b>	<b>786</b>	-
<b>Shareholders' equity</b>	<b>1,877</b>	-	<b>1,877</b>	-	<b>(60)</b>	<b>12</b>	-	-	<b>(600)</b>	-	-	-	-	-	-	<b>752</b>	<b>1,981</b>	<b>1,981</b>	-
<b>Equity attributable to owners of the parent company</b>	<b>1,877</b>	-	<b>1,877</b>	-	<b>(60)</b>	<b>12</b>	-	-	<b>(600)</b>	-	-	-	-	-	-	<b>752</b>	<b>1,981</b>		
<b>Equity attributable to non-controlling interests</b>	<b>-</b>	-	<b>-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Chairman of the Board  
of Directors  
**Matteo Colafrancesco**

Managing Director  
**Paolo Molesini**

Manager Responsible for the Preparation  
of the Company Accounts  
**Paolo Bacciga**

# Statement of consolidated cash flows

## (indirect method)

(€m)

	2017	2016
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>1,243</b>	<b>1,143</b>
Net profit (loss)	871	786
Net profit (loss) on financial assets held for trading and on assets/liabilities measured at fair value through profit or loss	(14)	(15)
Net profit (loss) on hedging activities	(1)	(2)
Net impairment	1	3
Net depreciation and amortisation	25	20
Net provisions for risks and charges and other expense/income	40	45
Uncollected net insurance premiums	-	-
Uncollected other insurance income/expense	-	-
Unpaid taxes and tax credits	360	318
Net adjustments to net value after tax of discontinued operations	-	-
Other adjustments	(39)	(12)
<b>2. Cash from/used in financing activities</b>	<b>(4,233)</b>	<b>(5,882)</b>
Financial assets held for trading	(2)	5
Financial assets measured at fair value through profit or loss	(58)	(22)
Financial assets available for sale	(371)	238
Loans and advances to banks: demand deposits	728	(460)
Loans and advances to banks: other	(4,534)	(5,022)
Loans and advances to customers	(43)	(624)
Other assets	47	3
<b>3. Cash from/used in financial liabilities</b>	<b>3,004</b>	<b>5,270</b>
Due to banks: demand deposits	25	18
Due to banks: other	(49)	(464)
Due to customers	3,020	6,142
Debt on issue	-	-
Financial liabilities held for trading	27	2
Financial liabilities measured at fair value through profit or loss	-	-
Hedging derivatives	(14)	4
Other liabilities	(5)	(432)
<b>Net cash from/used in operating activities</b>	<b>14</b>	<b>531</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>Cash from</b>	<b>139</b>	<b>171</b>
Disposal of equity investments	-	-
Dividend income from equity investments	-	-
Sale/redemptions of held-to-maturity investments	125	171
Sale of property and equipment	14	-
Sale of intangible assets	-	-
Sale of subsidiaries and company divisions	-	-
<b>Cash used in</b>	<b>(32)</b>	<b>(31)</b>
Acquisition of equity investments	-	(5)
Purchase of held-to-maturity investments	-	-
Acquisition of property and equipment	(4)	(3)
Purchase of intangible assets	(28)	(23)
Acquisition of subsidiaries and company divisions	-	-
<b>Net cash from/used in investing activities</b>	<b>107</b>	<b>140</b>
<b>C. FUNDING ACTIVITIES</b>		
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	(114)	(660)
<b>Net cash from/used in funding activities</b>	<b>(114)</b>	<b>(660)</b>
<b>NET CASH GENERATED/USED IN THE YEAR</b>	<b>7</b>	<b>11</b>
<b>Reconciliation</b>		
Cash and cash equivalents at beginning of year	71	60
Net cash generated/used in the year	7	11
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	78	71

Chairman of the Board  
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Managing Director  
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Manager Responsible for the Preparation  
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**Paolo Bacciga**

# Notes to the consolidated financial statements

## ■ Part A - Accounting policies

### A.1 - General

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## PART A - ACCOUNTING POLICIES

### A.1 - GENERAL

#### SECTION 1 - DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005, the Fideuram – Intesa Sanpaolo Private Banking Group's Consolidated Financial Statements have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission up to 31 December 2017, following the procedure provided for by EC Regulation No. 1606/2002. With a view to adopting effective guidelines for the application of these accounting standards, this Report was prepared in accordance with the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC). There were no derogations from the application of the International Accounting Standards or International Financial Reporting Standards.

The Consolidated Financial Statements at 31 December 2017 have been prepared in accordance with Bank of Italy Circular No. 262 of 22 December 2005 and its subsequent amendments and interpretation guidelines. Special attention was focused on the fourth amendment of 15 December 2015, which required the regulation to be reprinted in full.

The amendments to existing accounting standards and the related European Commission Regulations endorsing them that became effective in 2017 are listed below:

- Regulation 1989/2017: Amendments to IAS 12.
- Regulation 1990/2017: Amendments to IAS 7.

These amendments have no significant effect for the Group.

The new International Accounting Standards and International Financial Reporting Standards or amendments to existing standards and the related European Commission Regulations endorsing them, making their application compulsory after 31 December 2017, are likewise listed below:

- Regulation 1905/2016: IFRS 15 - Revenue from Contracts with Customers.
- Regulation 2067/2016: IFRS 9 - Financial Instruments.
- Regulation 1986/2017: IFRS 16 Leases.
- Regulation 1987/2017: Amendments to IFRS 15 - Revenue from Contracts with Customers.

The new financial reporting standards IFRS 9 and IFRS 15 came into force on 1 January 2018 and have introduced substantial changes in bank financial statements.

#### IFRS 9: THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARD ON FINANCIAL INSTRUMENTS

On 1 January 2018, the International Financial Reporting Standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016, replaced IAS 39, which governed the recognition and measurement of financial instruments until 31 December 2017. IFRS 9 introduces an approach to the classification of financial assets which is driven by the contractual cash flow characteristics and the business model according to which an asset is managed.

The new IFRS 9 classifies financial assets in three categories instead of the four categories required under IAS 39, taking the above two drivers into account:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income;
- financial assets measured at fair value through profit or loss (FVTPL).

Financial assets can be recognised at amortised cost or at fair value through other comprehensive income only if they pass the contractual cash flow characteristics test. Equities are always measured at fair value through profit or loss, unless they are not held for trading and the entity irrevocably elects at initial recognition to present value changes in an other comprehensive income reserve that will never be transferred to profit or loss even if the financial instrument is sold.

For financial liabilities, the only new requirement regards the accounting treatment of own credit risk. IFRS 9 requires fair value changes due to own credit risk on financial liabilities designated as measured at fair value through profit or loss to be presented in other comprehensive income, unless this treatment leads to a measurement or recognition inconsistency in net profit, and for the remaining amount of the fair value changes of the liabilities to be recognised in profit or loss.

The Fideuram Group has identified the following business models for the recognition and measurement of financial instruments:

1. Hold to Collect, covering financial instruments which are held stably in the portfolio and generate net interest income. These financial instruments are recognised as financial assets measured at amortised cost.

2. Hold to Collect & Sell, covering financial instruments held to generate net interest income and maximise portfolio returns through sales that take advantage of favourable market opportunities. These financial instruments are recognised as financial assets measured at fair value through other comprehensive income.
3. Other, mostly covering – for minimal and residual business– financial instruments purchased from private banking customers, measured at fair value through profit or loss.

IFRS 9 introduces a new impairment model for instruments measured at amortised cost and at fair value through other comprehensive income (other than equity instruments), replacing the current incurred loss model with an expected loss impairment model to obtain more timely recognition of credit losses in the income statement. IFRS 9 requires entities to account for expected credit losses in the 12 months (Stage 1) after initial recognition of a financial instrument. 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 there is evidence of impairment (Stage 3).

In line with the Group policies specified by Intesa Sanpaolo, the Fideuram Group has decided to keep the 30-day past due limit as the threshold for recognising financial assets in Stage 2, and to use classification as a forbore exposure as an additional recognition criterion.

Lastly, the new standard provides for a hedge accounting model that allows an entity to reflect risk management activities in the financial statements, as well as strengthening the quality of risk management reporting.

The Group elected to opt out of this requirement in accordance with Intesa Sanpaolo guidelines and to keep the current IAS 39 rules.

#### Implementation by Fideuram

In order to assess the impact that the adoption of IFRS 9 has had on the organisation and its financial reporting, Fideuram is taking part in an Intesa Sanpaolo Group project to ensure consistent implementation of the new financial reporting standard from 1 January 2018. Since the first phase, designed to obtain an in-depth understanding of the areas the standard will affect and to identify its quantitative and qualitative impacts, has been completed, the application and organisational measures necessary for the effective organic adoption of the new financial reporting standard have been implemented.

The procedures for applying the Solely Payments of Principal and Interest (SPPI) test to contractual cash flows have been specified. Analyses have confirmed that the entire portfolio of financial instruments has passed the SPPI test.

Where the characteristics of the business models are concerned, the quantitative thresholds for sales of financial instruments to be classified in the Hold to Collect business model have been specified.

The following activities have been completed regarding impairment:

- the procedures for tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value

through other comprehensive income have been established.

- the parameters for determining a significant increase in credit risk in order to allocate performing loans correctly to Stage 1 or Stage 2 have been established.
- the models (which include forward-looking information) for staging and calculating one-year and lifetime expected credit loss have been finalised.

#### The impacts of the new standard

The principal impacts on the net equity of the Fideuram Group at 1 January 2018 after adoption of the new standard stem mainly from the following effects:

- the need to reclassify certain financial assets in the portfolio according to the combined result of the two classification drivers indicated by the standard: the business model according to which these instruments are managed and the contractual characteristics of the associated cash flows (SPPI test);
- the application of the new impairment accounting model based on the concept of expected loss, which leads to an increase in adjustments, and from the application of the new rules for transferring exposures between the different classification stages provided for by the standard.

#### Impact on consolidated Shareholders' Equity from first-time adoption of IFRS 9 Net of tax effect

(€m)

Reclassification of financial instruments	62
Impairment of financial instruments	(23)
<b>Total</b>	<b>39</b>

On the basis of analyses, it is estimated that the impact from first-time adoption of IFRS 9 as calculated at 1 January 2018, to be recognised as a balancing entry in consolidated shareholders' equity, will total a positive €39 million (net of the tax effect).

#### IFRS 15: THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARD ON REVENUE

IFRS 15 - Revenue from contracts with customers came into force on 1 January 2018. The adoption of IFRS 15 supersedes IAS 18 - Revenue and IAS 11 - Construction Contracts.

The new requirements in contrast with the previously applicable rules are as follows:

- the introduction of a common accounting standard for the recognition of revenue from the sale of goods and services;
- the introduction of a mechanism for allocating a transaction price to each contractual performance obligation (transfer of good and/or service).

The new standard applies to all contracts with customer, except for lease agreements, insurance contracts, and financial instruments. IFRS 15 aims to include information in the financial statements that cover the nature, amount, timing, and degree of uncertainty of the revenue and cash flows generated by contracts with customers.

The key aspect of IFRS 15 is that an entity has to recognise revenue in the financial statements so that the transfer of goods or services to customers is expressed in an amount reflecting the consideration to which the entity expects to be entitled in exchange. To achieve that goal, an entity recognises revenue in the following steps:

- it identifies its contracts with customers;
- it identifies the performance obligations in the contracts;
- it determines the transaction price;
- it allocates the price to the various performance obligations;
- it recognises the revenue when the performance obligations have been satisfied.

Fideuram participated in the Intesa Sanpaolo IFRS 15 Project to analyse the implications of the new standard on accounting and the recognition of revenue flows.

The main impact of the new standard consists in increased disclosure requirements. The disclosure objective stated in the standard is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. No impact on shareholders' equity has been recognised.

### CHANGE IN THE FINANCIAL REPORTING STANDARD APPLYING TO PROPERTY AND VALUABLE ART ASSETS

In accordance with Intesa Sanpaolo accounting policies, the Fideuram Group amended the accounting policy applied for the recognition and measurement of property used in operations and valuable art assets in its financial statements at 31 December 2017 (regulated by IAS 16 - Property, plant and equipment). The change caused the transition from the cost method to the revaluation method for measurement after the initial recognition of property used in operations and valuable art assets. The Group then reassessed the book value of its own property and art assets to mark them to market, thereby providing readers of the financial statements with more material information. It has been decided that reliable and more material information on the effects of business management and, ultimately, on the overall financial position and results of the Group can be given in accordance with the provisions of IAS 8 as regards changes in accounting standards. The Fideuram Group does not hold any investment properties.

Recognition of the current values of valuable art assets and non-investment properties, in accordance with the revaluation model prescribed in IAS 16 will make it possible to keep the book values aligned with market values at all times.

The opening balances have to be recalculated and comparative information has to be provided when voluntary changes are made to the accounting policies, as in this case. Moreover, IAS 8 allows waiving the ordinary treatment for the specific case in question here. In fact, IAS 8.17 states that when the measurement method is changed, the previously reported amounts do not have to be restated.

When the accounting policy was changed, the recognition at current values generated an increase in shareholders' equity resulting from the portion of the positive revaluation recognised in valuation reserves.

The measurement method was changed at the end of the year. Therefore, the depreciation for 2017 was calculated using the previous cost method. Consequently, property used in operations was depreciated until 31 December 2017. Beginning in 2018, property used in operations measured with the revaluation method illustrated in IAS 16 will continue to be depreciated for their useful life. Similarly to what is done now, valuable art assets will not be depreciated, since it is believed that the useful life of an artwork cannot be estimated and its value normally appreciates over time.

As analysed in greater detail in Section 12 – Property and equipment of Part B of these notes to the financial statements, the change in question has caused a €21m increase in property and equipment, recognised in a special valuation reserve (net of the tax effect) for €14m.

### SECTION 2 - BASIS OF PREPARATION

The Consolidated Financial Statements comprise the compulsory consolidated statements provided for by IAS 1 (namely a balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows) and the Notes to the Consolidated Financial Statements, accompanied by the Directors' Report. The information specified as compulsory content for "Directors' Reports" by Bank of Italy Circular No. 262/2005 is presented in the following sections and paragraphs of the Integrated Financial Report:

- Section 3. Operating and market context (paragraphs 3.1 to 3.4);
- Section 4. Performance (paragraphs 4.1 to 4.4, 4.7.1 and 4.8).
- Section 6. Governance (paragraph 6.2).

The Notes to the Consolidated Financial Statements present all the information provided for by the regulations, together with the additional information considered necessary to give a true and fair view of the Group's position.

These financial statements have been prepared on the assumption of business continuity. There is no uncertainty regarding the Group's ability to continue in business. The compulsory tables and details required by the Bank of Italy are identified separately using the numbering specified by said Supervisory Authority.

The financial statements and Notes to the financial statements present the data for the period together with the corresponding data at 31 December 2016 for the purposes of comparison.

The schedules contain reconciliation statements for the financial statements and reclassified financial statements in paragraph 4.2 of the Integrated Financial Report.

The Financial Statements use the euro as their presentation currency. The figures in the Financial Statements and Notes are stated in millions of euro unless specified otherwise.

Italian Legislative Decree No. 254 of 30 December 2016 was published in January 2017, implementing Directive 2014/95/EU regarding the disclosure of non-financial and diversity information by large undertakings and groups. The new obligations, which apply from 2017, require the publication of a Non-Financial Disclosure covering environmental, social, human resources, human rights, bribery and extortion issues. In regard to these issues, it represents the model used for the management and organisation of activities, applied policies and principal risks. Since 2013, our Group has reported financial and non-financial information in the Integrated Annual Report, which has included the non-financial information required by law in application of Legislative Decree 254/2016 since 2017. In continuation from the past, the Fideuram Group presents the information required under the aforementioned Decree in the Integrated Financial Report. Therefore, the Consolidated Non-Financial Disclosure is complemented by financial information.

## SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

The companies consolidated line by line in the Fideuram – Intesa Sanpaolo Private Banking S.p.A. consolidated financial statements at 31 December 2017 are shown below.

### 1. Equity investments in wholly-owned subsidiaries

NAME	OPERATIONAL HEAD OFFICE	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP		% VOTES (**)
				HELD BY	% OWNED	
1. Fideuram - Intesa Sanpaolo Private Banking S.p.A. Share capital: Eur 300,000,000 in shares without nominal value	Turin	Turin				
2. Sanpaolo Invest SIM S.p.A. Share capital: Eur 15,264,760 in shares of Eur 140 each	Turin	Turin	1	Fideuram	100.000%	
3. 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%	
4. Fideuram Investimenti SGR S.p.A. Share capital: Eur 25,850,000 in shares of Eur 517 each	Milan	Milan	1	Fideuram	99.500%	
5. Sirefid S.p.A. Share capital: Eur 2,600,000 in shares of Eur 0.52 each	Milan	Milan	1	Fideuram	100.000%	
6. Fideuram Fiduciaria S.p.A. Share capital: Eur 1,551,000 in shares of Eur 517 each	Milan	Turin	1	Fideuram	100.000%	
7. Fideuram Asset Management (Ireland) dac Share capital: Eur 1,000,000 in shares of Eur 1,000 each	Dublin	Dublin	1	Fideuram	100.000%	
8. Fideuram Bank (Luxembourg) S.A. Share capital: Eur 40,000,000 in shares without nominal value	Luxembourg	Luxembourg	1	Fideuram	100.000%	
9. Financière Fideuram S.A. Share capital: Eur 346,761,600 in shares of Eur 25 each	Paris	Paris	1	Fideuram	99.999%	
10. Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital: CHF 20,000,000 in shares of CHF 500 each	Lugano	Lugano	1	Fideuram	100.000%	

#### LEGEND

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

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

### 2. Significant judgements and assumptions made in determining scope of consolidation

The consolidated financial statements include Fideuram and its direct and indirect subsidiaries and associate companies.

An entity is considered to be controlled by Fideuram when the latter is exposed or has rights to variable returns from its involvement with the entity, while simultaneously having the ability to affect those returns through its power over the entity. Fideuram is considered to control an entity if and only if the Group has all of the following elements:

- power over the entity to direct the relevant activities;
- exposure to variable returns from its involvement with the investee entity;
- the ability to use its power over the entity to affect the amount of the returns.

Potential principal-agent relationships are also taken into consideration when assessing whether or not the bank controls an entity. The Group takes the following elements into consideration when assessing whether it acts as a principal or as an agent:

- the decision-making rights over the relevant activities of the entity;
- the significance of rights held by other entities;
- the remuneration to which the Group is entitled.
- the exposure to variable returns from the equity investment.

Relevant activities are those which significantly affect the returns of the associate company.

Generally speaking, when relevant activities are managed through voting rights, the following factors provide evidence of control:

- the possession, directly or indirectly (through subsidiary companies) of more than half the voting rights of an entity;
- the possession of half (or less than half) the general meeting voting rights, and the practical ability to unilaterally manage the relevant activities through:
  - control of more than half the voting rights through agreement with other investors;
  - the power to determine the financial and operating policies of the investee through by-law or contractual clauses;
  - the power to appoint or remove the majority of the members of the Board of Directors or equivalent company governing body.

All the subsidiaries were consolidated line-by-line. Since all the assets and liabilities of these subsidiaries are consolidated, their book value is offset by the corresponding share of shareholders' equity held by the Group. The differences resulting from said offsetting at the date of initial consolidation are, if positive, recognised as intangible assets under the item goodwill or other intangible assets, following the allocation of

any components to the assets and liabilities of the subsidiaries. If negative, they are recognised as negative goodwill in the income statement. Goodwill is subject to a periodic test on the appropriateness of its carrying value. If the recoverable value of goodwill is less than its carrying value, the difference is recognised in the income statement. All relations with respect to assets and liabilities, and all income and expenses between consolidated companies are eliminated.

The financial statements used for the line-by-line consolidation were those at 31 December 2017, 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 area were translated to euro applying the year-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from conversions at said exchange rates are recognised in the valuation reserve.

The scope of consolidation of the Group was unchanged from 31 December 2016.

Moreover, the Board of Directors Meeting of Fideuram held on 6 November 2017 approved the combination of the two fiduciary companies of the Private Banking Division through the merger of Fideuram Fiduciaria S.p.A. with Sirefid S.p.A. in view of creating one of the top Italian operators dedicated exclusively to fiduciary activity, capable of best satisfying the needs of high-end customers in the Division. Since they are wholly-owned subsidiaries of Fideuram, the merger will be executed in simplified form, without changes to book values and on a tax neutral basis.

A company is considered to be an associate company if it is subject to significant influence, which is to say if Fideuram holds 20% or more of the voting rights directly or indirectly, or if it is able to participate in determining the company's financial and management policies by virtue of special legal ties even though it has fewer voting rights. Associate companies are consolidated using the equity method. This method involves initially recognising the equity investment at cost and subsequently adjusting the value in relation to the Group interest in the subsidiary's shareholders' equity. The difference between the carrying value of the equity investment and the interest in the subsidiary's shareholders' equity is recognised as an increase or decrease in the carrying value of the equity investment. The Group interest in the subsidiary's profit is recognised in a separate item of the consolidated income statement.

Qingdao Yicai Wealth Management Ltd (in which Fideuram holds a 25% equity interest) and Fideuram Vita S.p.A. (in which Fideuram holds a 19.99% equity interest) are considered associate companies.

## SECTION 4 - EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 31 December 2017.

## SECTION 5 - OTHER ASPECTS

### TAX REFORMS

A number of tax reforms introduced in 2017 and of relevance to the Group are summarised below.

#### **Exemption of stock brokerage companies (SIM, società di intermediazione mobiliare) from the surcharge for banks and financial institutions, and deductibility of interest expense**

Previously applicable law had provided the following with effect from the 2017 financial year:

- reduction of the IRES (corporate income tax) rate from 27.5% to 24%;
- the introduction of a 3.5% IRES surcharge for credit and financial institutions, excluding mutual fund management companies (SGR) and eliminating the non-deductibility of interest expenses for IRES and IRAP (regional tax on productive activity) purposes.

The 2018 Budget Law (Law no. 205 of 27 December 2017) subsequently exempted stock brokerage companies from application of the 3.5% surcharge. Therefore, they are subject only to the IRES rate of 24% from 2017. At the same time, the deductibility of interest expense for them remains at 96%.

#### **Support for Economic Growth**

Decree Law 50/2017, converted with amendments by Law 96 of 21 June 2017, reduced the tax break consisting in the incentive to increase the capital of business undertakings, as introduced by Decree Law 201/2011, known as the "Salva Italia" decree. In particular, the notional return used as a parameter to determine tax-free income is calculated as 1.6% for 2017 and 1.5% for the following years.

#### **Neutralisation of VAT rate increases**

The 2018 Budget Law provides that the increase in VAT rates envisaged for 2018 be "neutralised" and deferred. Therefore:

- the 10% VAT rate will be raised by 1.5 percentage points from 1 January 2019 and another 1.5 percentage points from 1 January 2020;
- the 22% VAT rate will be raised by 2.2 percentage points from 1 January 2019 and another 0.7 percentage points from 1 January 2020 and another 0.1 percentage points from 1 January 2021.

**OTHER ASPECTS**

The Fideuram – Intesa Sanpaolo Private Banking Group's Consolidated Financial Statements are audited by KPMG S.p.A.. The table below provides detailed information on the remuneration that the Fideuram Group paid KPMG in the 2017 financial year, in accordance with article 2427 of the Italian Civil Code and article 149 duodecies of the Issuers' Regulations (No. 11971) published by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

(€m)

TYPE OF SERVICES	KPMG S.P.A.
Independent statutory audit (*)	1.9
<b>Total</b>	<b>1.9</b>

(\*) This figure includes €209k remuneration paid for auditing the mutual funds managed by Group companies. These costs are borne directly by the funds.

All figures are net of VAT and expenses.

**A.2 - MAIN FINANCIAL STATEMENT ITEMS**

This section sets out the accounting policies adopted to prepare the consolidated financial statements at 31 December 2017.

**SECTION 1 - FINANCIAL ASSETS HELD FOR TRADING**

Financial assets held for trading include the following:

- debt securities and equities purchased principally to obtain short-term profit;
- derivatives with positive values, except for those designated as hedging instruments.

Transfers to other categories of financial assets are not permissible except in exceptional circumstances that are difficult to account for in the short term. In these cases, debt securities and equities that are no longer held for trading may be transferred to the other categories provided for by IAS 39 when the conditions for such transfers occur. The transfer value is the fair value at the moment of transfer.

The initial recognition of these financial assets is at the settlement date for debt securities and equities, and at the subscription date for derivatives. Financial assets held for trading are initially recognised in the balance sheet at fair value, without taking the transaction costs or income directly attributable to the instrument itself into account.

After their initial recognition, financial assets held for trading are measured at fair value through profit or loss. The fair value of financial instruments listed on active markets is taken to be their market value. In the absence of an active market, the fair value is determined on the basis of the prices of recent transactions and the market values of similar financial instruments, as well as taking the results of measurement models (mainly based on objective financial variables) into account. Derivatives are treated as assets in the financial statements if their fair value is positive and as liabilities if their fair value is negative.

**SECTION 2 - FINANCIAL ASSETS AVAILABLE FOR SALE**

These include financial assets that are not classified as loans, held-to-maturity investments, financial assets held for trading or financial assets measured at fair value through profit or loss. It is permissible to transfer debt securities to Held-to-maturity investments or Loans (providing it is intended to hold them for the foreseeable future). The transfer value is the fair value at the moment of transfer.

The initial recognition of these financial assets is at the settlement date for debt securities and equities. Available-for-sale financial assets are initially recognised in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to them.

After their initial recognition, available-for-sale financial assets are measured at fair value through profit or loss with a balancing entry in a specific reserve in shareholders' equity, and any changes in the year are recognised in the statement of comprehensive income. The amortised cost of debt securities is always recognised in the income statement. Certain unlisted equities, the fair value of which cannot be determined in a reliable or verifiable manner, are carried in the financial statements at cost and written down in those cases where impairment is verified. The valuations recorded in the shareholders' equity reserve are recognised in the income statement upon disposal or when impairment is verified. In the event of impairment losses, the loss is measured as the difference between the book value and fair value of the asset. If the reasons for any impairment cease to apply, reversals are recorded in the income statement for debt securities and in shareholders' equity for equities. The value of the reversals may never exceed the amortised cost that the financial instrument would have had if it had not previously been written down.

**SECTION 3 - HELD-TO-MATURITY INVESTMENTS**

Held-to-maturity investments are quoted non-derivative financial instruments that have fixed or determinable payments and fixed maturities, which the Group intends and has the ability to hold until maturity. The only transfers permitted are to Financial assets available for sale. Whenever a significant sum of investments in this category is sold or transferred prior to maturity in the course of a financial year, the remaining held-to-maturity investments must be transferred to Financial assets available for sale and the portfolio in question cannot be used for the subsequent two financial years unless the sales or transfers:

- were so close to maturity that fluctuations in market interest rates would not have had a significant effect on the fair value of the assets;
- occurred after practically all the principal of the investment had been repaid;
- were attributable to an isolated uncontrollable non-recurring event that could not, therefore, reasonably have been foreseen.

The initial recognition of these investments is at their settlement date. When initially recognised, held-to-maturity investments are recorded in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs directly attributable to their purchase.

They are subsequently measured at amortised cost, using the effective interest method. Gains and losses on held-to-maturity investments are recognised in the income statement when these assets are written off or when their value declines, as well as through the amortisation of the difference between book value and maturity value.

Held-to-maturity investments are monitored for any objective signs of impairment. Impairment losses are recognised in profit or loss and calculated as the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate. If the reasons for any impairment cease to apply as a result of events subsequent to the recognition of an impairment loss, the reversal of the impairment loss is recognised in profit or loss. The reversals may not exceed the amortised cost that the financial instrument would have had if it had not previously been written down.

#### SECTION 4 - LOANS

Loans include non-derivative financial assets, including debt securities, that provide for fixed or determinable payments and do not have a quoted price in an active market and were not designated at purchase as financial assets available for sale. This item also includes business loans. Transfers to other categories of financial assets provided for by IAS 39 are not permitted.

Loans are recognised in the financial statements at the time the contract is signed, which is generally the disbursement date. When initially recognised, loans are recorded in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to their disbursement.

They are subsequently valued at amortised cost, using the effective interest method. The amortised cost method is not used for loans with such a short duration that the impact of discounting may be deemed negligible. Such loans are measured at historical cost. The same measurement criterion is adopted for loans without a specified maturity and for revocable loans.

Loans are assessed to identify any that show objective evidence of potential impairment as a result of events subsequent to their initial recognition. This includes loans that have been classified as doubtful loans, debtor unlikely to pay loans or past due or overdue loans in accordance with the Bank of Italy rules and in line with the IAS/IFRS and European supervisory regulations.

Restructured loans are classified in three categories:

- forbore exposures (as defined by Bank of Italy circular 272)
- loans renegotiated for commercial reasons/practices
- debt settled by substitution of the debtor or by debt to equity swap.

Under Bank of Italy regulations, a "forborne exposure" is a debt contract to which forbearance measures have been extended. Forbearance measures consist in granting concessions to a debtor in or about to be in financial difficulties that take the form of modifications to the terms and conditions and/or the refinancing of an existing debt contract.

The renegotiation of performing loans to customers basically constitutes the opening of a new position only when granted for primarily commercial reasons other than financial difficulties facing the debtor (and which are not therefore within the scope of forbore exposures), provided that the interest rate applied is a market rate on the date of renegotiation.

As an alternative to the above cases (renegotiation due to financial difficulties of the debtor and renegotiation for commercial reasons/practices), the original debt can be settled by:

- novation or substituting the original debtor with another debtor,
- substantively amending the contract to provide for a debt to equity swap.

Since these alternatives involve substantive amendment of the contractual terms and conditions, from an accounting standpoint they extinguish the existing debt and replace it with a new debt recognised at fair value, entailing the recognition of a profit or loss in the income statement that is equal to the difference between the book value of the old loan and the fair value of the assets received.

Loans which have been individually tested for impairment and found not to be individually impaired are tested for impairment collectively. This evaluation is performed on groups of loans with similar credit risk characteristics and the related loss rates are estimated taking into account historical loss rates and other observable data available at the evaluation date, which enable the impairment of each group of loans to be estimated. The evaluations take the country risk of the counterparties into account. Collectively determined write-downs are recognised in the income statement.

The method used for estimating the realisable value of non-performing loans, which is formalised in decisions by senior management and other management bodies that have been given specific decision-making powers, is based on the present value of the expected cash flows of the principal and interest of the loans. The core elements used to calculate the present value of the flows are the estimated collections (expected financial flows) and related due dates, together with the discount rate to apply.

The write-downs, which are analytical and collective, are write-downs to the amount recorded under balance sheet assets in accordance with the above principles, and are reinstated by write-backs relating to the income statement item for net write-downs to loans if the reasons for the write-downs cease to apply or the amounts recovered exceed the original write-downs.

## SECTION 5 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial instruments designated at fair value with a balancing entry in the income statement, classified as such in accordance with the applicable legislation. Transfers to other categories of financial assets are not permitted.

The Fideuram Group has adopted the Fair Value Option for the insurance policies taken out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes and the Intesa Sanpaolo shares purchased under the bonus schemes for Group management.

The recognition and measurement methods adopted are the same as those set out in Section 1 regarding financial assets held for trading.

## SECTION 6 - HEDGING TRANSACTIONS

The purpose of hedging transactions is to neutralise contingent losses attributable to a specific risk and recognisable on a specific element or group of elements if that specific risk should actually materialise.

The following types of hedges are used:

- fair value hedge: its purpose is to hedge the exposure to changes in fair value (attributable to the different types of risk) of assets carried on the balance sheet;
- cash flow hedge: its purpose is to hedge the exposure to changes in future cash flows attributable to specific risks associated with financial statement items. This type of hedge is used to stabilise the cash flows to be used for planned foreign currency transactions. The financial instruments involving a counterparty outside the Group may be designated as hedging instruments.

The Group uses derivative contracts to hedge the interest rate risk of certain of its fixed-rate securities. These hedging transactions aim to neutralise any potential losses from changes in the fair value of financial instruments recorded in the financial statements with the potential income obtained from the hedging instruments.

The hedging derivatives are, like all derivatives, initially recognised and subsequently measured at fair value. In particular, where fair value hedges are concerned, the change in fair value of the hedged instrument is offset by the change in fair value of the hedging instrument. This offsetting is carried out by recording the changes in value of the hedged item (where changes generated by the underlying risk factor are concerned) and of the hedging instrument in the income statement. Any difference, indicating the extent to which the hedge is only partially effective, is the net financial effect.

In the case of cash flow hedges, changes in the fair value of the derivative/deposit are allocated to shareholders' equity for the effective portion of the hedge, and are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

The relationship between the hedging instruments and items hedged is documented formally and the effectiveness of the

hedging verified at regular intervals. A hedge is considered to be effective when the fluctuations in the fair value of the hedged item are completely offset by the fluctuations in the fair value of the hedging instrument, keeping the ratio of these changes between 80% and 125%. If hedging effectiveness tests find that the hedges are not effective, accounting of the hedging transactions is suspended from the date of the last effectiveness test that had a positive result. The hedging derivative contract is transferred to financial instruments and the hedged financial instrument is measured using the method applicable to its classification in the financial statements.

## SECTION 7 - EQUITY INVESTMENTS

This item includes interests in companies over which the Group exercises significant influence.

A company is considered to be subject to significant influence when the Group is able to participate in deciding its administrative, financial and management choices by virtue of legal and de facto ties, and this is presumed to be the case when the Group holds 20% or more of the voting rights.

The equity investments are recognised at acquisition cost and subsequently measured using the equity method. The equity method involves adjusting the book value of the equity investment in relation to the Group interest in the subsidiary's shareholders' equity. The difference between the value of the equity investment and the interest in the subsidiary's shareholders' equity is included in the carrying value of the equity investment. The Group interest in the subsidiary's operating profit is recognised in the consolidated income statement. If there is evidence of the impairment of an equity investment, the recoverable value of the equity investment is estimated. If the recoverable amount is less than the carrying amount, the difference is recognised in the income statement. If the reasons for any impairment cease to apply as a result of events subsequent to the recognition of an impairment loss, the reversal of the impairment loss is recognised in profit or loss.

## SECTION 8 - PROPERTY AND EQUIPMENT

Property and equipment includes land, non-investment property, technical plant and equipment, furniture and furnishings, machinery, equipment and valuable art assets.

The property and equipment held for use in the production or supply of goods and services are classified as assets used in operations in accordance with IAS 16.

Non-investment property is defined as buildings owned (or leased under financial leasing contracts) that are used for the production and supply of services or for administrative purposes, and which have a useful life that is longer than one year.

Property and equipment are initially recognised at cost, with the latter understood to mean both the purchase price and any related direct charges incurred for the purchase or commissioning of the asset. The special maintenance costs that increase the future economic benefits of assets are allocated as increases in the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

After initial recognition, property and equipment are measured at cost, deducting depreciation and any impairment, with the exception of property used in operations and valuable art assets, which are measured according to the value recalculation method.

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

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

For property and equipment subject to measurement according to the revaluation method:

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

The useful life of property and equipment subject to depreciation is verified periodically. If the initial estimates require adjustment, the related depreciation rates are also changed. In addition, at every reporting date, the bank also evaluates whether there is any evidence of an asset having been impaired. In such cases the book value and recoverable value of the asset are compared. Any adjustments required are recorded in the income statement. Should the reasons for the impairment cease to apply, a reversal is recognised that cannot, however, exceed the value the asset would have had, net of any depreciation calculated, had there not been any previous impairment.

An item of property and equipment is eliminated from the balance sheet upon disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

## SECTION 9 - INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, possessed for long-term use. They include software developed in-house or purchased from third parties, and goodwill.

Intangible assets are recognised at cost, adjusted for any related expenses only if the future economic benefits attributable to the assets are likely to be obtained and the cost of

the assets themselves can be calculated reliably. When this is not the case, the cost of the intangible asset is recognised in the income statement for the year in which it was borne. The cost of assets with a finite useful life is amortised on a straight-line basis, calculated in relation to the anticipated flow of the economic benefits of the asset. Conversely, assets with an indefinite useful life are not subject to systematic amortisation, but to a periodic test to verify the appropriateness of their carrying value. If there is evidence of the impairment of an asset, the asset's recoverable value is estimated. The impairment is recognised in the income statement as the difference between the asset's carrying value and recoverable value.

Expenses regarding the in-house development of software are recognised in the financial statements as intangible assets following verification of the technical feasibility of completion and their ability to generate future economic benefits. During the development phase, these assets are valued at cost, complete with any related direct expenses, including expenses for the personnel involved in the projects. If the verification has a negative outcome, the expenses are recognised in the income statement.

In business combinations, goodwill can be recognised when the positive difference between the consideration transferred and the fair value (if applicable) of the non-controlling interest and the fair value of the equity interest acquired is representative of the equity investment's future income-generating capacity (goodwill). If this difference is negative (badwill) or if the goodwill is not justified by the future income-generating capacity of the company in which the investment is held, the difference is recognised directly in the income statement. A test is conducted at yearly intervals (or whenever there is evidence of impairment) to verify the appropriateness of the goodwill valuation. The cash-generating unit to which the goodwill is attributable is identified for this purpose. Impairment is measured as the difference between the carrying value of the goodwill and its recoverable value, if lower. The recoverable value of the cash-generating unit is the higher of its fair value, less any costs to sell, and its value in use. The resulting adjustments are recorded in the income statement.

## SECTION 11 - CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Income taxes, calculated in accordance with national tax legislation, are recognised as costs on an accruals basis, in line with the accounting treatment of the costs and income that generated them. They therefore represent the balance of current and deferred tax assets and liabilities for the year.

Current tax assets and liabilities are the net balance of the Group companies' tax positions with the tax authorities in and outside Italy. More specifically, they are the net balance of the current tax liabilities for the year, calculated on the basis of a cautious forecast of the tax burden due for the year, determined on the basis of current tax legislation, and current tax assets represented by advance tax payments and other tax credits for withholding taxes paid, as well as other tax credits from prior years which Group companies have requested be offset against taxes for subsequent years.

Current tax assets also include tax credits for which Group companies have requested rebates from the competent tax authorities.

The Italian companies in the Fideuram Group avail themselves of the "Istituto del Consolidato Fiscale Nazionale" tax consolidation regime introduced by Italian Legislative Decree No. 344 of 12 December 2003 as subsidiaries of Intesa Sanpaolo. This tax consolidation regime provides for the aggregation of the taxable income of all the subsidiaries and a single payment of IRES corporate income tax by Parent Company Intesa Sanpaolo.

Deferred tax assets and liabilities are calculated using the balance sheet liability method, which takes into account the tax effect of the timing differences between the book values of the assets and liabilities and their tax values which result in taxable or tax-deductible amounts arising in future periods. To this end, "taxable timing differences" are taken to be differences that result in taxable amounts arising in future periods, and "deductible timing differences" are taken to be differences that result in tax-deductible amounts arising in future financial years.

Deferred tax assets and liabilities are calculated applying the tax rates specified by current tax legislation, for each consolidated company, to the taxable timing differences for which it is probable that taxes will have to be paid, and to the deductible timing differences for which there is reasonable certainty of recovery. When the deferred tax assets and liabilities refer to components recognised in the income statement, they are recorded in a balancing entry under income taxes. On the other hand, when the deferred tax assets and liabilities regard transactions that have had a direct effect on shareholders' equity without impacting the income statement (such as, for example, the valuation of available-for-sale financial instruments), they are recorded as a balancing entry under shareholders' equity, in respect of the related reserves, if any.

## SECTION 12 - PROVISIONS FOR RISKS AND CHARGES

### Pensions and similar obligations

Pension funds are established in accordance with company agreements as defined-benefit schemes.

The liability in respect of these schemes and the related pension cost of current employees are calculated using the Projected Unit Credit method, which discounts at a market interest rate the future outflows estimated on the basis of statistical historical analyses and demographic data. The contributions paid in each year are considered as separate units, recognised and measured individually to determine the final obligation. The discount rate used is set in relation to the market yields of primary corporate bonds at the measurement dates, taking the average residual maturity of the liability into account. The present value and obligation at the accounting reference date is in addition adjusted to take into account the fair value of any assets serving the scheme.

Any actuarial gains and losses (which is to say any changes in the present value of the obligation resulting from changes in the actuarial criteria and from adjustments on the basis of past experience) are recognised in the Statement of Comprehensive Income.

### Other provisions

The other provisions for risks and charges are provisions for liabilities of uncertain amount or due date that are recognised in the financial statements for the following reasons:

- there is a present obligation (legal or implicit) arising from a past event;
- it is probable that financial resources will have to be disbursed to fulfil the commitment;
- it is possible to make a reliable estimate of the probable future disbursement.

When the effect of deferring the estimated expense becomes a significant factor, the Group calculates the provisions as amounting to the present value of the expenses it is envisaged will be required to discharge the obligations. In those cases where the provisions are discounted, the total amount of the provisions recorded in the financial statements increases in each financial year to reflect the passing of time. The provisions set aside are reassessed at every accounting reference date and adjusted to reflect the best current estimate.

These provisions include the provisions set aside to cover potential losses on legal disputes, including claims from receivers, estimated disbursements arising from customer complaints regarding the brokerage of securities, the provisions for the termination of Personal Financial Adviser agency agreements, the provisions set aside for personnel expenses, the provisions set aside for the Network Loyalty Schemes and the provisions for losses connected with ongoing tax disputes.

The provision for the termination of agency agreements, which is determined using actuarial methods, includes the provisions for Personal Financial Adviser termination indemnities and the "merit bonus".

The Network Loyalty Schemes - long-term incentive schemes which entitle the Personal Financial Advisers to a bonus that is linked to the stock of financial assets under their management - involve setting aside provisions that are the best estimate of the amounts due to the Personal Financial Advisers calculated using actuarial valuations.

The provision for personnel expenses includes the variable component of employee remuneration, early retirement incentives and the provisions set aside to pay seniority bonuses to employees, determined on the basis of an independent actuary's report, using the methods specified in IAS 19. The provision is reversed with a balancing entry in the income statement when it becomes unlikely that it will be necessary to use resources to fulfil the obligation.

## SECTION 13 - DEBTS AND DEBT ON ISSUE

The items Due to banks and Due to customers cover all the technical forms of borrowing from said counterparties. These financial liabilities are initially recognised in the balance sheet at fair value, which is usually the amount collected, increased by any transaction costs directly attributable to the individual borrowing transaction. The debts, with the exception of on-demand and short-term items which continue to be recognised at collection value, are subsequently measured at amortised cost using the effective interest rate method, with the related effect being recognised in the income statement.

## SECTION 14 - FINANCIAL LIABILITIES HELD FOR TRADING

Financial liabilities held for trading include any negative valuations of derivative contracts held for trading and liabilities regarding technical short positions generated by dealing in securities. The same accounting treatment as for financial assets held for trading are used.

## SECTION 16 - FOREIGN EXCHANGE TRANSACTIONS

Foreign exchange transactions are recognised in the functional currency upon initial recognition, applying the exchange rate at the transaction date.

Items in foreign currencies are measured as follows at each reporting date:

- monetary items are converted using the exchange rate at the reporting date;
- non-monetary items measured at historical cost are converted using the exchange rate at the date of the transaction;
- non-monetary items measured at fair value are converted using the exchange rate at the reporting date.

Exchange differences arising from the settlement of monetary items or from the conversion of monetary items at a different rate from the initial conversion or previous financial statements are recognised in the income statement for the period in which they arise.

When a profit or loss relating to a non-monetary item is recognised in equity (other comprehensive income), the exchange difference of this item is likewise recognised in other comprehensive income. On the contrary, when a profit or loss is recognised in the income statement, the related exchange rate difference is also recognised in the income statement.

## SECTION 18 - OTHER INFORMATION

### Provision for employment termination indemnities

Following the coming into force of the complementary social security reform provided for by Italian Legislative Decree No. 252/2005, the provision for employment termination indemnities only regards contributions accrued up until 31 December 2006. The provision for employment termination indemnities accrued up until 31 December 2006 therefore continues to be considered a "defined benefit" scheme, consequently making it necessary to perform an actuarial valuation which, however, differs from the calculation method adopted up until 31 December 2006 in no longer making the benefit proportional to the period of employment. This is because the employment period of the measurement is considered to have been accrued in full as a result of the change to the accounting treatment of the provision from 1 January 2007.

The Provision for employment termination indemnities thus constitutes a "post-employment benefit" classified as:

- a "defined contribution scheme" for the employment termination indemnity contributions accrued from 1 January 2007 (which is to say after 1 January 2007, the date when the complementary social security reform provided for by Italian Decree Law No. 252 of 5 December 2005 came into

force), irrespective of whether the employee opts for complementary social security or for the contributions to be paid to the Treasury fund managed by Italy's Department of Social Security (INPS). The value of these contributions, which is recorded under personnel expenses, is calculated on the basis of the contributions due without applying actuarial calculation methods.

- a "defined benefit scheme" and therefore recognised on the basis of its actuarial value calculated using the Projected Unit Credit method for the employment termination indemnity contributions accrued up until 31 December 2006. These contributions are recognised on the basis of their actuarial value without pro-rating for length of service since the current service cost of the Provision for employment termination indemnities has almost been accrued in full, and it is considered that its revaluation for future years would not generate significant benefits for the employees. The discount rate used is set with reference to market yield, taking into account the average residual maturity of the liability, weighted in relation to the percentage of the amount paid and advanced, for each maturity, with respect to the total amount to be paid and advanced for the entire obligation to be discharged in full. The service costs of the scheme are recognised under personnel expenses and the actuarial gains and losses are recognised in the valuation reserves, with the effects for the year being recorded in the Statement of Comprehensive Income.

### Securities lending transactions

The Securities Lending service is an ancillary banking service available only to customers resident in Italy for tax purposes. Under securities lending agreements, customers transfer ownership of a certain number of securities of a given type (i.e. the securities in their portfolio with the exception of significant equity investments, mutual funds and SICAVs). The Group is required to return them and pay a fee for their loan. The transactions always have a maximum duration of 1 day. The customer retains full control over the loaned securities (in the case of both sale and transfer) and receives the coupon and/or dividend payments in the form of income. The securities lending agreement entails the transfer of shares or bonds against an undertaking that the transferee will return them by the agreed term. Ownership of the securities is therefore transferred from the transferor to the transferee. From a legal standpoint the transaction is subject to the regulations governing loan contracts.

Securities lending agreements can be entered into on the following basis:

- with no collateral provided by the transferee to the transferor;
- with cash collateral provided by the transferee to the transferor;
- with collateral provided by the transferee to the transferor in the form of other securities.

Securities lending transactions secured by cash collateral to which the lender has full rights are recognised as repurchase agreements in the financial statements.

In the financial statements, in case of securities lending transactions without collateral, or with collateral in the form of other securities, which do not pass the derecognition test provided for in IAS 39, the loaned security and the security provided as collateral continue to be recognised under assets in the balance sheet of the lender and borrower respectively.

If the borrower sells the loaned security, it is recorded as a debt to the lender under liabilities in the balance sheet. On the contrary, if the security is used in repurchase lending agreements, the borrower records a debt to the counterparty to the agreement. The lender recognises the fees they receive for the transaction in item 40 "Fee and commission income" in the income statement. Conversely, the borrower is required to record the cost of the transaction under item 50 "Fee and commission expense" in the income statement.

The securities lending transactions in question involve two separate components of remuneration, which are, from the borrower's standpoint:

- a positive component for the remuneration of the balance in hand paid to the lender, normally remunerated at the EONIA rate, in line with market practice;
- a negative component for the service received in the form of a lending fee.

The aforementioned income components are recognised in the income statement as follows:

- under items 20 "Interest expense and similar expense" and 40 "Fee and commission income" respectively, by the lender;
- under items 10 "Interest income and similar income" and 50 "Fee and commission expense" respectively by the borrower.

#### Accrued expenses and deferred income

Accrued expenses and deferred income, which consist of expense and income accrued on assets and liabilities in the year, are recorded in the financial statements as adjustments to the related assets and liabilities.

#### Leasehold improvements

The costs incurred in renovating leasehold property are capitalised in consideration of the fact that the Group has control of the assets for the term of the lease and can derive future economic benefits from them. These costs are recognised as Other assets and depreciated over a period not exceeding the lease term.

#### Provisions for guarantees and commitments

The individual and collective provisions set aside to cover the estimated possible disbursements connected with the credit risk of guarantees and commitments, determined adopting the same accounting treatment as for loans above, are stated under Other liabilities.

#### Valuation reserves

This item consists of the valuation reserves for:

- available-for-sale financial assets;
- property and equipment;
- cash flow hedges;
- foreign exchange differences;
- valuation of net liabilities (assets) for defined benefit pension plans;
- special revaluation laws.

#### Share-based payments

Share-based payments, settled in cash, refer to the remuneration and incentive schemes for the Group's management and employees.

The remuneration and incentive schemes for management provide for the acquisition of Intesa Sanpaolo shares under the schemes, which are recorded under financial assets measured at fair value through profit or loss. The amounts due to personnel under the schemes are recorded under other liabilities as a balancing entry in personnel expenses, and adjusted for any fluctuations in the fair value of the shares until the liability is settled.

The remuneration scheme for employees refers to a financial-instrument based investment plan named the Leveraged Employee Co-Investment Plan (LECOIP). The LECOIP is an employee stock ownership plan that the Intesa Sanpaolo Group offered all employees concomitantly with the launch of its 2014-2017 Business Plan. Having allocated Intesa Sanpaolo ordinary shares acquired on the market to each employee free of charge (free shares), the employees were given the opportunity of a long-term Investment Plan, the term of which is aligned with the Group Business Plan, involving the subscription of certain financial instruments (Certificates) issued by Credit Suisse. The employees could, as an alternative to this opportunity, sell the free shares allocated. Those that opted to join the Investment Plan were allocated additional Intesa Sanpaolo ordinary shares directly by the parent company (matching shares), and subscribed new-issue Intesa Sanpaolo ordinary shares in a cash capital increase reserved for employees in which the shares were discounted from their market value (discounted shares). The cost of the plan is being systematically recognised in the income statement from 1 December 2014 (the date the shares were allocated) until the Certificates mature. The portion of the cost attributable to the free shares is recorded as a balancing entry in prepaid expenses, whereas the portion attributable to the matching and discounted shares (being borne by Intesa Sanpaolo) is recorded as a balancing entry in a shareholders' equity reserve. The shares acquired for the plan that remained after the allocation of shares to employees are recognised as financial assets available for sale.

#### Financial Guarantees

The financial guarantee contracts the Group uses to cover counterparty risk provide for the reimbursement of any loss incurred regarding the asset covered as a result of the default of the debtor/issuer, upon payment of commission that is systematically recognised in the income statement during the term of the contract.

If securities designated as available for sale are protected by financial guarantees, the accounting treatment of the financial instruments remains unchanged and the securities are measured at fair value without taking the guarantees into account.

#### Recognition of costs and income

Costs are recognised in the income statement in the periods in which the related income is recognised. If the association of costs and income can only be made in a generic and indirect manner, the costs are recognised in more than one period following rational, systematic procedures. Costs that cannot be associated with related income are recognised in the income statement immediately.

Income is recognised at the time it becomes receivable, and services at the time they are provided.

Specifically:

- interest income is recognised on an accrual basis applying the contractual interest rate or the effective interest rate when the amortised cost method is being used. The item interest income (or interest expense) also includes the gains (or losses) accrued on financial derivatives contracts at the accounting reference date. Default interest is recognised at the time of collection;
- dividends are recognised in the income statement during the year their distribution is decided;
- fee and commission income on services is recorded, on the basis of contractual agreements, in the period when the services are provided;
- for transactions in financial instruments, the difference between the fair value of the instruments and the amount paid or received is recognised in the income statement only in cases where the fair value can be reliably determined;
- profit and loss on trading in financial instruments are recognised in the income statement when the sale is completed, as the difference between the amount paid or collected and the book value of the instruments;
- the income deriving from the sale of non-financial assets is recognised at the time their sale is completed.

#### Purchases and sales of financial assets

The Group recognises purchases and sales of financial assets at their settlement date, taking said purchases and sales to be those conducted on the basis of contracts that require the asset to be delivered within a period of time that is in accordance with market regulations or conventions, with the exception of that specified for derivatives.

#### Derecognition policy

Financial assets are derecognised when the contractual rights to the cash flows deriving from said assets expire or when the financial assets are sold, largely transferring all the risks/benefits connected with them. Financial liabilities are derecognised when they mature or are settled.

#### Business combinations

The transfer of control of a company (or of an integrated group of businesses and assets that is run and managed jointly) constitutes a business combination transaction.

IFRS 3 is the reference financial reporting standard for business combinations and requires an acquirer to be identified for all business combination transactions. The acquirer is normally identified as the entity obtaining control of another entity or group of assets. The acquisition and therefore the initial consolidation of the acquired entity is recognised at the date when the acquirer effectively obtains control of the entity or assets acquired.

The cost of a business combination transaction is calculated as the sum of the following:

- the fair value at the transaction date of the assets acquired, of the liabilities assumed, including any contingent liabilities, and of the equity instruments issued by the acquirer in exchange for control;
- any additional charges directly attributable to the business combination.

Business combination transactions are recorded using the purchase method, which involves recognising:

- the assets, liabilities and contingent liabilities of the acquired entity at their respective fair values at the date of acquisition, including any intangible assets identifiable not already recognised in the financial statements of the acquired entity;
- non-controlling interests in the acquired entity in proportion to the related interest in the net fair values;
- the goodwill held by the Group, calculated as the difference between the cost of the business combination and the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Any positive difference between the Group's interest in the net fair value of the assets, liabilities and contingent liabilities acquired and the cost of the business combination is recognised in the income statement.

The fair value of the assets, liabilities and contingent liabilities of the acquired entity may be calculated on a provisional basis before the end of the financial year in which the business combination takes place and must be finalised within twelve months of the date of acquisition.

Transactions for the purposes of reorganisation between two or more entities or businesses which are already members of the Fideuram Group, or which belong to the Intesa Sanpaolo Group, and do not involve changes in the control structures irrespective of the percentage of non-controlling interests before and after the transaction (referred to as business combinations of entities subject to joint control) do not constitute business combinations, being excluded from the scope of IFRS 3. Such transactions are considered to have no economic substance unless they result in a significant change in cash flows. Hence, in the absence of any specific IAS/IFRS Standard or Interpretation, and in accordance with IAS 8 - which requires a company, in the absence of any specific Standard or Interpretation, to use its own judgment in applying an accounting policy which provides relevant, reliable and cautious information that reflects the economic substance of the transaction - these transactions are recognised maintaining continuity between the values stated by the acquired entity and the values stated in the financial statements of the acquiring entity. In accordance with this policy, the same values are recorded in the balance sheet as if the companies (or company divisions) involved in the business combination had always been combined. The businesses acquired are stated in the financial statements of the acquiring company at the same values that they had in the financial statements of the transferor company. Any difference between the price paid/received and the net book value of the businesses transferred is recorded directly as a balancing entry in shareholder's equity net of any deferred tax assets and liabilities (if necessary).

#### Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements may also require the use of estimates and assumptions that can have significant effects on the amounts stated in the balance sheet and income statement, and on the information on assets and contingent liabilities provided in the financial statements. These estimates are made using the information available and adopting subjective valuations, which are also based on historical experience, to formulate reasonable assumptions for reporting operating performance. The estimates and assumptions used

may by their nature vary from year to year, such that one cannot rule out the possibility of the values currently stated in the financial statements differing, even significantly, in subsequent years as a result of changes in the subjective valuations used.

Subjective valuations by company directors are mainly required for:

- quantifying impairment losses on loans and, as a rule, other financial assets;
- the valuation models used for the fair value measurement of financial instruments not listed on active markets;
- quantifying staff provisions and provisions for risks and charges;
- making estimates and assumptions regarding the recoverability of deferred tax assets;
- calculating the prepaid expenses regarding the Personal Financial Adviser Network bonuses linked to specified inflow targets.

### Fair value measurements

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not a forced liquidation or below-cost sale) at the measurement date. Fair value is a market-based measurement and not an entity-specific measurement. The concept of fair value implicitly assumes that the entity is engaged in normal business operations and has no intention of liquidating its assets, of significantly reducing its assets or of entering into transactions with unfavourable conditions.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability, assuming that these market participants act in their best economic interests. Fair Value measurement assumes that the sale of an asset or transfer of a liability took place:

- in the principal market for that asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A market is considered to be active when the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. An instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred are readily and regularly available through stock exchanges, dealers, brokers, principal-to-principal markets, pricing services or authorised bodies. In cases where there is a significant reduction in the volume or level of transactions compared with normal business for the asset or liability (or for similar assets or liabilities) shown by a number of indicators (number of transactions, limited significance of market prices, significant increase in liquidity risk premiums, widening or narrowing bid-ask spread, fall or total lull in market for new issues, lack of information in the public domain), an analysis must be carried out on the transactions or quoted prices.

A fall in the volume or level of business on its own does not indicate that the transaction price or quoted price does not represent the fair value or that the transaction in that market is not an ordinary transaction. If it is established that a transaction or quoted price does not represent the fair value (e.g. non-ordinary transactions), then it is necessary to make an adjustment to the transaction prices or quoted prices if those prices are being used as the fair value measurement basis and this adjustment must be significant with respect to the overall fair value measurement.

The best indication of fair value is a quoted price in an active market. These quoted prices are therefore given precedence for the measurement of financial assets and liabilities. In the absence of an active market, the fair value is determined using valuation 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. An entity is required to use valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising observable inputs and minimising unobservable inputs.

These techniques include:

- reference to market values that can be indirectly linked to the financial instrument being measured and that can be obtained from products with similar risk characteristics;
- valuations based even only partially on inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer.

There is no choice regarding which of these methodologies is selected, since they have to be applied in hierarchical order, meaning that if a quoted price in an active market is available, this prevents another valuation method from being used.

IFRS 13 sets out a fair value hierarchy that categorises the inputs of the valuation techniques used to measure fair value into three levels. This hierarchy assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the least importance to unobservable inputs (Level 3 inputs). Specifically:

- Fair value level 1 is when the instrument is measured directly from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Fair value level 2 is when a quoted price in an active market cannot be obtained and the measurement uses a valuation technique based on parameters that are observable on the market, or unobservable parameters that are however supported and corroborated by market data, such as prices, spreads or other outputs (comparable approach).
- Fair value level 3 is when the measurement uses different inputs, not all of which are obtained from parameters that are directly observable in the market and therefore involve estimates and assumptions by the valuer.

Level 1 financial instruments are priced using the current “bid” price for financial assets and the current “ask” price for financial liabilities in the entity’s principal market at the end of the reporting period.

If the financial instruments have a negligible bid-ask spread or the characteristics of the financial assets and liabilities create positions that offset market risk, the Group uses the average market price (at the last day in the reporting period as above) instead of the bid price or ask price. The following are classified as Level 1 instruments: quoted bonds (i.e. bonds traded on the EuroMTS platform, or for which the major international pricing services have continuously provided executable quotes), quoted shares (i.e. shares traded on the reference official market), quoted harmonised mutual funds, foreign exchange spot transactions and derivatives quoted in an active market (e.g. futures and exchange-traded options). Conversely, any financial instruments which do not belong to the above categories cannot be considered Level 1 instruments.

If the instrument is not quoted in an active market or if the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid-ask spread and volatility are not sufficiently low, the fair value of the financial instruments is mainly determined using valuation techniques that aim to establish the price at which the asset would be sold or the liability transferred in an orderly transaction between market participants at the measurement date under current market conditions. These techniques include:

- the use of market values that can be indirectly linked to the financial instrument being measured and can be obtained from products with similar risk characteristics (Level 2 inputs);
- measurements based even only partially on inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (Level 3 inputs).

With Level 2 inputs, the measurement is based on the prices or credit spreads obtained from the quoted prices of instruments that are broadly similar in terms of risk, using a given valuation model. This approach consists in researching transactions in active markets in instruments which are comparable in risk with the instrument being valued. The Level 2 valuation methods allow one to use the prices of financial instruments quoted in active markets (model calibration) without including subjective parameters - which is to say parameters the value of which cannot be obtained from the prices of financial instruments quoted in active markets or cannot be set at levels replicating quoted prices on active markets - able to substantially impact the final measurement price.

The following are measured adopting valuation models that use Level 2 inputs:

- unquoted bonds the fair value of which is measured using an appropriate credit spread, identified from quoted and liquid financial instruments with similar characteristics;
- derivatives measured using special valuation models fed by input parameters observed in the market, such as interest rate, exchange rate and volatility curves;
- asset-backed securities for which significant prices are not available, the fair value of which is measured using valuation techniques based on market inputs;
- equities measured using direct transactions, which is to say significant transactions in the equity recorded at constant market conditions and over a sufficiently short time frame in relation to the measurement date to allow relative valuation models based on multiples to be used;
- financial assets and liabilities measured using the present value of future cash flows.

The fair value measurement of Level 3 financial instruments requires the use of valuation models that use input parameters which cannot be observed directly on the market and accordingly involve estimates and assumptions by the valuer. For short-term assets and liabilities, the book value is considered to equate reasonably well to the fair value.

Foreign exchange derivatives that are not traded on regulated markets are referred to as being traded Over the Counter (OTC), which is to say traded bilaterally with market counterparties, and are measured using special pricing models fed by input parameters (such as interest rate, exchange rate and volatility curves) observed in the market.

In addition, non-performance risk is also taken into account in determining the fair value. This risk includes changes in the credit risk of the counterparty and changes in the credit risk of the issuer (own credit risk).

The Bilateral Credit Value Adjustment (BCVA) model fully measures the effects of changes in the credit risk of the counterparty and of changes in own credit risk. The BCVA is in fact the sum of the following two addends calculated to express the default potential of both counterparties:

- the CVA (Credit Value Adjustment), which is a negative value that takes into consideration scenarios in which the counterparty defaults first and the Group has a positive exposure to the counterparty. In these scenarios, the Group suffers a loss equal to the cost of replacing the derivative;
- the DVA (Debt Value Adjustment), which is a positive value that takes into consideration scenarios in which the Group defaults before the Counterparty and has a negative exposure to the Counterparty. In these scenarios, the Group benefits from a gain equal to the cost of replacing the derivative.

The BCVA depends on the exposure, the probability of default and the Loss Given Default of the counterparties. Lastly, the BCVA needs to be calculated taking any counterparty risk mitigation agreements into consideration, and collateral and netting agreements for each individual counterparty in particular. If netting agreements are in place with a given counterparty, the BCVA is calculated taking into account the portfolio containing all the netting transactions with that counterparty.

The measurement method adopted for a given financial instrument is maintained over time and only changed if there are substantial changes in market conditions or subjective changes regarding the issuer of the financial instrument. The fair value disclosures incorporated in the notes to the financial statements use this fair value measurement hierarchy to provide analyses of the financial assets and liabilities by fair value level.

### **Amortised cost measurements**

The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, calculated using the effective interest method, of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The effective interest rate is the rate that discounts the contractual future cash payments or receipts up to maturity or the next repricing date to the present value of a financial asset or liability. The present value is calculated by applying the effective interest rate to the future receipts or payments throughout the useful life of the financial asset or financial liability or for a shorter period in certain conditions (e.g. a change in market interest rates).

Subsequent to the initial recognition, the amortised cost allows one to add income and subtract costs from the value of the financial instrument throughout its useful life using the process of amortisation.

The manner in which amortised cost is calculated differs depending on whether a fixed or floating rate financial asset or liability is concerned, and - for floating-rate financial instruments - on whether the interest rate variability is known in advance or not. For instruments with a fixed rate or which have a fixed rate for given periods of time, the future cash flows are quantified using the known interest rate (single or multiple) over the life of the instrument. For floating-rate financial assets and liabilities where the variability is not known in advance (e.g. index-linked), the cash flows are calculated using the last known interest rate. Whenever the interest rate changes, the amortisation schedule and effective rate of return are recalculated for the whole of the useful life of the instrument, which is to say to maturity. The adjustment is recognised as cost or income in the income statement.

Amortised cost measurements are used for loans, held-to-maturity investments, available-for-sale debt securities and debts.

Financial assets and liabilities traded in arm's-length transactions are initially recognised at fair value, which is normally the amount received or paid, including - for instruments valued at amortised cost - any directly related transaction costs, commission and fees.

Amortised cost measurements are not used for financial assets and liabilities with maturities so short that the financial impact of discounting may be deemed negligible or for loans without a specified maturity or for revocable loans.

### **Impairment measurements**

#### *Financial assets*

At every reporting date, financial assets that are not classified as Financial assets held for trading or Financial assets measured at fair value through profit or loss undergo an impairment test to check for any objective evidence that their recoverable value is less than their carrying value.

The assets are considered non-performing if there is objective evidence that their future cash flows will be lower than originally estimated as a result of specific events. It must be possible to quantify the impairment reliably and it must be related to actual and not merely anticipated events.

The impairment is assessed individually for financial assets that show specific evidence of impairment, or collectively for financial assets that do not require individual assessment or which have been individually assessed for impairment and found not to be individually impaired.

Where Loans and advances to customers and Loans and advances to banks are concerned, individual assessments for impairment are performed for loans classified as doubtful loans, debtor unlikely to pay loans or overdue loans in accordance with the Bank of Italy rules, in line with the International Accounting Standards and International Financial Reporting Standards. Non-performing loans are individually assessed for impairment and each loan is written down by the difference between its carrying value at the time of the impairment assessment (amortised cost) and the present value of estimated future cash payments, calculated using the original effective interest rate.

These estimated future cash payments take the anticipated payback period and the estimated realisable values of any guarantees into account, together with the estimated cost of securing repayment of the loan. Cash payments regarding loans that are expected to be repaid in the short

term are not discounted, since the time value of money is deemed negligible. Loans which have been individually tested for impairment and found not to be individually impaired are tested for impairment collectively. This evaluation is performed on groups of loans with similar credit risk characteristics and the related loss rates are estimated taking historical loss rates into account that are based on observable data available at the evaluation date, which enable the impairment inherent in each group of loans to be evaluated.

The impairment is measured in relation to the fair value of the financial asset.

#### *Other non-financial assets*

Property and equipment and Intangible assets with a finite useful life undergo impairment tests if there is evidence that the carrying value can no longer be recovered. The recoverable value is calculated in relation to the fair value of the property, equipment or intangible asset less the costs of disposal, or in relation to its value in use if this is determinable and exceeds its fair value.

The fair value of properties is determined on the basis of an appraisal prepared by an independent appraiser.

For other property and equipment and intangible assets (other than those recognised following business combination transactions), the carrying value is normally taken to be the value in use, since the latter is estimated using an amortisation process based on the value that the asset actually contributes to the production process, whereas determination of the fair value would be extremely subjective.

## A.3 - TRANSFERS OF FINANCIAL ASSETS DISCLOSURES

In accordance with the related compulsory disclosure requirements, the Group states that it availed itself of the amendment to IAS 39 endorsed by EC Regulation 1004/2008 and reclassified available-for-sale bonds totalling €580m as Loans & Receivables in the third quarter of 2008. If the Group had not availed itself of the option to

reclassify these bonds, they would have suffered a further loss of approximately €221m as the difference between the theoretical total negative reserve at 31 December 2017 (€261m) and the total negative reserve actually recorded in other comprehensive income at the reclassification date (€40m).

### A.3.1 Reclassified financial assets: book value, fair value and effect on total comprehensive income

(€m)

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	BOOK VALUE AT 31.12.2017	FAIR VALUE AT 31.12.2017	COMPREHENSIVE INCOME WITHOUT TRANSFER (BEFORE TAX)		COMPREHENSIVE INCOME FOR THE YEAR (BEFORE TAX)	
					ESTIMATIONS	OTHER	ESTIMATIONS (*)	OTHER
Debt securities	Financial assets available for sale	Loans and advances to customers	1,597	1,375	17	50	(66)	51

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

### A.3.4 Effective interest rate and anticipated financial flows of reclassified assets

TYPE OF FINANCIAL INSTRUMENT	SOURCE CATEGORY	DESTINATION CATEGORY	EFFECTIVE INTEREST RATE	ANTICIPATED FINANCIAL FLOWS
Debt securities	Financial assets available for sale	Loans and advances to customers	5.6%	760

## A.4 - FAIR VALUE DISCLOSURES

### QUALITATIVE INFORMATION

#### A.4.1 - Fair value levels 2 and 3: measurement techniques and inputs used

The Group has developed a pricing methodology for the measurement of financial instruments which implements the provisions of the IAS/IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for the assets and a Debit Value Adjustment (DVA) for the liabilities.

The Group consistently calculates the fair value of financial instruments directly from their market value. Wherever possible, the official prices in an active market are always adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters. In the absence of an active market, the fair value is determined using measurement techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations.

These techniques include:

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

Which of these different measurement methods is chosen is not arbitrary, since they have to be applied in hierarchical order and presented 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 portfolio of Level 2 Financial assets measured at fair value through profit or loss consisted of the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is calculated as the value of the units at the reporting date plus any pure premiums not yet invested at the valuation date.

A mark-to-model approach is used for the valuation of derivatives, fed by market data providers and based on commonly-accepted valuation processes. 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. A new method for determining the fair value of these derivatives has steadily become consolidated practice in recent years,

both among the main brokers of OTC derivatives and on regulated markets (central counterparties), which is based on the Eonia rate instead of the traditional Euribor rate. During the financial crisis, there was an appreciable widening of the Euribor/Eonia spread (historically narrow and very stable). The increasing consensus among operators on the use of the Eonia curve (benchmark rate for transaction agreements with a Credit Support Annex - CSA) has led to two different curves being used to price derivatives from 2012, chosen depending on whether the transaction has a CSA or not. In the former case the fair value is determined using the Eonia rate (risk-free rate), while in the latter case it is determined using the Euribor rate (which is considered to take counterparty risk into account). The derivatives in the banking book consisted principally of Interest Rate Swaps. The Group as a rule uses fair value hedge derivatives to reduce its exposure to adverse fair value movements due to interest rate risk. The Risk Management Unit 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.

## QUANTITATIVE INFORMATION

### A.4.5 Fair value hierarchy

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: analysis by fair value level

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	31.12.2017			31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	-	43	-	10	31	-
2. Financial assets measured at fair value	7	252	-	5	190	-
3. Financial assets available for sale	4,039	557	-	3,710	583	4
4. Hedging derivatives	-	5	-	-	3	-
5. Property and equipment	-	-	42	-	-	-
6. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>4,046</b>	<b>857</b>	<b>42</b>	<b>3,725</b>	<b>807</b>	<b>4</b>
1. Financial liabilities held for trading	-	45	-	-	27	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	981	-	-	1,103	-
<b>Total</b>	<b>-</b>	<b>1,026</b>	<b>-</b>	<b>-</b>	<b>1,130</b>	<b>-</b>

## A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS MEASURED AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLES ASSETS
<b>1. Opening balance</b>	-	-	4	-	-	-
<b>2. Increases</b>	-	-	6	-	42	-
2.1 Purchases	-	-	-	-	-	-
2.2 Profits recognised under:	-	-	-	-	21	-
2.2.1 Income statement	-	-	-	-	-	-
- including capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	-	-	21	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	6	-	21	-
<b>3. Decreases</b>	-	-	10	-	-	-
3.1 Sales	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses recognised under:	-	-	10	-	-	-
3.3.1 Income statement	-	-	10	-	-	-
- including losses	-	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
<b>4. Closing balance</b>	-	-	-	-	42	-

## A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: analysis by fair value level

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2017				31.12.2016			
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Held-to-maturity investments	-	-	-	-	125	125	-	-
2. Loans and advances to banks	22,510	-	17,968	4,850	18,705	-	12,546	6,293
3. Loans and advances to customers	9,645	-	3,495	5,934	9,602	-	3,676	5,685
4. Investment property and equipment	-	-	-	-	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32,155</b>	-	<b>21,463</b>	<b>10,784</b>	<b>28,432</b>	<b>125</b>	<b>16,222</b>	<b>11,978</b>
1. Due to banks	2,641	-	598	2,052	2,665	-	908	1,792
2. Due to customers	30,581	-	28,425	2,156	27,561	-	23,957	3,604
3. Debt on issue	-	-	-	-	-	-	-	-
4. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
<b>Total</b>	<b>33,222</b>	-	<b>29,023</b>	<b>4,208</b>	<b>30,226</b>	-	<b>24,865</b>	<b>5,396</b>

## PART B - NOTES TO THE CONSOLIDATED BALANCE SHEET

## ASSETS

## SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

## 1.1 Cash and cash equivalents: analysis

	31.12.2017	31.12.2016
a) Cash	53	46
b) Demand deposits with Central Banks	25	25
<b>Total</b>	<b>78</b>	<b>71</b>

## SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

## 2.1 Financial assets held for trading: analysis

	31.12.2017			31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Cash assets</b>						
1. Debt securities	-	-	-	10	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	10	-	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreement assets	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total A</b>	-	-	-	<b>10</b>	-	-
<b>B. Derivatives</b>						
1. Financial derivatives	-	43	-	-	31	-
1.1 Held for trading	-	43	-	-	31	-
1.2 Connected with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Connected with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>Total B</b>	-	<b>43</b>	-	-	<b>31</b>	-
<b>Total (A+B)</b>	-	<b>43</b>	-	<b>10</b>	<b>31</b>	-

## 2.2 Financial assets held for trading: analysis by debtor/issuer

	31.12.2017	31.12.2016
<b>A. Cash assets</b>		
<b>1. Debt securities</b>	-	10
a) Governments and Central Banks	-	8
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	2
<b>2. Equities</b>	-	-
a) Banks	-	-
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	-	-
- Other	-	-
<b>3. Units in mutual funds</b>	-	-
<b>4. Loans</b>	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total A</b>	-	10
<b>B. Derivatives</b>		
a) Banks	41	13
- fair value	41	13
b) Customers	2	18
- fair value	2	18
<b>Total B</b>	43	31
<b>Total (A+B)</b>	43	41

**SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 30**

## 3.1 Financial assets measured at fair value through profit or loss: analysis

	31.12.2017			31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	251	-	-	189	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities (*)	-	251	-	-	189	-
2. Equities	7	-	-	5	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	1	-	-	1	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1	-	-	1	-
<b>Total</b>	<b>7</b>	<b>252</b>	<b>-</b>	<b>5</b>	<b>190</b>	<b>-</b>
<b>Cost</b>	<b>5</b>	<b>208</b>	<b>-</b>	<b>4</b>	<b>142</b>	<b>-</b>

(\*) The Level 2 debt securities regard the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes.

## 3.2 Financial assets measured at fair value through profit or loss: analysis by debtor/issue

	31.12.2017	31.12.2016
<b>1. Debt securities</b>	<b>251</b>	<b>189</b>
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Others issuers	251	189
<b>2. Equities</b>	<b>7</b>	<b>5</b>
a) Banks	7	5
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	-	-
- Other	-	-
<b>3. Units in mutual funds</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>1</b>	<b>1</b>
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	1	1
d) Other parties	-	-
<b>Total</b>	<b>259</b>	<b>195</b>

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

## 4.1 Financial assets available for sale: analysis

	31.12.2017			31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	4,035	551	-	3,706	583	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	4,035	551	-	3,706	583	-
2. Equities	1	-	-	1	-	4
2.1 Measured at fair value	1	-	-	1	-	4
2.2 Measured at cost	-	-	-	-	-	-
3. Units in mutual funds	3	6	-	3	-	-
4. Loans	-	-	-	-	-	-
<b>Total</b>	<b>4,039</b>	<b>557</b>	<b>-</b>	<b>3,710</b>	<b>583</b>	<b>4</b>

## 4.2 Financial assets available for sale: analysis by debtor/issuer

	31.12.2017	31.12.2016
<b>1. Debt securities</b>	<b>4,586</b>	<b>4,289</b>
a) Governments and Central Banks	1,839	1,508
b) Other public entities	-	-
c) Banks	1,968	2,165
d) Other issuers	779	616
<b>2. Equities</b>	<b>1</b>	<b>5</b>
a) Banks	1	1
b) Other issuers:	-	4
- Insurance companies	-	-
- Financial Institutions	-	4
- Non-financial companies	-	-
- Other	-	-
<b>3. Units in mutual funds</b>	<b>9</b>	<b>3</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total</b>	<b>4,596</b>	<b>4,297</b>

## 4.3 Financial assets available for sale hedged with micro-hedging

	31.12.2017	31.12.2016
<b>1. Financial assets hedged with fair value micro-hedging</b>	<b>2,122</b>	<b>1,706</b>
a) Interest rate risk	2,005	1,576
b) Price risk	-	-
c) Exchange rate risk	-	-
d) Credit risk	-	-
e) Other risks	117	130
<b>2. Financial assets hedged with micro-hedging of financial flows</b>	<b>-</b>	<b>-</b>
a) Interest rate risk	-	-
b) Exchange rate risk	-	-
c) Other	-	-
<b>Total</b>	<b>2,122</b>	<b>1,706</b>

**SECTION 5 - HELD-TO-MATURITY INVESTMENTS - ITEM 50**

## 5.1 Held-to-maturity investments: analysis

	TOTAL 31.12.2017				TOTAL 31.12.2016			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Debts securities</b>	-	-	-	-	125	125	-	-
- Structured securities	-	-	-	-	-	-	-	-
- Other debt securities	-	-	-	-	125	125	-	-
<b>2. Loans</b>	-	-	-	-	-	-	-	-

## 5.2 Held-to-maturity investments: analysis by debtor/issuer

	31.12.2017	31.12.2016
<b>1. Debt securities</b>	-	125
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	125
d) Other issuers	-	-
<b>2. Loans</b>	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total</b>	-	125
<b>Total fair value</b>	-	125

## SECTION 6 - LOANS AND ADVANCES TO BANKS - ITEM 60

## 6.1 Loans and advances to banks: analysis

	TOTAL 31.12.2017				TOTAL 31.12.2016			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>A. Due from Central Banks</b>	<b>634</b>	-	-	<b>634</b>	<b>204</b>	-	-	<b>204</b>
1. Term deposits	-	X	X	X	-	X	X	X
2. Statutory reserve	634	X	X	X	204	X	X	X
3. Repurchase agreement assets	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
<b>B. Loans and advances to banks</b>	<b>21,876</b>	-	<b>17,968</b>	<b>4,216</b>	<b>18,501</b>	-	<b>12,546</b>	<b>6,089</b>
1. Loans	13,818	-	9,602	4,216	12,738	-	6,649	6,089
1.1 Current accounts and demand deposits	4,179	X	X	X	4,906	X	X	X
1.2 Term deposits	9,514	X	X	X	7,808	X	X	X
1.3 Other loans:	125	X	X	X	24	X	X	X
- Repurchase agreement assets	-	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	125	X	X	X	24	X	X	X
2. Debt securities	8,058	-	8,366	-	5,763	-	5,897	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	8,058	X	X	X	5,763	X	X	X
<b>Total</b>	<b>22,510</b>	-	<b>17,968</b>	<b>4,850</b>	<b>18,705</b>	-	<b>12,546</b>	<b>6,293</b>

Fair Value - Level 3 includes the statutory reserve, current accounts and term deposits maturing in more than one year.

## 6.2 Loans and advances to banks hedged with micro-hedging

	31.12.2017	31.12.2016
<b>1. Loans hedged with fair value micro-hedging</b>	<b>593</b>	<b>596</b>
a) Interest rate risk	593	596
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Other risks	-	-
<b>2. Loans hedged with micro-hedging of financial flows</b>	-	-
a) Interest rate	-	-
b) Exchange rate	-	-
c) Other	-	-
<b>Total</b>	<b>593</b>	<b>596</b>

## SECTION 7 - LOANS AND ADVANCES TO CUSTOMERS - ITEM 70

## 7.1 Loans and advances to customers: analysis

	TOTAL 31.12.2017						TOTAL 31.12.2016					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	PERFORMING	NON-PERFORMING (*)		LEVEL 1	LEVEL 2	LEVEL 3	PERFORMING	NON-PERFORMING (*)		LEVEL 1	LEVEL 2	LEVEL 3
		PURCHASED	OTHER					PURCHASED	OTHER			
<b>Loans</b>	<b>7,767</b>	-	<b>11</b>	-	<b>1,844</b>	<b>5,934</b>	<b>7,705</b>	-	<b>9</b>	-	<b>2,029</b>	<b>5,685</b>
1. Current accounts	5,684	-	9	X	X	X	5,198	-	6	X	X	X
2. Repurchase agreement assets	-	-	-	X	X	X	820	-	-	X	X	X
3. Loans	658	-	2	X	X	X	519	-	2	X	X	X
4. Credit cards, personal loans and loans with repayments deducted directly from wages	118	-	-	X	X	X	103	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other transactions	1,307	-	-	X	X	X	1,065	-	1	X	X	X
<b>Debt securities</b>	<b>1,867</b>	-	-	-	<b>1,651</b>	-	<b>1,888</b>	-	-	-	<b>1,647</b>	-
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	1,867	-	-	X	X	X	1,888	-	-	X	X	X
<b>Total</b>	<b>9,634</b>	-	<b>11</b>	-	<b>3,495</b>	<b>5,934</b>	<b>9,593</b>	-	<b>9</b>	-	<b>3,676</b>	<b>5,685</b>

(\*) Non-performing assets comprised doubtful loans totalling €1m, debtor unlikely to pay loans totalling €9m and due or past due loans totalling €1m.

Fair Value - Level 3 includes current accounts, repurchase agreements maturing in more than one year and non-performing loan.

## 7.2 Loans and advances to customers: analysis by debtor/issue

	TOTAL 31.12.2017			TOTAL 31.12.2016		
	PERFORMING	NON-PERFORMING		PERFORMING	NON-PERFORMING	
		PURCHASED	OTHER		PURCHASED	OTHER
<b>1. Debt securities</b>	<b>1,867</b>	-	-	<b>1,888</b>	-	-
a) Governments	1,595	-	-	1,610	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	272	-	-	278	-	-
- Non-financial companies	-	-	-	-	-	-
- Financial institutions	272	-	-	278	-	-
- Insurance companies	-	-	-	-	-	-
- Other	-	-	-	-	-	-
<b>2. Loans to</b>	<b>7,767</b>	-	<b>11</b>	<b>7,705</b>	-	<b>9</b>
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other parties	7,767	-	11	7,705	-	9
- Non-financial companies	2,167	-	4	1,916	-	4
- Financial companies	474	-	1	1,255	-	1
- Insurance companies	158	-	-	143	-	-
- Other	4,968	-	6	4,391	-	4
<b>Total</b>	<b>9,634</b>	-	<b>11</b>	<b>9,593</b>	-	<b>9</b>

## 7.3 Loans and advances to customers hedged with micro-hedging

	31.12.2017	31.12.2016
<b>1. Loans hedged with fair value micro-hedging</b>	<b>1,796</b>	<b>1,811</b>
a) Interest rate risk	1,796	1,811
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Other risks	-	-
<b>2. Loans hedged with micro-hedging of financial flows</b>	<b>-</b>	<b>-</b>
a) Interest rate	-	-
b) Exchange rate	-	-
c) Other	-	-
<b>Total</b>	<b>1,796</b>	<b>1,811</b>

## SECTION 8 - HEDGING DERIVATIVES - ITEM 80

## 8.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2017				31.12.2016			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Financial derivatives</b>	-	5	-	2,417	-	3	-	2,520
1. Fair value	-	5	-	2,417	-	3	-	2,520
2. Financial flows	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	5	-	2,417	-	3	-	2,520

## 8.2 Hedging derivatives: analysis by portfolio hedged and type of hedging (book value)

	FAIR VALUE					MACRO-HEDGING	FINANCIAL FLOWS		INVESTMENTS OUTSIDE ITALY
	MICRO-HEDGING						MICRO-HEDGING	MACRO-HEDGING	
	INTEREST RATE RISK	EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	OTHER RISKS				
1. Financial assets available for sale	2	-	-	-	-	X	-	X	X
2. Loans	3	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Anticipated transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

## SECTION 10 - EQUITY INVESTMENTS - ITEM 100

## 10.1 Equity investments: information on equity relationships

NAME	REGISTERED OFFICE	OPERATIONAL HEAD OFFICE	TYPE OF RELATIONSHIP	OWNERSHIP		% VOTES
				ASSOCIATE COMPANY	% OWNED	
<b>B. Companies subject to significant influence</b>						
1. Qingdao Yicai Wealth Management Co. Ltd	Qingdao	Qingdao	1	Fideuram - Intesa Sanpaolo Private Banking	25.000	
2. Fideuram Vita S.p.A.	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	19.990	
3. Consorzio Studi e Ricerche Fiscali	Rome	Rome	1	Fideuram - Intesa Sanpaolo Private Banking	7.500	
4. Intesa Sanpaolo Group Services S.C.p.A.	Turin	Turin	1	Fideuram - Intesa Sanpaolo Private Banking	0.007	
				Intesa Sanpaolo Private Banking	0.004	
				Sanpaolo Invest	0.001	
				Fideuram Investimenti	0.001	

Type of relationship:

1. Companies subject to significant influence.

## 10.2 Significant equity investments: book value, fair value and dividend received

NAME	BOOK VALUE	FAIR VALUE	DIVIDENDS RECEIVED
<b>B. Companies subject to significant influence</b>			
1. Qingdao Yicai Wealth Management Co. Ltd	3	-	-
2. Fideuram Vita S.p.A.	145	-	-

## 10.3 Significant equity investments: accounting information

COMPANY	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES	NON-FINANCIAL LIABILITIES	TOTAL REVENUES	NET INTEREST INCOME	DEPRECIATION AND AMORTISATION	PROFIT (LOSS) BEFORE TAX	NET PROFIT (LOSS) AFTER TAX	NET PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	NET PROFIT (LOSS) FOR THE YEAR	OTHER COMPREHENSIVE INCOME AFTER TAX	TOTAL COMPREHENSIVE INCOME
<b>B. Companies subject to significant influence</b>														
Qingdao Yicai Wealth Management Co. Ltd	X	11	3	-	1	-	X	X	-	(6)	-	(6)	-	(6)
Fideuram Vita S.p.A.	X	32,238	859	31,702	672	2,609	X	X	72	52	-	52	(7)	45

## Reconciliation of financial statement data and book value of the equity investment

	FIDEURAM VITA	QINGDAO YICAI WEALTH MANAGEMENT CO. LTD
Shareholders' equity	723	13
Interest held by Fideuram	19.99%	25%
Consolidated book value of the equity investment	145	3

## 10.5 Equity investments: changes in the year

	31.12.2017	31.12.2016
<b>A. Opening balance</b>	<b>141</b>	<b>129</b>
<b>B. Increases</b>	<b>9</b>	<b>12</b>
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases (*)	9	12
<b>C. Decreases</b>	<b>2</b>	<b>-</b>
C.1 Sales	-	-
C.2 Write-downs	-	-
C.3 Other decreases (**)	2	-
<b>D. Closing balance</b>	<b>148</b>	<b>141</b>
<b>E. Total revaluations</b>	<b>-</b>	<b>-</b>
<b>F. Total adjustments</b>	<b>-</b>	<b>-</b>

(\*) This item refers to adjustment of the equity investment in Fideuram Vita to the equity value of the investee.

(\*\*) This item refers to adjustment of the equity investment in Qingdao Yicai Wealth Management Co. Ltd to the equity value of the investee.

### 10.6 Significant judgements and assumptions made in determining joint control or significant influence

A company is considered subject to significant influence if Fideuram – Intesa Sanpaolo Private Banking holds 20% or more of the voting rights directly or indirectly, or if it is able to participate in determining the company's financial and management policies due to special legal ties even in the case of holding fewer voting rights.

### 10.8 Commitments regarding equity investments in entities subject to significant influence

These commitments included approximately €363m put options that Fideuram issued to Intesa Sanpaolo under the agreement between them regarding the latter's holding in Fideuram Vita (amounting to 80.01% of the share capital).

**SECTION 12 - PROPERTY AND EQUIPMENT - ITEM 120**

## 12.1 Functional property and equipment: analysis of assets measured at cost

	31.12.2017	31.12.2016
<b>1. Owned assets</b>	<b>11</b>	<b>40</b>
a) land	-	21
b) buildings	-	9
c) furniture	7	7
d) electronic equipment	2	1
e) other	2	2
<b>2. Assets purchased under financial leasing agreements</b>	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>Total</b>	<b>11</b>	<b>40</b>

## 12.3 Property and equipment used in operations: analysis of revalued assets

	31.12.2017			31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>1. Owned assets</b>	-	-	<b>42</b>	-	-	-
a) land (*)	-	-	22	-	-	-
b) buildings (*)	-	-	19	-	-	-
c) furniture (*)	-	-	1	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>2. Assets purchased under financial leasing agreements</b>	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>Total</b>	-	-	<b>42</b>	-	-	-

(\*) Following the change in the accounting policy for recognition and measurement of property used in operations and valuable art assets, land has been revalued for €10m and buildings for €11m. For more information see Part A – Accounting Policies.

## 12.5 Functional property and equipment: changes in the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
<b>A. Gross opening balance</b>	<b>21</b>	<b>77</b>	<b>44</b>	<b>45</b>	<b>43</b>	<b>230</b>
A.1 Total net depreciation	-	(68)	(37)	(44)	(41)	(190)
<b>A.2 Net opening balance</b>	<b>21</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>40</b>
<b>B. Increases</b>	<b>17</b>	<b>12</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>33</b>
B.1 Purchases	-	-	2	-	-	2
of which business combination transactions	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	-	-	1	1	2
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	10	11	-	-	-	21
a) shareholders' equity (*)	10	11	-	-	-	21
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases (**)	7	1	-	-	-	8
<b>C. Decreases</b>	<b>16</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>20</b>
C.1 Sales	16	1	-	-	-	17
C.2 Amortisation	-	1	1	-	1	3
C.3 Impairment write-downs recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property and equipment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
<b>D. Net closing balance</b>	<b>22</b>	<b>19</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>53</b>
D.1 Total net depreciation	-	42	38	44	42	166
<b>D.2 Gross closing balance</b>	<b>22</b>	<b>61</b>	<b>46</b>	<b>46</b>	<b>44</b>	<b>219</b>
<b>E. Valuation at cost (***)</b>	<b>12</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>21</b>

(\*) This amount is for the revaluation generated by the value of property used in operations and amounts to:  
- €21m for the property located in Rome, Piazzale Giulio Douhet no. 31;  
- €0.2m for the property located in Rome, Via Cicerone no. 54. For more information see Part A - Accounting Policies.

(\*\*) The transfer of the owned property located in Milan at Corso di Porta Romana no. 16-18 to a closed-end real estate fund was executed on 29 September 2017. A gain of €8m was recognised under Gain (loss) on disposal of investments after that transfer.

(\*\*\*) Valuable art assets, classified under furniture, were measured at their fair value beginning from 31 December 2017, with their measurement at cost being €1m.

The depreciation rates applied to property and equipment were as follows (% range):

Buildings: 3%

Furniture: between 12% and 15%

Electronic equipment: between 20% and 40%

Other: between 7.5% and 30%

## SECTION 13 - INTANGIBLE ASSETS - ITEM 130

## 13.1 Intangible assets: analysis by type of asset

	31.12.2017		31.12.2016	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
<b>A.1 Goodwill</b>	<b>X</b>	<b>140</b>	<b>X</b>	<b>140</b>
A.1.1 Group interests	X	140	X	140
A.1.2 Third party interests	X	-	X	-
<b>A.2 Other intangible assets</b>	<b>48</b>	<b>-</b>	<b>41</b>	<b>-</b>
A.2.1 Assets valued at cost:	48	-	41	-
a) Internally generated intangible assets	1	-	-	-
b) Other assets	47	-	41	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>48</b>	<b>140</b>	<b>41</b>	<b>140</b>

## 13.2 Intangible assets: changes in the year

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY		OTHER INTANGIBLE ASSETS: OTHER		TOTAL
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
<b>A. Gross opening balance</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>-</b>	<b>224</b>
A.1 Total net adjustments	-	-	-	(43)	-	(43)
<b>A.2 Net opening balance</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>181</b>
<b>B. Increases</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>29</b>
B.1 Purchases	-	-	-	28	-	28
of which business combination transactions	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	X	1	-	-	-	1
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>22</b>
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs	-	-	-	22	-	22
- Depreciation and amortisation	X	-	-	22	-	22
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
<b>D. Net closing balance</b>	<b>140</b>	<b>1</b>	<b>-</b>	<b>47</b>	<b>-</b>	<b>188</b>
D.1 Total net adjustments	-	-	-	42	-	42
<b>E. Gross closing balance</b>	<b>140</b>	<b>1</b>	<b>-</b>	<b>89</b>	<b>-</b>	<b>230</b>
<b>F. Valuation at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The amortisation rate applied to intangible assets, mainly software, was 33.33%.

## SECTION 14 - TAX ASSETS AND TAX LIABILITIES - ASSETS ITEM 140 AND LIABILITIES ITEM 80

## 14.1 Deferred tax assets: analysis

	31.12.2017	31.12.2016
<b>Breakdown of deferred tax assets:</b>		
- Provisions for future charges	75	70
- Financial assets available for sale (*)	28	34
- Goodwill	15	20
- Incentive payments to Personal Financial Adviser Networks (**)	3	14
- Losses carried forward	-	2
- Other	14	12
<b>Total</b>	<b>135</b>	<b>152</b>

(\*) The decrease in this item was due to changes in the fair value of the available-for-sale portfolio.

(\*\*) The decrease in this item is attributable to the termination of an incentive plan for the financial advisers' Network.

## 14.2 Deferred tax liabilities: analysis

	31.12.2017	31.12.2016
<b>Breakdown of deferred tax liabilities:</b>		
- Future dividends	23	26
- Financial assets available for sale	20	18
- Property and equipment (*)	9	-
- Goodwill	4	3
- Other	5	6
<b>Total</b>	<b>61</b>	<b>53</b>

(\*) This item mainly refers to the tax effect recognised due to the appreciation in the value of properties used in operations following the change in the accounting policy. For more information see Part A – Accounting Policies.

## 14.3 Changes in deferred tax assets (balancing entry in income statement)

	31.12.2017	31.12.2016
<b>1. Opening balance</b>	<b>115</b>	<b>131</b>
<b>2. Increases</b>	<b>31</b>	<b>23</b>
2.1 Deferred tax assets recognised in the year	28	23
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	28	23
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3	-
2.4 Business combination transactions	-	-
<b>3. Decreases</b>	<b>46</b>	<b>39</b>
3.1 Deferred tax assets reversed in the year	43	34
a) reversals	41	34
b) write-downs for uncollectibility	-	-
c) changes in accounting policies	-	-
d) other	2	-
3.2 Reduction in tax rates	2	-
3.3 Other decreases	1	5
a) conversion to tax credits in accordance with Italian law No. 214/2011	-	-
b) other	1	5
3.4 Business combination transactions	-	-
<b>4. Closing balance</b>	<b>100</b>	<b>115</b>

### 14.3.1 Changes in deferred tax assets pursuant to law 214/2011 (balancing entry in income statement)

	31.12.2017	31.12.2016
<b>1. Opening balance</b>	21	27
<b>2. Increases</b>	-	-
of which business combination transactions	-	-
<b>3. Decreases</b>	4	6
3.1 Reversals	4	6
3.2 Conversion to tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
<b>4. Closing balance</b>	17	21

### 14.4 Changes in deferred tax liabilities (balancing entry in income statement)

	31.12.2017	31.12.2016
<b>1. Opening balance</b>	34	33
<b>2. Increases</b>	27	28
2.1 Deferred tax liabilities recognised in the year	27	28
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	27	28
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions	-	-
<b>3. Decreases</b>	28	27
3.1 Deferred tax liabilities reversed in the year	2	2
a) reversals	1	1
b) due to changes in accounting policies	-	-
c) other	1	1
3.2 Reductions in tax rates	-	-
3.3 Other decreases	26	25
3.4 Business combination transactions	-	-
<b>4. Closing balance</b>	33	34

### 14.5 Changes in deferred tax assets (balancing entry in shareholders' equity)

	31.12.2017	31.12.2016
<b>1. Opening balance</b>	37	23
<b>2. Increases</b>	2	20
2.1 Deferred tax assets recognised in the year	2	19
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	2	19
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1
2.4 Business combination transactions	-	-
<b>3. Decreases</b>	4	6
3.1 Deferred tax assets reversed in the year	4	5
a) reversals	4	-
b) write-downs for uncollectibility	-	-
c) due to changes in accounting policies	-	-
d) other	-	5
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	1
3.4 Business combination transactions	-	-
<b>4. Closing balance (*)</b>	35	37

(\*) Principally deferred tax assets regarding losses on debt securities in the available-for-sale portfolio.

## 14.6 Changes in deferred tax liabilities (balancing entry in shareholders' equity)

	31.12.2017	31.12.2016
<b>1. Opening balance</b>	<b>19</b>	<b>23</b>
<b>2. Increases</b>	<b>17</b>	<b>6</b>
2.1 Deferred tax liabilities recognised in the year	17	6
a) from prior years	-	-
b) due to changes in accounting policies	7	-
c) other	10	6
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
2.4 Business combination transactions	-	-
<b>3. Decreases</b>	<b>8</b>	<b>10</b>
3.1 Deferred tax liabilities reversed in the year	8	10
a) reversals	7	7
b) due to changes in accounting policies	-	-
c) other	1	3
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
3.4 Business combination transactions	-	-
<b>4. Closing balance (*)</b>	<b>28</b>	<b>19</b>

(\*) Principally deferred tax liabilities regarding gains on debt securities in the available-for sale portfolio.

## 14.7 Other information

The Italian companies in the Fideuram Group availed themselves of the "Istituto del Consolidato Fiscale Nazionale" tax consolidation regime as subsidiaries of Intesa Sanpaolo. This tax consolidation regime, which is governed by special regulations, provides for the aggregation of the taxable income of all the Group companies involved, and a single payment of IRES corporate income tax by Intesa Sanpaolo in its role as consolidating company.

## SECTION 16 - OTHER ASSETS - ITEM 160

## 16.1 Other assets: analysis

	31.12.2017	31.12.2016
Due from tax authorities (*)	339	318
Clearing accounts and other receivables	238	310
Prepaid expenses relating to Network incentives (**)	205	173
Due from Personal Financial Advisers (***)	190	199
Other accrued income and prepaid expenses	15	22
Due from Intesa Sanpaolo under Italy's tax consolidation regime	12	27
Other	46	42
<b>Total</b>	<b>1,045</b>	<b>1,091</b>

(\*) Includes €204m for advance stamp duty on non-managed financial products in accordance with art. 13, paragraph 2-ter, of the table of rates annexed to Italian Presidential Decree no. 642/72.

(\*\*) Prepaid expenses regarding the bonuses for meeting net inflow targets set in the 2010-2017 schemes, linked to the duration of contractual relationships with customers.

(\*\*\*) Mainly advances on bonuses already accrued but subject to verification of continued attainment of inflow targets. Also includes advances on indemnities, loyalty schemes and other lesser items.

## LIABILITIES

### SECTION 1 - DUE TO BANKS - ITEM 10

#### 1.1 Due to banks: analysis

	31.12.2017	31.12.2016
<b>1. Due to Central Banks</b>	-	-
<b>2. Due to banks</b>	<b>2,641</b>	<b>2,665</b>
2.1 Current accounts and demand deposits	165	140
2.2 Term deposits	154	124
2.3 Loans	2,286	2,387
2.3.1 Repurchase agreement liabilities (*)	2,286	2,387
2.3.2 Other	-	-
2.4 Debts from commitments to repurchase own equity instruments	-	-
2.5 Other debts	36	14
<b>Total</b>	<b>2,641</b>	<b>2,665</b>
Fair value - Level 1	-	-
Fair value - Level 2	598	908
Fair value - Level 3	2,052	1,792
<b>Total Fair value</b>	<b>2,650</b>	<b>2,700</b>

(\*) Mainly repurchase agreements with Intesa Sanpaolo Group companies.

Fair Value - Level 3 includes repurchase agreements maturing in more than one year.

### SECTION 2 - DUE TO CUSTOMERS - ITEM 20

#### 2.1 Due to customers: analysis

	31.12.2017	31.12.2016
1. Current accounts and demand deposits	27,831	23,493
2. Term deposits	2,625	3,966
3. Loans	6	7
3.1 Repurchase agreement liabilities	6	7
3.2 Other	-	-
4. Debts from commitments to repurchase own equity instruments	-	-
5. Other debts	119	95
<b>Total</b>	<b>30,581</b>	<b>27,561</b>
Fair value - Level 1	-	-
Fair value - Level 2	28,425	23,957
Fair value - Level 3	2,156	3,604
<b>Total Fair value</b>	<b>30,581</b>	<b>27,561</b>

Fair Value - Level 3 includes term deposits maturing in more than one year.

## SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

## 4.1 Financial liabilities held for trading: analysis

	31.12.2017				FV*	31.12.2016				FV*
	NOMINAL VALUE	FAIR VALUE				NOMINAL VALUE	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
<b>A. Cash Liabilities</b>										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>										
1. Financial derivatives	-	-	45	-	-	-	-	27	-	-
1.1 Held for trading	X	-	45	-	X	X	-	27	-	X
1.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total B</b>	<b>X</b>	-	<b>45</b>	-	<b>X</b>	<b>X</b>	-	<b>27</b>	-	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	-	<b>45</b>	-	<b>X</b>	<b>X</b>	-	<b>27</b>	-	<b>X</b>

FV\*: Fair value calculated excluding any changes in value due to changes in the credit rating of the issuer with respect to the issue date.

## SECTION 6 - HEDGING DERIVATES - ITEM 60

## 6.1 Hedging derivatives: analysis by type of hedge and level

	31.12.2017				NOMINAL VALUE	31.12.2016				NOMINAL VALUE
	FAIR VALUE			LEVEL 3		FAIR VALUE			LEVEL 3	
	LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3		
<b>A. Financial derivatives</b>										
1. Fair value	-	981	-	4,543	-	1,103	-	3,927	-	3,927
2. Financial flows	-	-	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>										
1. Fair value	-	-	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>981</b>	-	<b>4,543</b>	-	<b>1,103</b>	-	<b>3,927</b>	-	<b>3,927</b>

## 6.2 Hedging derivatives: analysis by portfolio hedged and type of hedging

	FAIR VALUE					FINANCIAL FLOWS		INVESTMENTS OUTSIDE ITALY	
	MICRO-HEDGING					MACRO- HEDGING	MICRO- HEDGING		MACRO- HEDGING
	INTEREST RATE RISK	EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	OTHER RISKS				
1. Financial assets available for sale	327	-	-	-	17	X	-	X	X
2. Loans	637	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>964</b>	-	-	-	<b>17</b>	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
<b>Total liabilities</b>	-	-	-	-	-	-	-	-	-
1. Anticipated transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

## SECTION 10 - OTHER LIABILITIES - ITEM 100

## 10.1 Other liabilities: analysis

	31.12.2017	31.12.2016
Due to Personal Financial Advisers	363	359
Clearing accounts and other payables	193	88
Due to Intesa Sanpaolo under Italy's tax consolidation regime	112	12
Due under past Loyalty Schemes	102	70
Due to tax authorities	94	53
Amounts to be collected by customers	83	57
Due to suppliers	64	58
Payroll and social security payables	29	25
Due to pension and social security institutions	16	15
Other	41	22
<b>Total</b>	<b>1,097</b>	<b>759</b>

**SECTION 11 - PROVISION FOR EMPLOYMENT TERMINATION INDEMNITIES - ITEM 110**

## 11.1 Provision for employment termination indemnities: changes in the year

	31.12.2017	31.12.2016
<b>A. Opening balance</b>	<b>54</b>	<b>52</b>
<b>B. Increases</b>	<b>2</b>	<b>6</b>
B.1 Provision for the year	1	1
B.2 Other increases	1	5
of which business combination transactions	-	-
<b>C. Decreases</b>	<b>3</b>	<b>4</b>
C.1 Indemnities paid	3	2
C.2 Other decreases	-	2
<b>D. Closing balance</b>	<b>53</b>	<b>54</b>

The main actuarial criteria and reference rates used to determine the provision for employment termination indemnities were as follows:

- Discount rate: 1.04%
- Anticipated rate of increase in remuneration: 2.67%
- Annual inflation rate: 1.5%

**SECTION 12 - PROVISIONS FOR RISKS AND CHARGES - ITEM 120**

## 12.1 Provisions for risks and charges: analysis

	31.12.2017	31.12.2016
<b>1. Company pension funds</b>	<b>11</b>	<b>8</b>
<b>2. Other provisions for risks and charges</b>	<b>448</b>	<b>450</b>
2.1 Litigation	87	93
2.2 Personnel expenses	80	56
2.3 Reserve for the termination of PFA agency agreements	221	204
2.4 Network loyalty schemes	44	80
2.5 Other provisions	16	17
<b>Total</b>	<b>459</b>	<b>458</b>

The main actuarial assumptions and reference rates used to determine the provision for company pension funds were as follows:

- Discount rate: 1.91%
- Anticipated rate of increase in remuneration: 2.58%
- Annual inflation rate: 1.5%

## 12.2 Provisions for risks and charges: changes in the year

	TOTAL	
	PENSION FUNDS	OTHER PROVISIONS
<b>A. Opening balance</b>	<b>8</b>	<b>450</b>
<b>B. Increases</b>	<b>3</b>	<b>113</b>
B.1 Provisions for the year	-	113
B.2 Changes due to the passage of time	-	-
B.3 Changes due to changes in the discount rate	-	-
B.4 Other increases	3	-
<b>C. Decreases</b>	<b>-</b>	<b>115</b>
C.1 Utilisation in the year	-	105
C.2 Changes due to changes in the discount rate	-	-
C.3 Other decreases	-	10
<b>D. Closing balance</b>	<b>11</b>	<b>448</b>

## 12.3 Defined-benefit company pension funds

The actuarial values required by IAS 19 - Employee benefits for the defined-benefit complementary social security funds were calculated by an Independent Actuary using the projected unit credit method. The Group is a joint obligor in the third-party fund "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino" (Supplementary Pension Fund for Istituto Bancario San Paolo di Torino Personnel), a fund which has legal personality together with complete financial and asset management independence, in the fund "Fondo di Previdenza Complementare per il Personale del Banco di Napoli" (Supplementary Pension Fund for Banco di Napoli Personnel), which also has legal personality and asset management independence, and in the fund "Fondo di Previdenza per il Personale della Cassa di Risparmio di Firenze" (Pension Fund for Cassa di Risparmio di Firenze Personnel) which also has legal personality and asset management independence. The item balance of €11m is for the Fideuram and Intesa Sanpaolo Private Banking funds. Both banks have recorded the information on the third-party funds and operations for their pension plans in section 12.3 of their separate financial statements.

## 12.4 Provisions for risks and charges - other provisions

Other provisions for risks and charges comprised the following:

- The Provisions for litigation, which comprised the provisions set aside to cover potential losses on litigation, including claims from receivers and the provisions connected with the Group policy regarding corporate securities in default.
- The Provisions for personnel expenses, which comprised the variable component of the remuneration of employees (including the Sales Network of subsidiary Intesa Sanpaolo Private Banking) and the provisions set aside to pay seniority bonuses to employees. This item also includes €25m in costs for exit incentives in the Private Banking Division, connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As part of that transaction, Intesa Sanpaolo assumed certain commitments obligating it to incur costs covering integration of the business units acquired in the companies by the Private Banking Division. Intesa Sanpaolo obtained full coverage of those costs through a public cash contribution, which will be transferred to the Group companies according to the costs effectively incurred. Consequently, this project has a neutral impact on the Group's net profit.
- The Provision for the termination of Personal Financial Adviser agency agreements determined using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid.
- The Provisions for the Network Loyalty Schemes, which represent the best estimate of the amount required to discharge the obligation at the accounting reference date, calculated using actuarial valuations.
- Other provisions principally consisted of expenses that the Group could incur to settle a dispute with the Italian Tax Authorities regarding the tax deduction of the Fideuram – Intesa Sanpaolo Private Banking Personal Financial Adviser Network's Loyalty Schemes. This item also includes €3m in charges for integration attributable to the Private Banking Division, connected with the abovementioned transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca.

## Other provisions for risks and charges: changes in the year

	LITIGATION	PERSONNEL EXPENSES	RESERVE FOR THE TERMINATION OF PERSONAL FINANCIAL ADVISER AGENCY AGREEMENTS	NETWORK LOYALTY SCHEMES	OTHER PROVISIONS
<b>A. Opening balance</b>	<b>93</b>	<b>56</b>	<b>204</b>	<b>80</b>	<b>17</b>
<b>B. Increases</b>	<b>12</b>	<b>65</b>	<b>24</b>	<b>8</b>	<b>4</b>
B.1 Provisions for the year	12	65	24	8	4
B.2 Changes due to the passage of time	-	-	-	-	-
B.3 Changes due to fluctuations in the discount rate	-	-	-	-	-
B.4 Other increases	-	-	-	-	-
<b>C. Decreases</b>	<b>18</b>	<b>41</b>	<b>7</b>	<b>44</b>	<b>5</b>
C.1 Utilisation in the year	12	40	7	43	3
C.2 Changes due to fluctuations in the discount rate	-	-	-	-	-
C.3 Other decreases	6	1	-	1	2
<b>D. Closing balance</b>	<b>87</b>	<b>80</b>	<b>221</b>	<b>44</b>	<b>16</b>

**SECTION 15 - EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY – ITEMS 140, 160, 170, 180, 190, 200 AND 220**

## 15.1 “Share capital” and “Treasury shares”: analysis

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Fideuram – Intesa Sanpaolo Private Banking S.p.A.

At 31 December 2017, the share capital totalled €300,000,000, divided into 1,500,000,000 ordinary shares with no par value.

The Group did not hold any treasury shares at 31 December 2017.

## 15.2 Share capital - Number of shares held by parent company: changes in the year

	ORDINARY 1,500,000,000	OTHER
<b>A. Shares at beginning of financial year</b>	<b>1,500,000,000</b>	<b>-</b>
- full paid-up	1,500,000,000	-
- partially paid-up	-	-
A.1 Treasury shares (-)	-	-
<b>A.2 Outstanding shares: opening balance</b>	<b>1,500,000,000</b>	<b>-</b>
<b>B. Increases</b>	<b>-</b>	<b>-</b>
B.1 New issues	-	-
- Cash issues:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- Free issues:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
<b>D. Outstanding shares: closing balance</b>	<b>1,500,000,000</b>	<b>-</b>
D.1 Treasury shares (+)	-	-
D.2 Shares at end of financial year	1,500,000,000	-
- full paid-up	1,500,000,000	-
- partially paid-up	-	-

## 15.4 Reserves: other information

The reserves totalled €1,470m and include Fideuram's legal reserve and other reserves.

The legal reserve, established in accordance with the law, is required to total at least one fifth of the share capital. In the past it was made up of retained annual net profit in the amount of one twentieth.

The item Other reserves comprises Fideuram's remaining reserves and Group changes in the shareholders' equity of the companies included in the consolidation.

The Group valuation reserves totalled a negative €69m, and include valuation reserves for available-for-sale financial assets totalling a negative €75m, the valuation reserve for recalculation of the value of properties used in operations totalling a positive €14m, the negative valuation reserve for cash flow hedges totalling €4m, the positive foreign exchange valuation reserve totalling €1m, the negative valuation reserve for actuarial gains and losses on defined benefit plans totalling €11m, and the reserves deriving from special revaluation laws totalling a positive €6m.

## OTHER INFORMATION

### 1. Guarantees and commitments

	31.12.2017	31.12.2016
<b>1. Financial guarantees</b>	<b>150</b>	<b>164</b>
a) Banks	1	1
b) Customers	149	163
<b>2. Commercial guarantees</b>	<b>75</b>	<b>105</b>
a) Banks	-	-
b) Customers	75	105
<b>3. Commitments to grant finance</b>	<b>165</b>	<b>364</b>
a) Banks	8	2
i) certain to be called on	8	2
ii) not certain to be called on	-	-
b) Customers	157	362
i) certain to be called on	155	353
ii) not certain to be called on	2	9
<b>4. Commitments underlying credit derivatives: protection sales</b>	-	-
<b>5. Assets pledged as security for third-party liabilities</b>	-	-
<b>6. Other commitments</b>	<b>363</b>	<b>363</b>
<b>Total</b>	<b>753</b>	<b>996</b>

### 2. Assets pledged as security for own liabilities and commitments

	31.12.2017	31.12.2016
1. Financial assets held for trading	-	-
2. Financial assets measured at fair value	-	-
3. Financial assets available for sale	1,962	2,086
4. Held-to-maturity investments	-	-
5. Loans and advances to banks	3,347	3,615
6. Loans and advances to customers	1,132	660
7. Property and equipment	-	-

## 5. Administration and trading on behalf of third parties

	<b>31.12.2017</b>
<b>1. Execution of customer instructions</b>	<b>867</b>
a) Purchases	400
1. Settled	400
2. Not settled	-
b) Sales	467
1. Settled	467
2. Not settled	-
<b>2. Portfolio management</b>	<b>92,897</b>
a) Individual	48,147
b) Collective	44,750
<b>3. Custody and administration of securities</b>	
a) Third-party securities held on deposit: connected with activities as depositary bank (excluding portfolio management)	55,383
1. Securities issued by companies included in the consolidation	-
2. Other securities	55,383
b) Third-party securities held on deposit (excluding portfolio management): other	31,818
1. Securities issued by companies included in the consolidation	-
2. Other securities	31,818
c) Third-party securities deposited with third parties	55,264
d) Portfolio securities deposited with third parties	12,729
<b>4. Other transactions</b>	<b>39,717</b>

## 6. Financial assets subject to offsetting, master netting arrangements or similar agreements

	GROSS FINANCIAL ASSETS	FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL ASSETS RECOGNISED IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2017	NET AMOUNT AT 31.12.2016
				FINANCIAL INSTRUMENTS	CASH DEPOSITS HELD AS COLLATERAL		
1. Derivatives	24	-	24	6	9	9	8
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>Total at 31.12.2017</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>6</b>	<b>9</b>	<b>9</b>	<b>X</b>
<b>Total at 31.12.2016</b>	<b>832</b>	<b>-</b>	<b>832</b>	<b>824</b>	<b>-</b>	<b>X</b>	<b>8</b>

## 7. Financial liabilities subject to offsetting, master netting arrangements or similar agreements

	GROSS FINANCIAL LIABILITIES	FINANCIAL ASSETS SET OFF IN THE FINANCIAL STATEMENTS	NET FINANCIAL LIABILITIES SET OFF IN THE FINANCIAL STATEMENTS	RELATED AMOUNTS NOT SET OFF IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2017	NET AMOUNT AT 31.12.2016
				FINANCIAL INSTRUMENTS	CASH DEPOSITS PLEGGED AS COLLATERAL		
1. Derivatives	982	-	982	226	742	14	12
2. Repurchase agreements	655	-	655	655	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
<b>Total at 31.12.2017</b>	<b>1,637</b>	<b>-</b>	<b>1,637</b>	<b>881</b>	<b>742</b>	<b>14</b>	<b>X</b>
<b>Total at 31.12.2016</b>	<b>1,567</b>	<b>-</b>	<b>1,567</b>	<b>704</b>	<b>851</b>	<b>X</b>	<b>12</b>

The Group subordinates Over-The-Counter (OTC) derivatives transactions and most of its repurchase and reverse repurchase agreement transactions to the ISDA Master Agreement and Global Master Repurchase Agreements (GMRA) respectively.

These agreements enable the Group to reduce counterparty risk using what are known as close-out netting clauses under which the agreement is terminated and the net amount owing is settled. Pursuant to these clauses, when certain termination events occur - including non-performance of the contract, failure to deliver collateral and the insolvency of one of the parties - the contractual obligations arising from the individual transactions are terminated and replaced by a single obligation to pay the creditor the global net amount resulting from offsetting the current market values of the previous obligations, with which the parties settle their mutual accounts.

The Group enters into financial guarantee agreements in accordance with the ISDA Credit Support Annex (CSA) standard for OTC derivatives and in accordance with the GMRA standard for repurchase and reverse repurchase agreement transactions, which provide for the bilateral exchange of collateral in the form of cash and/or government securities. In accordance with the terms of the CSA and GMRA, the Group is able to make use of the assets held as collateral, including thorough disposal and transfers to third parties as collateral.

Information on the measurement criteria adopted for the above financial assets and liabilities is provided in section A of the Accounting Policies.

Schedule 6 presents the financial derivatives subject to netting agreements recognised in balance sheet assets and the repurchase agreements recognised in Loans and advances to banks and customers.

Schedule 7 presents the financial derivatives subject to netting agreements recognised in balance sheet liabilities and the repurchase agreements recognised in Due to banks.

## PART C – NOTES TO THE CONSOLIDATED INCOME STATEMENT

## SECTION 1 - INTEREST - ITEMS 10 AND 20

## 1.1 Interest income and similar income: analysis

	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2017 TOTAL	2016 TOTAL
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets measured at fair value	-	-	-	-	-
3. Financial assets available for sale	69	-	-	69	76
4. Held-to-maturity investments	-	-	-	-	-
5. Loans and advances to banks	94	31	-	125	120
6. Loans and advances to customers	51	71	-	122	121
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	15	15	9
<b>Total</b>	<b>214</b>	<b>102</b>	<b>15</b>	<b>331</b>	<b>326</b>

## 1.3 Interest income and similar income: other information

## 1.3.1 Interest income on financial assets denominated in foreign currencies

	2017	2016
On financial assets denominated in foreign currencies	9	8

## 1.4 Interest expense and similar expense: analysis

	DEBTS	SECURITIES	OTHER TRANSACTIONS	2017 TOTAL	2016 TOTAL
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	16	X	-	16	16
3. Due to customers	32	X	-	32	37
4. Debt on issue	X	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	18	18	8
8. Hedging derivatives	X	X	94	94	89
<b>Total</b>	<b>48</b>	<b>-</b>	<b>112</b>	<b>160</b>	<b>150</b>

## 1.5 Interest expense and similar expense: hedging gains and losses

	2017	2016
A. Hedging gains	25	26
B. Hedging losses	119	115
<b>C. Net gains / losses (A-B)</b>	<b>(94)</b>	<b>(89)</b>

## 1.6 Interest expense and similar expense: other information

### 1.6.1 Interest expenses on liabilities denominated in foreign currencies

	2017	2016
On liabilities denominated in foreign currencies	7	7

## SECTION 2 - FEES AND COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

### 2.1 Fees and commission income: analysis

	2017	2016
<b>a) Guarantees given</b>	<b>1</b>	<b>1</b>
<b>b) Credit derivatives</b>	-	-
<b>c) Management, brokerage and advisory services:</b>	<b>2,369</b>	<b>2,145</b>
1. Trading in financial instruments	5	5
2. Currency trading	2	2
3. Portfolio management	979	866
3.1 Individual	383	333
3.2 Collective	596	533
4. Custody and administration of securities	28	26
5. Depository bank	10	10
6. Placement of securities	78	104
7. Receipt and transmission of instructions	37	37
8. Advisory services	126	113
8.1 Regarding investments	126	113
8.2 Regarding investment structure	-	-
9. Supply of third-party services	1,104	982
9.1 Portfolio management	530	460
9.1.1 Individual	89	93
9.1.2 Collective	441	367
9.2 Insurance products	570	516
9.3 Other products	4	6
<b>d) Collection and payment services</b>	<b>6</b>	<b>7</b>
<b>e) Securitization services</b>	-	-
<b>f) Factoring services</b>	-	-
<b>g) Tax collection services</b>	-	-
<b>h) Management of multilateral trading systems</b>	-	-
<b>i) Processing and management of current accounts</b>	<b>6</b>	<b>6</b>
<b>j) Other services</b>	<b>20</b>	<b>20</b>
<b>k) Securities lending transactions</b>	<b>14</b>	<b>11</b>
<b>Total</b>	<b>2,416</b>	<b>2,190</b>

## 2.2 Fees and commission expense: analysis

	2017	2016
<b>a) Guarantees received</b>	<b>13</b>	<b>16</b>
<b>b) Credit derivatives</b>	-	-
<b>c) Management and brokerage services</b>	<b>707</b>	<b>627</b>
1. Trading in financial instrument	1	3
2. Currency trading	-	-
3. Portfolio management	39	13
3.1 Owned	39	13
3.2 On behalf of third parties	-	-
4. Custody and administration of securities	12	11
5. Placement of financial instruments	10	16
6. Sales of financial products, products and services through non-branch channels	645	584
<b>d) Collection and payment services</b>	<b>6</b>	<b>5</b>
<b>e) Other services</b>	<b>7</b>	<b>7</b>
<b>f) Securities lending transactions</b>	<b>10</b>	<b>8</b>
<b>Total</b>	<b>743</b>	<b>663</b>

## SECTION 4 - NET PROFIT (LOSS) ON TRADING ACTIVITIES - ITEM 80

## 4.1 Net profit (loss) on trading activities: analysis

	PROFITS	TRADING PROFITS	LOSSES	TRADING LOSSES	NET PROFITS OR LOSSES
<b>1. Financial assets held for trading</b>	-	<b>1</b>	-	-	<b>1</b>
1.1 Debt securities	-	1	-	-	1
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Other financial assets and liabilities: exchange rate differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(2)</b>
<b>4. Derivatives</b>	-	<b>1</b>	-	<b>(1)</b>	<b>9</b>
4.1 Financial derivatives	-	1	-	(1)	9
- Debt derivatives and interest rate derivatives	-	1	-	(1)	-
- Equity derivatives and index derivatives	-	-	-	-	-
- Currencies and gold	X	X	X	X	9
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
<b>Total</b>	-	<b>2</b>	-	<b>(1)</b>	<b>8</b>

**SECTION 5 - NET PROFIT (LOSS) ON HEDGING DERIVATIVES - ITEM 90**

## 5.1 Net profit (loss) on hedging derivatives: analysis

	2017	2016
<b>A. Profit on:</b>		
A.1 Fair value hedge derivatives	122	14
A.2 Hedged financial assets (fair value)	10	137
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging financial flows	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
<b>Total profit on hedging derivatives (A)</b>	<b>132</b>	<b>151</b>
<b>B. Loss on:</b>		
B.1 Fair value hedge derivatives	(11)	(135)
B.2 Hedged financial assets (fair value)	(120)	(14)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging financial flows	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
<b>Total loss on hedging derivatives (B)</b>	<b>(131)</b>	<b>(149)</b>
<b>C. Net profit (loss) on hedging derivatives (A-B)</b>	<b>1</b>	<b>2</b>

**SECTION 6 - NET PROFIT (LOSS) ON SALES / REPURCHASES - ITEM 100**

## 6.1 Net profit (loss) on sales/repurchases: analysis

	2017			2016		
	PROFIT	LOSS	NET PROFIT/ LOSS	PROFIT	LOSS	NET PROFIT/ LOSS
<b>Financial assets</b>						
1. Loans and advances to banks	6	-	6	7	-	7
2. Loans and advances to customers	-	-	-	1	-	1
3. Financial assets available for sale	17	(18)	(1)	19	(5)	14
3.1 Debt securities	17	(8)	9	19	(5)	14
3.2 Equity	-	(10)	(10)	-	-	-
3.3 Units in mutual funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
<b>Total assets</b>	<b>23</b>	<b>(18)</b>	<b>5</b>	<b>27</b>	<b>(5)</b>	<b>22</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt on issue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## SECTION 7 - NET PROFIT (LOSS) ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE - ITEM 110

### 7.1 Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss: analysis

	PROFIT	PROFIT ON DISPOSAL	LOSS	LOSS ON DISPOSAL	NET PROFIT OR LOSS
<b>1. Financial assets</b>	<b>6</b>	-	-	-	<b>6</b>
1.1 Debt securities (*)	5	-	-	-	5
1.2 Equities	1	-	-	-	1
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
<b>3. Financial assets and liabilities denominated in foreign currencies: exchange rate differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	-
<b>4. Credit and financial derivatives</b>	-	-	-	-	-
<b>Total</b>	<b>6</b>	-	-	-	<b>6</b>

(\*) The profit regarded the insurance policies taken out as part of the Personal Financial Adviser loyalty schemes.

## SECTION 8 - NET IMPAIRMENT OF FINANCIAL ASSETS - ITEM 130

### 8.1 Net impairment of loans: analysis

	WRITE-DOWNS			WRITE-BACKS				2017 TOTAL	2016 TOTAL
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		INTEREST	OTHER WRITE-BACKS	INTEREST	OTHER WRITE-BACKS		
<b>A. Loans and advances to banks</b>	-	-	-	-	-	-	-	-	
- Loans	-	-	-	-	-	-	-	-	
- Debt securities	-	-	-	-	-	-	-	-	
<b>B. Loans and advances to customers</b>	-	(2)	-	-	1	-	3	2	
Purchased impaired loans	-	-	-	-	-	-	-	-	
- Loans	-	-	X	-	-	X	X	-	
- Debt securities	-	-	X	-	-	X	X	-	
Other receivables	-	(2)	-	-	1	-	3	2	
- Loans	-	(2)	-	-	1	-	3	2	
- Debt securities	-	-	-	-	-	-	-	-	
<b>C. Total</b>	-	(2)	-	-	1	-	3	2	

### 8.2 Net impairment of financial assets available for sale: analysis

	WRITE-DOWNS		WRITE-BACKS		2017 TOTAL	2016 TOTAL
	SPECIFIC		SPECIFIC			
	WRITE-OFFS	OTHER	INTEREST	OTHER WRITE-BACKS		
A. Debt securities	-	(3)	-	-	(3)	-
B. Equities	-	-	X	X	-	(1)
C. Units in mutual funds	-	-	X	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
<b>F. Total</b>	-	(3)	-	-	(3)	(1)

**SECTION 11 - ADMINISTRATIVE EXPENSES - ITEM 180**

## 11.1 Personnel expenses: analysis

	2017	2016
<b>1) Employees</b>	<b>355</b>	<b>313</b>
a) Wages and salaries	214	193
b) Social security contributions	53	49
c) Termination indemnities	2	2
d) Pension costs	-	-
e) Provision for employee termination indemnities	1	1
f) Provision for retirement benefits and similar obligations:	-	1
- defined contribution	-	-
- defined benefit	-	1
g) Payments to external supplementary pension funds:	15	14
- defined contribution	15	14
- defined benefit	-	-
h) Costs arising from payment agreement based on own equity instruments	-	-
i) Other employee benefits (*)	70	53
<b>2) Other staff</b>	<b>2</b>	<b>2</b>
<b>3) Directors and auditors</b>	<b>3</b>	<b>2</b>
<b>4) Retired staff</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>360</b>	<b>317</b>

(\*) For the breakdown of this item, see section 11.4 below.

## 11.2 Average number of employees by category

	2017	2016
<b>Employees:</b>	<b>2,909</b>	<b>2,834</b>
a) Directors	85	74
b) Executive Management	1,816	1,770
c) Other employees	1,008	990
<b>Other staff</b>	<b>29</b>	<b>33</b>

## 11.4 Other employee benefits

This item mainly consists of the variable component of the remuneration of employees (including the sales network of subsidiary Intesa Sanpaolo Private Banking) and the costs for exit incentives in the Private Banking Division, connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. For more information on this item, see section 12.4 of the Provisions for risks and charges – other provisions.

## 11.5 Other administrative expenses: analysis

	2017	2016
<b>IT costs</b>	<b>21</b>	<b>18</b>
- Software maintenance and upgrades	15	12
- Maintenance and rental of electronic equipment	1	1
- Data transmission	-	-
- Rental of office equipment	4	4
- Telephone	1	1
- Recovery of IT costs	-	-
<b>Property management costs</b>	<b>54</b>	<b>54</b>
- Property rent	42	41
- Maintenance of rented property	2	2
- Maintenance of own property	-	-
- Security	1	1
- Cleaning	2	2
- Power	4	4
- Miscellaneous building costs	3	4
- Recovery of property management costs	-	-
<b>General expenses</b>	<b>33</b>	<b>45</b>
- Postage and telegraphic expenses	3	3
- Office supplies	3	3
- Transport and counting of valuables	1	1
- Couriers and transport	3	3
- Search and information services	8	5
- Other expenses	16	30
- Recovery of general expenses	(1)	-
<b>Professional and insurance costs</b>	<b>18</b>	<b>21</b>
- Professional fees	8	11
- Legal advice and court fees	4	4
- Bank and customer insurance premiums	6	6
- Recovery of professional and insurance costs	-	-
<b>Promotional and advertising expenses</b>	<b>7</b>	<b>8</b>
- Advertising and entertainment	7	8
- Recovery of promotional and advertising expenses	-	-
<b>Indirect personnel expenses</b>	<b>6</b>	<b>7</b>
- Indirect personnel expenses	6	7
- Recovery of indirect personnel expenses	-	-
<b>Services by third parties</b>	<b>105</b>	<b>105</b>
- Expenses for services by third parties	34	33
- Expenses for outsourcing within the Group	71	72
- Recovery of services by third parties	-	-
<b>Total other administrative costs net of indirect taxes</b>	<b>244</b>	<b>258</b>
<b>Indirect taxes</b>		
- Stamp duty	230	218
- Substitute tax (Italian Presidential Decree No. 601/73)	1	1
- Local council property tax	1	1
- Other indirect taxes	3	3
- Recovery of indirect taxes	(4)	(3)
<b>Total Indirect taxes</b>	<b>231</b>	<b>220</b>
<b>Total other administrative expenses</b>	<b>475</b>	<b>478</b>

**SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 190**

## 12.1 Net provisions for risks and charges: analysis

	2017		
	PROVISIONS	UTILISATION	TOTAL
Termination of Personal Financial Adviser agency agreements	24	-	24
Litigation and claims from receivers	12	6	6
Costs relating to the Personal Financial Adviser Networks' Loyalty Schemes (*)	8	1	7
Other (**)	4	2	2
<b>Total</b>	<b>48</b>	<b>9</b>	<b>39</b>

(\*) Net provisions include €3m for gains on the insurance policies taken out under the Personal Financial Adviser loyalty schemes.

(\*\*) Net provisions include €3m in charges for integration attributable to the Private Banking Division, connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As part of that transaction, Intesa Sanpaolo assumed certain commitments obligating it to incur costs covering integration of the business units acquired in the companies by the Private Banking Division. Intesa Sanpaolo obtained full coverage of those costs through a public cash contribution, which will be transferred to the Group companies according to the costs effectively incurred. Consequently, this project has a neutral impact on the Group's net profit.

**SECTION 13 - DEPRECIATION OF PROPERTY AND EQUIPMENT - ITEM 200**

## 13.1 Depreciation of property and equipment: analysis

	DEPRECIATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET ADJUSTMENTS
<b>A. Property and equipment</b>				
A.1 Owned	3	-	-	3
- Functional property and equipment	3	-	-	3
- Investment property and equipment	-	-	-	-
A.2 Purchased under finance lease arrangements	-	-	-	-
- Functional property and equipment	-	-	-	-
- Investment property and equipment	-	-	-	-
<b>Total</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>

**SECTION 14 - AMORTISATION OF INTANGIBLE ASSETS - ITEM 210**

## 14.1 Amortisation of intangible assets: analysis

	AMORTISATION	NET ADJUSTMENTS FOR IMPAIRMENT LOSSES	WRITE-BACKS	NET ADJUSTMENTS
<b>A. Intangible assets</b>				
A.1 Owned	22	-	-	22
- Generated internally	-	-	-	-
- Other	22	-	-	22
A.2 Purchased under finance lease arrangements	-	-	-	-
<b>Total</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>22</b>

**SECTION 15 - OTHER INCOME (EXPENSE) - ITEM 220**

## 15.1 Other expense: analysis

	2017	2016
Depreciation of leasehold improvements	3	3
Personal Financial Advisers - related expenses	1	-
Settlement of litigation	1	1
Other	3	2
<b>Total</b>	<b>8</b>	<b>6</b>

## 15.2 Other income: analysis

	2017	2016
Recovery of indirect taxes	231	217
Other income (*)	27	3
<b>Total</b>	<b>258</b>	<b>220</b>

(\*) This item includes €19m in income for the Private Banking Division, connected with the reimbursement by Intesa Sanpaolo of costs allocated to the Private Banking Division connected with the transaction in which the Intesa Sanpaolo Group acquired certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca. As part of that transaction, Intesa Sanpaolo assumed certain commitments obligating it to incur costs covering integration of the business units acquired in the companies by the Private Banking Division. Intesa Sanpaolo obtained full coverage of those costs through a public cash contribution, which will be transferred to the Group companies according to the costs effectively incurred.

**SECTION 16 - PROFIT (LOSS) ON EQUITY INVESTMENTS - ITEM 240**

## 16.1 Profit (loss) on equity investments: analysis

	2017	2016
<b>1) Jointly-controlled entities</b>		
A. Income	-	-
1. Revaluations	-	-
2. Profit from sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
<b>Net profit (loss)</b>	<b>-</b>	<b>-</b>
<b>2) Entities subject to significant influence</b>		
A. Income	11	10
1. Revaluations (*)	11	10
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	2	-
1. Write-downs (*)	2	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
<b>Net profit (loss)</b>	<b>9</b>	<b>10</b>
<b>Total</b>	<b>9</b>	<b>10</b>

(\*) This item refers to the net result of the equity method valuation of the investments in Fideuram Vita S.p.A. and in Qingdao Yicai Wealth Management Co. Ltd.

**SECTION 19 - GAIN (LOSS) ON DISPOSAL OF INVESTMENTS - ITEM 270**

## 19.1 Gain (loss) on disposal of investments: analysis

	2017	2016
<b>A. Buildings</b>	<b>8</b>	-
- Gains from sales (*)	8	-
- Losses from sales	-	-
<b>B. Other assets</b>	<b>-</b>	-
- Gains from sales	-	-
- Losses from sales	-	-
<b>Net income/loss</b>	<b>8</b>	-

(\*) This item refers to the profit realised after transfer of an owned property to a closed-end real estate fund.

**SECTION 20 - INCOME TAXES - ITEM 290**

## 20.1 Income taxes: analysis

	2017	2016
1. Current taxes (-)	(315)	(292)
2. Changes to current taxes for prior years (+/-)	(3)	11
3. Reduction in current taxes (+)	-	-
3.bis Reduction in current taxes due to tax credit pursuant to Italian Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(17)	(11)
5. Change in deferred tax liabilities (+/-)	(25)	(26)
<b>6. Taxes for the year (-)</b>	<b>(360)</b>	<b>(318)</b>

## 20.2 Reconciliation of theoretical tax burden and actual financial statement tax burden

	2017
<b>Taxable income</b>	<b>1,231</b>
Standard tax rate applicable	33%
Theoretical tax burden	406
<b>Tax impact with respect to:</b>	
Different tax rates applying to foreign subsidiaries	(65)
Consolidation adjustments	(5)
Changes to current taxes for prior years	5
Non-deductible costs	4
IRAP regional business tax and minor effects	15
<b>Actual tax burden</b>	<b>360</b>

**SECTION 24 - EARNINGS PER SHARE**

## 24.1 Average number of diluted capital ordinary shares

	2017		2016	
	ORDINARY SHARES	SAVINGS SHARES	ORDINARY SHARES	SAVINGS SHARES
Weighted average shares (number)	1,500,000,000	-	1,500,000,000	-
Income attributable to different share classes (€m)	871	-	786	-
Basic earnings per share (€)	0.581	-	0.524	-
Diluted earnings per share (€)	0.581	-	0.524	-

## PART D - TOTAL COMPREHENSIVE INCOME

## Components of total comprehensive income

	GROSS AMOUNT	INCOME TAX	NET AMOUNT
<b>10. Net profit (Loss) for the year</b>	<b>X</b>	<b>X</b>	<b>871</b>
<b>Other comprehensive income not transferred to the income statement:</b>	<b>18</b>	<b>(6)</b>	<b>12</b>
20. Property and equipment	21	(7)	14
30. Intangible assets	-	-	-
40. Defined-benefit plans	(3)	1	(2)
50. Non-current assets held for sale	-	-	-
60. Valuation reserves related to investments carried at equity	-	-	-
<b>Other comprehensive income that may be transferred to the income statement:</b>	<b>21</b>	<b>(5)</b>	<b>16</b>
<b>70. Hedging of net investments in foreign operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Changes in fair value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
<b>80. Exchange rate differences</b>	<b>(4)</b>	<b>1</b>	<b>(3)</b>
a) Changes in value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	(4)	1	(3)
<b>90. Cash flow hedges</b>	<b>(6)</b>	<b>2</b>	<b>(4)</b>
a) Changes in fair value	(6)	2	(4)
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
<b>100. Financial assets available for sale</b>	<b>33</b>	<b>(8)</b>	<b>25</b>
a) Changes in fair value	33	(10)	23
b) Transfers to income statement	(6)	4	(2)
- Adjustments for impairment losses	-	-	-
- Income/losses on disposal	(6)	4	(2)
c) Other changes	6	(2)	4
<b>110. Non-current assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Changes in fair value	-	-	-
b) Transfers to income statement	-	-	-
c) Other changes	-	-	-
<b>120. Valuation reserves related to investments carried at equity</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>
a) Changes in fair value	(1)	-	(1)
b) Transfers to income statement	(1)	-	(1)
- Adjustments for impairment losses	-	-	-
- Income/losses on disposal	(1)	-	(1)
c) Other changes	-	-	-
<b>130. Total other comprehensive income</b>	<b>39</b>	<b>(11)</b>	<b>28</b>
<b>140. Total comprehensive income (Items 10+130)</b>	<b>X</b>	<b>X</b>	<b>899</b>
<b>150. Total comprehensive income attributable to non-controlling interests</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>160. Total comprehensive income attributable to parent company</b>	<b>X</b>	<b>X</b>	<b>899</b>

## PART E - INFORMATION ON RISK AND RELATED HEDGING POLICIES

### INTRODUCTION

The Fideuram Group considers the effective management and organisation of risk control essential for ensuring the dependable and sustainable creation of value in a context of controlled risk, in which adequate capital, stable profits, substantial liquidity and a strong reputation form the foundation for maintaining present and future profitability.

Our risk management strategy is based on a complete and coherent vision of risk, considering both the macroeconomic scenario and the specific risk profile of the Fideuram Group, stimulating the growth of risk culture and strengthening our transparent presentation of portfolio risk.

The underlying principles of risk management and control organisation are as follows:

- clearly identify the responsibilities pertaining to the assumption of risks;
- implement measurement and control systems aligned with international best practice;
- maintain organisational separation of the departments responsible for management and the departments responsible for control.

The Fideuram Group has formulated Risk Management Guidelines which implement the Guidelines issued by Intesa Sanpaolo. These documents specify the roles and responsibilities of the Company Bodies, departments and units, together with the methods and procedures required to ensure prudent corporate risk management. The Company Bodies play a core role in Fideuram Group risk management and control, each of which has specified competencies for ensuring appropriate risk management, identifying strategic and management policies, continuously verifying their effectiveness and specifying the duties and responsibilities of the departments and units involved in the processes.

The following are involved in this work:

- the Company Bodies (Board of Directors and Board of Statutory Auditors);
- Managing Director and Joint General Managers;
- the Internal Audit Department;
- the Banking Services, Management Planning and Control, Administration and Reporting, and Finance and Treasury departments, each in their respective areas of responsibility;
- Corporate Affairs;
- the Chief Risk Officer.

Fideuram – Intesa Sanpaolo Private Banking has also established special committees, which have consultative roles and duties that include monitoring the risk management process and disseminating risk culture.

The Chief Risk Officer is responsible for the following in the risk management process:

- drawing up risk management guidelines and policies in line with the Group's strategies and objectives as well as Intesa Sanpaolo's guidelines, and coordinating their implementation;
- ensuring effective measurement and control of exposure to the various different types of risk

The Chief Risk Officer is independent from the company units with operational management duties in risk areas, and reports hierarchically to the Managing Director and General Manager and functionally to Intesa Sanpaolo's Chief Risk Officer.

The dissemination of risk culture is supported through the publication and constant updating of internal regulations and through special training and refresher training courses for the personnel involved, using training catalogue courses and dedicated class-based training courses.

### 1.1 CREDIT RISK

#### QUALITATIVE INFORMATION

##### GENERAL INFORMATION

The Fideuram Group's lending activities support its core business of providing investment services to private customers. Loans and advances to customers principally consist of repayable-upon-demand current account overdrafts to counterparties who also receive investment services. Loans are mainly granted in the technical form of agreeing a current account overdraft facility and are linked directly to the bank's private banking business. 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 are predominantly short-term interbank loans, principally to leading banks in the euro area.

##### CREDIT RISK MANAGEMENT POLICIES

###### Organisational aspects

The Group's credit risk policies are formulated by the Board of Directors and governed by internal lending regulations following guidelines issued by Intesa Sanpaolo. These regulations ensure appropriate loan portfolio risk management, governing the authority to grant loans and specifying the company bodies so authorised, together with their related limits. The internal regulations also specify the organisational units responsible for managing credit risk, problem loans and non-performing loans. Credit risk management is carried out

by a central unit that is separate from those in charge of granting and managing loans.

### Management, measurement and control systems

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.

### Credit risk mitigation techniques

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. Loans secured by collateral accounted for 85% of total loans and advances to customers at 31 December 2017, net of exposure to equities. 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, excepting for mutual funds and other products distributed by the Fideuram Group. There were no encumbrances at the time this report was prepared capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification.

The Group 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 were used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with the supervisory regulations.

### Non-performing financial assets

The potential impairment of financial 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. Loans where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as "Debtor unlikely to pay". Lastly, loans that are past due and/or overdue which have exceeded the objective overdue payment conditions specified by the Bank of Italy are also considered problem loans. The Group's internal lending regulations govern the procedures for transferring performing positions to non-performing assets, and specify the different types of problem loans, their management and the company bodies empowered to authorise the transfer of positions between different classes of loans.

Doubtful loans, net of adjustments, accounted for a very small percentage of total loans (0.01% of loans and advances to customers). Loss forecasts are formulated analytically for each individual loan on the basis of all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge. The impairment of performing loans and past due loans is determined on a collective basis, adopting a historical/statistical approach to estimate the impairment losses that are deemed to have been incurred at the reference date without the amounts yet being known at the time of valuation.

## Loans and advances to customers: credit quality

(€m)

	31.12.2017		31.12.2016		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	1	-	1	-	-
Unlikely to pay	9	-	5	-	4
Past due loans or overdue loans	1	-	3	-	(2)
<b>Non-performing assets</b>	<b>11</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>2</b>
Performing loans	7,767	81	7,705	80	62
Debt instruments	1,867	19	1,888	20	(21)
<b>Loans and advances to customers</b>	<b>9,645</b>	<b>100</b>	<b>9,602</b>	<b>100</b>	<b>43</b>

## QUANTITATIVE INFORMATION

## A. CREDIT QUALITY

## A.1 Non-performing and performing credit exposures: amounts, adjustments, changes, financial and geographical distribution

## A.1.1 Analysis of financial assets by asset class and credit quality (book value)

ASSET CLASS/QUALITY	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES	PERFORMING PAST DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets available for sale	-	-	-	-	4,586	4,586
2. Held-to-maturity investments	-	-	-	-	-	-
3. Loans and advances to banks	-	-	-	-	22,510	22,510
4. Loans and advances to customers	1	9	1	88	9,546	9,645
5. Financial assets measured at fair value	-	-	-	-	252	252
6. Financial assets held for sale	-	-	-	-	-	-
<b>Total at 31.12.2017</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>88</b>	<b>36,894</b>	<b>36,993</b>
<b>Total at 31.12.2016</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>71</b>	<b>32,831</b>	<b>32,911</b>

Performing loans included:

- loans not past due subject to renegotiation totalling €1m;
- loan repayment instalments past due with a repayment plan or bullet repayment of the entire amount due totalling €87m (comprised of €79m less than three months past due, €2m between three and six months past due, €4m between six months and one year past due and €2m over one year past due);
- residual debts in loan repayment plans totalling €1m less than three months past due.

## A.1.2 Analysis of loan exposures by asset class and credit quality (gross and net)

ASSET CLASS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Financial assets available for sale	-	-	-	4,586	-	4,586	4,586
2. Held-to-maturity investments	-	-	-	-	-	-	-
3. Loans and advances to banks	-	-	-	22,511	(1)	22,510	22,510
4. Loans and advances to customers	23	(12)	11	9,637	(3)	9,634	9,645
5. Financial assets measured at fair value	-	-	-	X	X	252	252
6. Financial assets held for sale	-	-	-	-	-	-	-
<b>Total at 31.12.2017</b>	<b>23</b>	<b>(12)</b>	<b>11</b>	<b>36,734</b>	<b>(4)</b>	<b>36,982</b>	<b>36,993</b>
<b>Total at 31.12.2016</b>	<b>20</b>	<b>(11)</b>	<b>9</b>	<b>32,720</b>	<b>(8)</b>	<b>32,902</b>	<b>32,911</b>

ASSET CLASS/QUALITY	ASSETS WITH LOW CREDIT QUALITY		OTHER ASSETS NET EXPOSURE
	ACCRUED LOSSES	NET EXPOSURE	
1. Financial assets held for trading	-	-	43
2. Hedging derivatives	-	-	5
<b>Total at 31.12.2017</b>	<b>-</b>	<b>-</b>	<b>48</b>
<b>Total at 31.12.2016</b>	<b>-</b>	<b>-</b>	<b>44</b>

## A.1.3 Banking Group - Cash and off-balance-sheet exposure of loans and advances to banks: gross and net values, and past-due bands

TYPE OF EXPOSURE/ VALUE	GROSS VALUE				PERFORMING ASSETS	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS							
	UP TO 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	OVER 1 YEAR				
<b>A. Cash exposures</b>								
a) Doubtful loans	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-performing past due exposures	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past due exposures	X	X	X	X	-	X	-	-
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	24,480	X	(1)	24,479
- of which: forborne exposures	X	X	X	X	-	X	-	-
<b>Total A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,480</b>	<b>-</b>	<b>(1)</b>	<b>24,479</b>
<b>B. Off-balance-sheet exposures</b>								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	604	X	-	604
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>604</b>	<b>-</b>	<b>-</b>	<b>604</b>
<b>Total (A+B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,084</b>	<b>-</b>	<b>(1)</b>	<b>25,083</b>

### A.1.6 Banking Group - Cash and off-balance sheet exposure of loans and advances to customers: gross and net values, and past-due bands

TYPE OF EXPOSURE/VALUE	GROSS VALUE				PERFORMING ASSETS	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
	NON-PERFORMING ASSETS			OVER 1 YEAR				
	UP TO 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR					
<b>A. Cash exposures</b>								
a) Doubtful loans	-	-	-	10	X	(9)	X	1
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	8	1	1	2	X	(3)	X	9
- of which: forborne exposures	3	-	-	-	X	(1)	X	2
c) Non-performing past due exposures	1	-	-	-	X	-	X	1
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past due exposures	X	X	X	X	88	X	-	88
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	12,418	X	(3)	12,415
- of which: forborne exposures	X	X	X	X	1	X	-	1
<b>Total A</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>12</b>	<b>12,506</b>	<b>(12)</b>	<b>(3)</b>	<b>12,514</b>
<b>B. Off-balance-sheet exposures</b>								
a) Non-performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	390	X	-	390
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>390</b>	<b>-</b>	<b>-</b>	<b>390</b>
<b>Total (A+B)</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>12</b>	<b>12,896</b>	<b>(12)</b>	<b>(3)</b>	<b>12,904</b>

## A.1.7 Banking Group - Cash exposure of loans and advances to customers: changes in gross non-performing loans

ITEM / CATEGORY	DOUBTFUL LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES
<b>A. Gross exposure at beginning of period</b>	<b>9</b>	<b>8</b>	<b>3</b>
- of which: loans disposed of but not written off	-	-	-
<b>B. Increases</b>	<b>1</b>	<b>9</b>	<b>5</b>
B.1 Transfers from performing assets	-	4	5
B.2 Transfers from other categories of non-performing exposures	-	5	-
B.3 Other increases	1	-	-
<b>C. Decreases</b>	<b>-</b>	<b>(5)</b>	<b>(7)</b>
C.1 Transfers to performing assets	-	(1)	-
C.2 Write-offs	-	-	-
C.3 Collections	-	(4)	(2)
C.4 Disposals	-	-	-
C.5 Losses on sales	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	-	(5)
C.7 Other decreases	-	-	-
<b>D. Gross exposure at end of period</b>	<b>10</b>	<b>12</b>	<b>1</b>
- of which: loans disposed of but not written off	-	-	-

## A.1.7 bis Banking Group - Cash exposure of loans and advances to customers: changes in forborne exposures by credit quality

ITEM / QUALITY	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>A. Gross exposure at beginning of period</b>	<b>-</b>	<b>1</b>
- of which: loans disposed of but not written off	-	-
<b>B. Increases</b>	<b>3</b>	<b>-</b>
B.1 Transfers from performing exposures	-	-
B.2 Transfers from performing forborne exposures	-	X
B.3 Transfers from non-performing forborne exposures	X	-
B.4 Other increases	3	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Transfers to performing exposures	X	-
C.2 Transfers to performing forborne exposures	-	X
C.3 Transfers to forborne exposures	X	-
C.4 Write-offs	-	-
C.5 Collections	-	-
C.6 Disposals	-	-
C.7 Losses on sales	-	-
C.8 Other decreases	-	-
<b>D. Gross exposure at end of period</b>	<b>3</b>	<b>1</b>
- of which: loans disposed of but not written off	-	-

## A.1.8 Banking Group - Cash exposure of loans and advances to customers: changes in total adjustments

ITEM / CATEGORY	DOUBTFUL LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
<b>A. Total adjustments at beginning of period</b>	<b>8</b>	-	<b>3</b>	-	-	-
- of which: loans disposed of but not written off	-	-	-	-	-	-
<b>B. Increases</b>	<b>1</b>	-	<b>1</b>	<b>1</b>	-	-
B.1 Adjustments	1	-	1	1	-	-
B.2 Losses on sales	-	-	-	-	-	-
B.3 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	<b>(1)</b>	-	-	-
C.1 Write-backs from year-end valuations	-	-	(1)	-	-	-
C.2 Write-backs following collections	-	-	-	-	-	-
C.3 Profit on sales	-	-	-	-	-	-
C.4 Write-offs	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
<b>D. Total adjustments at end of period</b>	<b>9</b>	-	<b>3</b>	<b>1</b>	-	-
- of which: loans disposed of but not written off	-	-	-	-	-	-

## A.2 Classification of exposures by external and internal rating

### A.2.1 Banking Group - Analysis of cash and off-balance-sheet loan exposures by external rating

EXPOSURES	EXTERNAL RATING CLASS						NO RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
<b>A. Cash exposures</b>	<b>330</b>	<b>2,682</b>	<b>26,798</b>	<b>54</b>	-	<b>12</b>	<b>7,126</b>	<b>37,002</b>
<b>B. Derivatives</b>	<b>2</b>	<b>16</b>	<b>19</b>	-	-	-	<b>2</b>	<b>39</b>
B.1 Financial derivatives	2	16	19	-	-	-	2	39
B.2 Credit derivatives	-	-	-	-	-	-	-	-
<b>C. Guarantees issued</b>	-	-	<b>1</b>	-	-	-	<b>224</b>	<b>225</b>
<b>D. Commitments to grant finance</b>	-	-	<b>2</b>	-	-	-	<b>163</b>	<b>165</b>
<b>E. Other</b>	-	-	<b>565</b>	-	-	-	-	<b>565</b>
<b>Total</b>	<b>332</b>	<b>2,698</b>	<b>27,385</b>	<b>54</b>	-	<b>12</b>	<b>7,515</b>	<b>37,996</b>

Rating agency (ECAI)		CREDIT RATING					
		CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6
Standard & Poor's		from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below
Moody's		from Aaa to Aa3	from A1 to A3	from Baa1 to Baa3	from Ba1 to Ba3	from B1 to B3	Caa1 and below
Fitch		from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below

## A.3 Analysis of secured loan exposures by type of guarantee

## A.3.1 Banking Group - Exposure of secured loans and advances to banks

	NET EXPOSURE	COLLATERAL			
		BUILDINGS MORTGAGES	BUILDINGS FINANCIAL LEASING	SECURITIES	OTHER COLLATERAL
<b>1. Cash exposure of secured loans</b>	-	-	-	-	-
1.1 Fully secured	-	-	-	-	-
- including impaired	-	-	-	-	-
1.2 Partially secured	-	-	-	-	-
- including impaired	-	-	-	-	-
<b>2. Off-balance-sheet exposures of secured loans</b>	<b>4</b>	-	-	-	<b>2</b>
2.1 Fully secured	-	-	-	-	-
- including impaired	-	-	-	-	-
2.2 Partially secured	4	-	-	-	2
- including impaired	-	-	-	-	-

## A.3.2 Banking Group - Exposure of secured loans and advances to customers

	NET EXPOSURE	COLLATERAL			
		BUILDINGS MORTGAGES	BUILDINGS FINANCIAL LEASING	SECURITIES	OTHER COLLATERAL
<b>1. Cash exposure of secured loans</b>	<b>6,590</b>	<b>434</b>	-	<b>5,084</b>	<b>422</b>
1.1 Fully secured	4,943	433	-	3,864	318
- including impaired	6	4	-	2	-
1.2 Partially secured	1,647	1	-	1,220	104
- including impaired	3	-	-	2	-
<b>2. Off-balance-sheet exposures of secured loans</b>	<b>165</b>	-	-	<b>138</b>	<b>26</b>
2.1 Fully secured	145	-	-	124	21
- including impaired	-	-	-	-	-
2.2 Partially secured	20	-	-	14	5
- including impaired	-	-	-	-	-

PERSONAL GUARANTEES										TOTAL
CREDIT LINKED NOTES	CREDIT DERIVATIVES				ENDORSEMENT CREDIT					
	OTHER DERIVATIVES				GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER PARTIES		
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER PARTIES						
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	-	-	-

PERSONAL GUARANTEES										TOTAL
CREDIT LINKED NOTES	CREDIT DERIVATIVES				ENDORSEMENT CREDIT					
	OTHER DERIVATIVES				GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER PARTIES		
	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER PARTIES						
-	-	-	-	-	-	-	478	50	-	6,468
-	-	-	-	-	-	-	238	49	-	4,902
-	-	-	-	-	-	-	-	-	-	6
-	-	-	-	-	-	-	240	1	-	1,566
-	-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	-	-	164
-	-	-	-	-	-	-	-	-	-	145
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	19
-	-	-	-	-	-	-	-	-	-	-

## B. DISTRIBUTION AND CONCENTRATION OF LOANS

### B.1 Banking Group - Analysis of cash and off-balance-sheet exposure of loans and advances to customers by sector (book values)

	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL INSTITUTIONS		
	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS
<b>A. Cash exposures</b>									
A.1 Doubtful loans	-	-	X	-	-	X	1	(3)	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X
A.2 Unlikely to pay	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X
A.3 Non-performing past due exposures	-	-	X	-	-	X	-	-	X
- of which: forborne exposures	-	-	X	-	-	X	-	-	X
A.4 Performing exposures	3,434	X	-	-	X	-	1,077	X	-
- of which: forborne exposures	-	X	-	-	X	-	-	X	-
<b>Total A</b>	<b>3,434</b>	-	-	-	-	-	<b>1,078</b>	<b>(3)</b>	-
<b>B. Off-balance-sheet exposures</b>									
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X	-	-	X
B.3 Other non-performing assets	-	-	X	-	-	X	-	-	X
B.4 Performing exposures	1	X	-	-	X	-	164	X	-
<b>Total B</b>	<b>1</b>	-	-	-	-	-	<b>164</b>	-	-
<b>Total at 31.12.2017</b>	<b>3,435</b>	-	-	-	-	-	<b>1,242</b>	<b>(3)</b>	-
<b>Total at 31.12.2016</b>	<b>3,126</b>	-	<b>(1)</b>	-	-	-	<b>2,250</b>	<b>(3)</b>	-

### B.2 Banking Group - Geographical distribution of cash and off-balance-sheet exposure of loans and advances to customers (book values)

	ITALY		OTHER EUROPEAN COUNTRIES	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposures</b>				
A.1 Doubtful loans	1	(9)	-	-
A.2 Unlikely to pay	9	(3)	-	-
A.3 Non-performing past due exposures	1	-	-	-
A.4 Performing exposures	11,043	(3)	902	-
<b>Total A</b>	<b>11,054</b>	<b>(15)</b>	<b>902</b>	-
<b>B. Off-balance-sheet exposures</b>				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	232	-	158	-
<b>Total B</b>	<b>232</b>	-	<b>158</b>	-
<b>Total at 31.12.2017</b>	<b>11,286</b>	<b>(15)</b>	<b>1,060</b>	-
<b>Total at 31.12.2016</b>	<b>11,294</b>	<b>(18)</b>	<b>801</b>	-

INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER PARTIES		
NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS
-	-	X	-	(1)	X	-	(5)	X
-	-	X	-	-	X	-	-	X
-	-	X	3	-	X	6	(3)	X
-	-	X	-	-	X	3	(1)	X
-	-	X	-	-	X	1	-	X
-	-	X	-	-	X	-	-	X
419	X	-	2,525	X	(1)	5,048	X	(2)
-	X	-	-	X	-	1	X	-
<b>419</b>	<b>-</b>	<b>-</b>	<b>2,528</b>	<b>(1)</b>	<b>(1)</b>	<b>5,055</b>	<b>(8)</b>	<b>(2)</b>
-	-	X	-	-	X	-	-	X
-	-	X	-	-	X	-	-	X
-	-	X	-	-	X	-	-	X
1	X	-	92	X	-	132	X	-
<b>1</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>-</b>	<b>-</b>
<b>420</b>	<b>-</b>	<b>-</b>	<b>2,620</b>	<b>(1)</b>	<b>(1)</b>	<b>5,187</b>	<b>(8)</b>	<b>(2)</b>
<b>351</b>	<b>-</b>	<b>-</b>	<b>2,257</b>	<b>(2)</b>	<b>(2)</b>	<b>4,589</b>	<b>(6)</b>	<b>(4)</b>

AMERICA		ASIA		REST OF THE WORLD	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
548	-	10	-	-	-
<b>548</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>548</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>

## B.2 bis Banking Group - Distribution by geographical area of business with customers domiciled In Italy (book value)

	NORTH-WEST		NORTH-EAST	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposures</b>				
A.1 Doubtful loans	-	(1)	-	-
A.2 Unlikely to pay	2	-	4	(1)
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	3,171	(2)	1,691	-
<b>Total A</b>	<b>3,173</b>	<b>(3)</b>	<b>1,695</b>	<b>(1)</b>
<b>B. Off-balance-sheet exposures</b>				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	106	-	60	-
<b>Total B</b>	<b>106</b>	<b>-</b>	<b>60</b>	<b>-</b>
<b>Total at 31.12.2017</b>	<b>3,279</b>	<b>(3)</b>	<b>1,755</b>	<b>(1)</b>
<b>Total at 31.12.2016</b>	<b>2,862</b>	<b>(4)</b>	<b>1,505</b>	<b>(2)</b>

## B.3 Banking Group - Geographical distribution of cash and off-balance-sheet exposure of loans and advances to banks (book values)

	ITALY		OTHER EUROPEAN COUNTRIES	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposures</b>				
A.1 Doubtful loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	23,257	-	1,009	(1)
<b>Total A</b>	<b>23,257</b>	<b>-</b>	<b>1,009</b>	<b>(1)</b>
<b>B. Off-balance-sheet exposures</b>				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	21	-	19	-
<b>Total B</b>	<b>21</b>	<b>-</b>	<b>19</b>	<b>-</b>
<b>Total at 31.12.2017</b>	<b>23,278</b>	<b>-</b>	<b>1,028</b>	<b>(1)</b>
<b>Total at 31.12.2016</b>	<b>19,813</b>	<b>-</b>	<b>1,145</b>	<b>-</b>

## B.3 bis Banking Group - Distribution by geographical area of business with banks domiciled In Italy (book value)

	NORTH-WEST		NORTH-EAST	
	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
<b>A. Cash exposures</b>				
A.1 Doubtful loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	22,600	-	1	-
<b>Total A</b>	<b>22,600</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>B. Off-balance-sheet exposures</b>				
B.1 Doubtful loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other non-performing assets	-	-	-	-
B.4 Performing exposures	21	-	-	-
<b>Total B</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2017</b>	<b>22,621</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Total at 31.12.2016</b>	<b>19,575</b>	<b>-</b>	<b>1</b>	<b>-</b>

CENTRAL		SOUTH AND ISLANDS	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
1	(6)	-	(2)
1	-	2	(2)
1	-	-	-
5,222	(1)	959	-
<b>5,225</b>	<b>(7)</b>	<b>961</b>	<b>(4)</b>
-	-	-	-
-	-	-	-
-	-	-	-
35	-	31	-
<b>35</b>	<b>-</b>	<b>31</b>	<b>-</b>
<b>5,260</b>	<b>(7)</b>	<b>992</b>	<b>(4)</b>
<b>5,991</b>	<b>(8)</b>	<b>936</b>	<b>(4)</b>

AMERICA		ASIA		REST OF THE WORLD	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
199	-	12	-	2	-
<b>199</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>2</b>	<b>-</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>199</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>44</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>3</b>	<b>-</b>

CENTRAL		SOUTH AND ISLANDS	
NET EXPOSURE	TOTAL NET ADJUSTMENTS	NET EXPOSURE	TOTAL NET ADJUSTMENTS
-	-	-	-
-	-	-	-
-	-	-	-
656	-	-	-
<b>656</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>656</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>237</b>	<b>-</b>	<b>-</b>	<b>-</b>

## C. SECURITISATIONS

### QUALITATIVE INFORMATION

In 2016 the Intesa Sanpaolo Group joined the "Schema Volontario del Fondo Interbancario di Tutela dei Depositi" (Voluntary Scheme of the Interbank Deposit Guarantee Fund) up to a maximum capitalisation of €700m.

During 2017, the Interbank Deposit Guarantee Fund asked its member banks to increase the capitalisation of the Fund to bail out Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini, and Cassa di Risparmio di San Miniato, by calling in contributions for a future capital increase in favour of Cassa

di Risparmio di San Miniato and Cassa di Risparmio di Rimini. On 7 December 2017 the Interbank Deposit Guarantee Fund issued another call for contributions to support the bail-out of the three abovementioned savings banks. On 21 December it sold its stakes in the three banks. A gross loss of €10.1m was recognised upon closing.

At the same time as the sale, Fideuram and Intesa Sanpaolo Private Bank subscribed the mezzanine and junior tranches of the notes issued by a securitisation vehicle which acquired the non-performing loan portfolio of the three savings banks. Specifically, the Group recognised junior securities totalling €2.9m and mezzanine securities totalling €0.2m under AFS debt securities. The entire value of the junior notes was written off at 31 December.

### QUALITATIVE INFORMATION

#### C.2 Banking Group - Exposures from the main third-party securitisation transactions broken down by type of securitised asset and type of exposure

UNDERLYING ASSETS/ EXPOSURES	ON-BALANCE SHEET EXPOSURES						GUARANTEES GIVEN						CREDIT LINES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	VALUE ADJUSTMENTS	BOOK VALUE	VALUE ADJUSTMENTS	BOOK VALUE	VALUE ADJUSTMENTS	NET EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE	VALUE ADJUSTMENTS
Loans to businesses (including SMEs)	-	-	-	-	-	(3)	-	-	-	-	-	-	-	-	-	-	-	-

The aggregate amounts shown in the table refer to the debt securities issued by the securitisation vehicle created as part of the sale of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini, and Cassa di Risparmio di San Miniato to Crédit Agricole by the Voluntary Scheme of the Interbank Deposit Guarantee Fund to which the Group belongs. The junior notes were written off entirely.

## D. DISCLOSURES ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

### D.2 Unconsolidated structured entities

#### D.2.2 Other structured entities

Fee and commission income from mutual fund management totalled €596m.

## E. DISPOSAL TRANSACTIONS

### A. FINANCIAL ASSETS DISPOSED OF BUT NOT WRITTEN OFF

#### QUALITATIVE INFORMATION

The item Financial assets disposed of but not written off regarded repurchase agreements.

In 2012, the Group entered into six repurchase agreements with Banca IMI in order to improve the overall risk/return ratio of the portfolio. The repurchase agreements had the same terms as the maturities of a number of BTP Italian government bonds with a total face value of €467.8m and maturities between 2019 and 2033 that Fideuram acquired from market counterparties in previous years.

These bonds were already recorded under financial assets available for sale and hedged against interest rate risk using interest rate swaps. The liquidity obtained from this transaction was used to purchase bonds issued by Intesa Sanpaolo. The group simultaneously entered into six financial guarantee contracts to cover the associated credit risk, again with Banca IMI, which on average expire three years before the maturities of the related bonds. At 31 December 2017 three of these contracts had expired.

The cost of these guarantees recorded in the 2017 income statement was €11.9m. The bank went through a rigorous process to determine how these repurchase agreements should be recognised, analysing the underlying aims of the contractual agreements in the light of the guidance provided by the Supervisory Authorities in document No. 6 of 8 March 2013 on the Accounting treatment of long-term structured repurchase transactions, issued jointly by the Bank of Italy, the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Italian Insurance Regulator (IVASS). The analysis considered the structure, cash flows and risks connected with the transactions concerned to verify whether they could be considered term-structured repurchase transactions as described in this document and whether, in accordance with the principle of substance over form, they accord with the guidelines provided in IAS 39, Guidance on Implementing, paragraph B.6, on the basis of which the transaction is substantially the same as a derivative contract and a credit default swap in particular.

The aforementioned transactions clearly differ in certain respects from term-structured repurchase agreement transactions as described in the document. The differences are specifically as follows:

- the BTP Italian government bonds and the Interest Rate Swaps hedging interest rate risk were already held by the Bank through independent purchases made in prior years (between 2008 and 2010);
- said transactions were entered into with different market counterparties from the repurchase agreements;
- the cash flows from the transactions are not substantially the same as those of credit derivatives;
- the different management purpose of the transactions considered as a whole, which aim to cover counterparty risk through the purchase of a financial guarantee.

The transactions were therefore recognised separately depending on the type of contract concerned.

## QUANTITATIVE INFORMATION

### E.1 Banking Group - Financial assets disposed of but not written off: book value and full value

	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS MEASURED AT FAIR VALUE			FINANCIAL ASSETS AVAILABLE FOR SALE		
	A	B	C	A	B	C	A	B	C
<b>A. Cash assets</b>	-	-	-	-	-	-	1,448	-	-
1. Debt securities	-	-	-	-	-	-	1,448	-	-
2. Equities	-	-	-	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	-	X	X	X	X	X	X
<b>Total 31.12.2017</b>	-	-	-	-	-	-	1,448	-	-
Including non-performing	-	-	-	-	-	-	-	-	-
<b>Total 31.12.2016</b>	-	-	-	-	-	-	1,491	-	-
Including non-performing	-	-	-	-	-	-	-	-	-

#### LEGEND

A = Financial assets disposed of recognised in full (book value)

B = Financial assets disposed of and partially recognised (book value)

C = Financial assets disposed of and partially recognised (full value)

### E.2 Banking Group - Financial liabilities regarding financial assets disposed of but not written off: book value

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS MEASURED AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	HELD-TO- MATURITY INVESTMENTS	LOANS AND ADVANCES TO BANKS	LOANS AND ADVANCES TO CUSTOMERS	TOTAL
<b>1. Due to customers</b>	-	-	-	-	6	-	6
a) regarding assets recognised in full	-	-	-	-	6	-	6
b) regarding assets partially recognised	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	455	-	-	200	655
a) regarding assets recognised in full	-	-	455	-	-	200	655
b) regarding assets partially recognised	-	-	-	-	-	-	-
<b>3. Due on issue</b>	-	-	-	-	-	-	-
a) regarding assets recognised in full	-	-	-	-	-	-	-
b) regarding assets partially recognised	-	-	-	-	-	-	-
<b>Total 31.12.2017</b>	-	-	455	-	6	200	661
<b>Total 31.12.2016</b>	-	-	455	-	-	7	462

HELD-TO-MATURITY INVESTMENTS			LOANS AND ADVANCES TO BANKS			LOANS AND ADVANCES TO CUSTOMERS			TOTAL	
A	B	C	A	B	C	A	B	C	31.12.2017	31.12.2016
-	-	-	993	-	-	513	-	-	2,954	2,586
-	-	-	993	-	-	513	-	-	2,954	2,586
X	X	X	X	X	X	X	X	X	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	-	-	-	-	-	-	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	993	-	-	513	-	-	2,954	X
-	-	-	-	-	-	-	-	-	-	X
-	-	-	887	-	-	208	-	-	X	2,586
-	-	-	-	-	-	-	-	-	X	-

### E.3 Banking Group - Disposal transaction with transfer of liabilities exclusively for assets disposed of: fair value

	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS MEASURED AT FAIR VALUE		FINANCIAL ASSETS AVAILABLE FOR SALE	
	A	B	A	B	A	B
<b>A. Cash assets</b>						
1. Debt securities	-	-	-	-	1,444	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	X	X	X	X
<b>Total assets</b>	-	-	-	-	<b>1,444</b>	-
<b>C. Associated liabilities</b>						
1. Due to customers	-	-	-	-	-	-
2. Due to banks	-	-	-	-	491	-
3. Debt on issue	-	-	-	-	-	-
<b>Total liabilities</b>	-	-	-	-	<b>491</b>	-
<b>Net value 31.12.2017</b>	-	-	-	-	<b>953</b>	-
<b>Net value 31.12.2016</b>	-	-	-	-	<b>1,000</b>	-

#### LEGEND

A = Financial assets disposed of recognised in full

B = Financial assets disposed of and partially recognised

## 1.2 MARKET RISK

### QUALITATIVE INFORMATION

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

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

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

The Financial Portfolio Policy splits investments in securities into a liquidity portfolio, an investment portfolio and a service portfolio.

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

#### 1.2.1 - INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

The trading book mainly serves Group retail customers. The trading book also includes a securities component resulting from secondary market transactions, certain Intesa Sanpaolo Group bond issues, and foreign exchange and exchange rate derivative transactions, which are likewise engaged in to meet the needs of the Group's customers and asset management companies.

HELD-TO-MATURITY INVESTMENTS (FAIR VALUE)		LOANS AND ADVANCES TO BANKS (FAIR VALUE)		LOANS AND ADVANCES TO CUSTOMERS (FAIR VALUE)		TOTAL	
A	B	A	B	A	B	31.12.2017	31.12.2016
-	-	1,030	-	470	-	2,944	2,585
X	X	X	X	X	X	-	-
X	X	X	X	X	X	-	-
-	-	-	-	-	-	-	-
X	X	X	X	X	X	-	-
-	-	1,030	-	470	-	2,944	2,585
-	-	6	-	-	-	X	X
-	-	-	-	173	-	X	X
-	-	-	-	-	-	X	X
-	-	6	-	173	-	670	498
-	-	1,024	-	297	-	2,274	X
-	-	890	-	197	-	X	2,087

### 1.2.2 - INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

The banking book comprises long-term investment securities and interest rate hedging derivatives. The Group's investment portfolio totalled €14.5bn at 31 December 2017 and comprised securities classified as available-for-sale financial assets, loans and advances to banks and customers, and hedging derivatives.

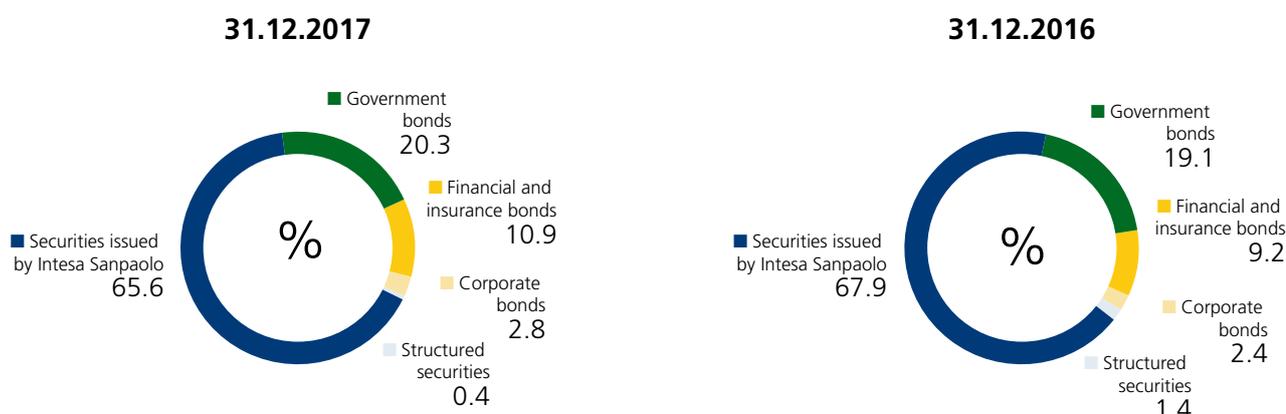
#### Bank portfolio

(€m)

	31.12.2017	31.12.2016	CHANGE	
			AMOUNT	%
Financial assets available for sale	4,596	4,297	299	7
Held-to-maturity investments	-	125	(125)	-100
Debt securities classified as loans and advances to banks	8,058	5,763	2,295	40
Debt securities classified as loans and advances to customers	1,867	1,888	(21)	-1
Hedging derivatives	5	3	2	67
<b>Total</b>	<b>14,526</b>	<b>12,076</b>	<b>2,450</b>	<b>20</b>

At 31 December 2017, the Group portfolio was broken down as follows by product type and rating.

## Analysis by product type



## Analysis by rating



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

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

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

The VaR takes interest rates, credit spread and volatility into account. At the end of December 2017, the one-day spot VaR was €7m.

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.

The Fideuram Group's total exposure to interest rate risk is monitored using Asset Liability Management (ALM) techniques to determine the shift sensitivity of fair value and net interest income. The shift sensitivity, which measures the change in fair value of the banking book resulting from a 100bp upward parallel movement in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the banking book sensitive to shifts in the interest rate curve. For a parallel upward movement in the rate curve by 100bp, the sensitivity value of the fair value at 31 December 2017 was a negative -€27.2m. Likewise, even the interest margin sensitivity was negative -€75.4m in the event of a -50bp shock. Both of the risk indicators fall within the management limits assigned to the Group on the basis of internal policies.

The Fideuram Group has developed a pricing methodology for the measurement of financial instruments which rigorously implements the provisions of the IAS/IFRS.

This measurement is based on the concept of Fair Value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair value measurement must incorporate a counterparty risk premium in the form of a Credit Value Adjustment (CVA) for assets and a Debit Value Adjustment (DVA) for liabilities.

The Group consistently calculates the fair value of financial instruments directly from their market value.

Wherever possible, the official prices on active markets are adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters.

In situations where the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid/ask spread and volatility are not sufficiently narrow, it is however necessary to abandon the principle of obtaining the fair value directly from market prices and to apply models that mostly use market parameters to calculate an appropriate fair value for the financial instruments.

The following are considered in assessing whether a market is operating normally:

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

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

These techniques include:

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

Which of these methods is chosen is not arbitrary, since they have to be applied in hierarchical order and presented in the financial statements by level.

Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).

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

The portfolio of Level 2 Financial assets measured at fair value through profit or loss consisted of the insurance policies that the Group took out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes. The fair value of Class I policies is determined using a prospective actuarial method based on the principle of the initial equivalence of the average present values of the contractual commitments of the insurer and the average present values contracted by the policyholder/contracting party. The fair value of Class III policies is 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. 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 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.

## 1.2.3 EXCHANGE RATE RISK

### QUALITATIVE INFORMATION

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.

### QUANTITATIVE INFORMATION

#### 1. Distribution by currency of denomination of assets and liabilities and derivatives

	CURRENCIES					
	US DOLLAR	STERLING	YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
<b>A. Financial assets</b>	<b>519</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>173</b>	<b>17</b>
A.1 Debt securities	393	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans and advances to banks	117	11	2	2	163	17
A.4 Loans and advances to customers	9	-	2	-	10	-
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>C. Financial liabilities</b>	<b>569</b>	<b>45</b>	<b>30</b>	<b>3</b>	<b>17</b>	<b>15</b>
C.1 Due to banks	2	-	-	-	-	-
C.2 Due to customers	567	45	30	3	17	15
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	2	-	-	-	-	-
+ Short positions	3	-	-	-	-	-
- Other derivatives						
+ Long positions	2,513	404	186	20	168	43
+ Short positions	2,564	365	159	19	164	48
<b>Total assets</b>	<b>3,034</b>	<b>415</b>	<b>190</b>	<b>22</b>	<b>342</b>	<b>60</b>
<b>Total liabilities</b>	<b>3,136</b>	<b>410</b>	<b>189</b>	<b>22</b>	<b>181</b>	<b>63</b>
<b>Balance (+/-)</b>	<b>(102)</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>161</b>	<b>(3)</b>

## 1.2.4 DERIVATIVES

### A. FINANCIAL DERIVATIVES

#### A.1 Regulatory trading book: period-end notional values

	31.12.2017 TOTAL		31.12.2016 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
<b>1. Debt securities and interest rate derivatives</b>	<b>23</b>	-	<b>2</b>	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	23	-	2	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>2. Equity derivatives and index derivatives</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Currencies and gold</b>	<b>5,957</b>	-	<b>4,917</b>	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	5,957	-	4,917	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other underlyings</b>	-	-	-	-
<b>Total</b>	<b>5,980</b>	-	<b>4,919</b>	-

#### A.2 Bank portfolio: period-end notional values

##### A.2.1 Hedging

	31.12.2017 TOTAL		31.12.2016 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
<b>1. Debt securities and interest rate derivatives</b>	<b>6,851</b>	-	<b>6,324</b>	-
a) Options	-	-	-	-
b) Swap	6,851	-	6,324	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>2. Equity derivatives and index derivatives</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Currencies and gold</b>	<b>109</b>	-	<b>123</b>	-
a) Options	-	-	-	-
b) Swap	109	-	123	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other underlyings</b>	-	-	-	-
<b>Total</b>	<b>6,960</b>	-	<b>6,447</b>	-

## A.2.2 Other derivatives

	31.12.2017 TOTAL		31.12.2016 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
<b>1. Debt securities and interest rate derivatives</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>2. Equity derivatives and index derivatives</b>	<b>495</b>	-	<b>495</b>	-
a) Options	495	-	495	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Currencies and gold</b>	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other underlyings</b>	-	-	-	-
<b>Total</b>	<b>495</b>	-	<b>495</b>	-

## A.3 Financial derivatives: gross positive fair value - distribution by product

## POSITIVE FAIR VALUE

	31.12.2017 TOTAL		31.12.2016 TOTAL	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
<b>A. Regulatory trading book</b>	<b>43</b>	-	<b>31</b>	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	43	-	31	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging bank portfolio</b>	<b>5</b>	-	<b>3</b>	-
a) Options	-	-	-	-
b) Interest rate swap	5	-	3	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>C. Bank portfolio other derivatives</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>48</b>	-	<b>34</b>	-

## A.4 Financial derivatives: gross negative fair value - distribution by product

	NEGATIVE FAIR VALUE			
	31.12.2017		31.12.2016	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
<b>A. Regulatory trading book</b>	<b>45</b>	<b>-</b>	<b>27</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	45	-	27	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging bank portfolio</b>	<b>981</b>	<b>-</b>	<b>1,103</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swap	964	-	1,069	-
c) Cross currency swap	17	-	34	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>C. Bank portfolio other derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>1,026</b>	<b>-</b>	<b>1,130</b>	<b>-</b>

## A.5 OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparty - contracts other than netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
<b>1) Debt securities and interest rate derivatives</b>							
- notional values	-	-	10	7	6	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
<b>2) Equity derivatives and index derivatives</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
<b>3) Currencies and gold</b>							
- notional values	-	-	709	2,583	538	8	7
- positive fair value	-	-	14	2	-	-	-
- negative fair value	-	-	-	(38)	(6)	-	-
- future exposure	-	-	13,303	26	5	-	-
<b>4) Other values</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

## A.6 OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparty - netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
<b>1) Debt securities and interest rate derivatives</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
<b>2) Equity derivatives and index derivatives</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
<b>3) Currencies and gold</b>							
- notional values	-	-	2,112	-	-	-	-
- positive fair value	-	-	27	-	-	-	-
- negative fair value	-	-	(1)	-	-	-	-
<b>4) Other values</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

## A.7 OTC financial derivatives: bank portfolio book - notional values, gross positive and negative fair value by counterparty - contracts other than netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
<b>1) Debt securities and interest rate derivatives</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
<b>2) Equity derivatives and index derivatives</b>							
- notional values	-	-	495	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	11	-	-	-	-
<b>3) Currencies and gold</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
<b>4) Other values</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

## A.8 OTC financial derivatives: bank portfolio book - notional values, gross positive and negative fair value by counterparty - netting agreements

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
<b>1) Debt securities and interest rate derivatives</b>							
- notional values	-	-	6,851	-	-	-	-
- positive fair value	-	-	5	-	-	-	-
- negative fair value	-	-	(964)	-	-	-	-
<b>2) Equity derivatives and index derivatives</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
<b>3) Currencies and gold</b>							
- notional values	-	-	109	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	(17)	-	-	-	-
<b>4) Other values</b>							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

## A.9 Residual life of OTC financial derivatives: notional values

	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
<b>A. Regulatory trading book</b>	<b>5,980</b>	-	-	<b>5,980</b>
A.1 Debt derivatives and interest rate derivatives	23	-	-	23
A.2 Equity derivatives and index derivatives	-	-	-	-
A.3 Currency derivatives and gold derivatives	5,957	-	-	5,957
A.4 Financial derivatives on other instruments	-	-	-	-
<b>B. Bank portfolio</b>	<b>2,175</b>	<b>2,441</b>	<b>2,839</b>	<b>7,455</b>
B.1 Debt derivatives and interest rate derivatives	2,175	1,900	2,776	6,851
B.2 Equity derivatives and index derivatives	-	495	-	495
B.3 Currency derivatives and gold derivatives	-	46	63	109
B.4 Financial derivatives on other instruments	-	-	-	-
<b>Total 31.12.2017</b>	<b>8,155</b>	<b>2,441</b>	<b>2,839</b>	<b>13,435</b>
<b>Total 31.12.2016</b>	<b>6,269</b>	<b>2,813</b>	<b>2,779</b>	<b>11,861</b>

## C. FINANCIAL AND CREDIT DERIVATIVES

### C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL INSTITUTIONS	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER PARTIES
<b>1) Bilateral agreements: financial derivatives</b>							
- Positive fair value	-	-	26	-	-	-	-
- Negative fair value	-	-	(976)	-	-	-	-
- Future exposure	-	-	36	-	-	-	-
- Net counterparty risk	-	-	41	-	-	-	-
<b>2) Bilateral agreements: credit derivatives</b>							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-
<b>3) Cross-product agreements</b>							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-

## 1.3 LIQUIDITY RISK

### QUALITATIVE INFORMATION

The Fideuram Group manages liquidity risk in accordance with Intesa Sanpaolo's Liquidity Risk Governance Guidelines as amended in May 2017 and adopted by the Fideuram Board of Directors on 12 July 2017. These guidelines ensure prompt implementation of national and supranational legal and regulatory changes. The amendments principally regard the adoption of additional liquidity monitoring metrics in accordance with the existing provisions of the European Commission Delegated Regulation of 10 October 2014 (the "Delegated Act") and the introduction of intraday liquidity monitoring with compulsory reporting and communication to Intesa Sanpaolo. In addition, Fideuram also increased its minimum portfolio of eligible assets deposited with central banks from €350m to €550m in order to provide coverage in line with the recommendations of the regulator (Joint Supervisory Team - JST) during a recent inspection of Intesa Sanpaolo.

The cardinal principles of said regulatory changes have been to 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 assets and liabilities items are calculated in a wholly suitable manner for providing an appropriate representation of anticipated cash flows.

## QUANTITATIVE INFORMATION

### 1. Analysis of financial assets and liabilities by remaining contractual term (Euro)

	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
<b>Cash assets</b>	<b>10,442</b>	<b>283</b>	<b>596</b>	<b>1,033</b>	<b>3,280</b>	<b>1,414</b>	<b>2,360</b>	<b>10,271</b>	<b>5,871</b>	<b>634</b>
A.1 Government securities	-	-	-	-	10	22	61	838	2,152	-
A.2 Other debt securities	5	1	2	212	262	907	290	6,490	2,992	-
A.3 Units in mutual funds	9	-	-	-	-	-	-	-	-	-
A.4 Loans	10,428	282	594	821	3,008	485	2,009	2,943	727	634
- Banks	4,180	203	482	721	2,615	324	1,958	2,689	350	634
- Customers	6,248	79	112	100	393	161	51	254	377	-
<b>Cash liabilities</b>	<b>27,524</b>	<b>1,638</b>	<b>3</b>	<b>191</b>	<b>450</b>	<b>221</b>	<b>889</b>	<b>1,387</b>	<b>236</b>	<b>-</b>
B.1 Deposits and current accounts	27,369	6	3	189	447	220	889	971	-	-
- Banks	162	-	-	-	-	-	24	130	-	-
- Customers	27,207	6	3	189	447	220	865	841	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	155	1,632	-	2	3	1	-	416	236	-
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	13	127	786	245	1,817	4	1	49	70	-
- Short positions	115	48	887	251	1,916	4	4	3	8	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	1	2	6	3	9	15	-	-	-
- Short positions	-	2	2	13	12	7	35	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	35	-	-	2	4	14	15	29	12	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## (Other currencies)

	DEMAND DEPOSITS	BETWEEN MORE THAN 1 AND 7 DAYS	BETWEEN MORE THAN 7 AND 15 DAYS	BETWEEN MORE THAN 15 DAYS AND 1 MONTH	BETWEEN MORE THAN 1 MONTH AND 3 MONTHS	BETWEEN MORE THAN 3 MONTHS AND 6 MONTHS	BETWEEN MORE THAN 6 MONTHS AND 1 YEAR	BETWEEN MORE THAN 1 AND 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
<b>Cash assets</b>	<b>131</b>	<b>2</b>	<b>157</b>	<b>10</b>	<b>78</b>	<b>22</b>	<b>16</b>	<b>249</b>	<b>63</b>	-
A.1 Government securities	-	-	-	-	62	-	12	95	-	-
A.2 Other debt securities	-	-	3	-	-	1	4	154	63	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	131	2	154	10	16	21	-	-	-	-
- Banks	118	2	154	8	11	19	-	-	-	-
- Customers	13	-	-	2	5	2	-	-	-	-
<b>Cash liabilities</b>	<b>627</b>	-	<b>7</b>	<b>8</b>	<b>11</b>	<b>21</b>	<b>10</b>	-	-	-
B.1 Deposits and current accounts	625	-	7	8	11	21	10	-	-	-
- Banks	3	-	-	-	-	-	-	-	-	-
- Customers	622	-	7	8	11	21	10	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2	-	-	-	-	-	-	-	-	-
<b>Off-balance-sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	123	139	872	261	1,923	6	5	-	-	-
- Short positions	22	218	700	256	1,825	6	3	46	63	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## 1.4 OPERATIONAL RISK

### QUALITATIVE INFORMATION

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 includes legal risk and compliance risk, model risk, IT risk, and financial disclosure risk. Strategic risks and reputational risks are not included instead.

Intesa Sanpaolo has drawn up regulations and organisational processes for measuring, managing and monitoring operational risk. In response to operational risks, the Group calculates its capital requirement using the Advanced Measurement Approach (AMA) in combination with the standardised approach (TSA) and basic indicator approach (BIA) to meet its Supervisory requirements. The Advanced Measurement Approach is adopted by the main banks and entities in the Private Banking Division<sup>1</sup>.

The Group assigns responsibility for operational risk management to its Board of Directors, which is charged with developing the Group's risk management policies, and to its Management Control Committee, which is charged with approving and monitoring the implementation of said policies, as well as with ensuring the smooth operation, efficiency and effectiveness of the operational risk management and control system. In addition, the Group Audit Coordination and Operational Risk Committee is responsible, among other things, for periodically verifying the Group's overall operational risk profile, providing for any corrective actions, coordinating and monitoring the effectiveness of the principal mitigation activities undertaken and approving operational risk transfer strategies. Intesa Sanpaolo has a centralised operational risk management unit in its Enterprise Risk Management Department. This unit is responsible for designing, implementing and supervising the methodological and organisational framework adopted, as well as for measuring risk profiles, verifying the effectiveness of risk mitigation measures and reporting to company senior management.

In compliance with current law, Fideuram Group entities are responsible for identifying, assessing, managing and mitigating risks. Each has clearly-identified internal units coordinated by Fideuram Operational Risk Management which are responsible for their Operational Risk Management processes (collection and structured recording of information on operational loss events, scenario analyses and the evaluation of risks associated with the Group's operating context).

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

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

- the Audit Coordination Committee is responsible for monitoring the adequacy of the operational risk management and control system, and for ascertaining its compliance with the related regulatory requirements;
- the Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems, and the procedures used by the Group for determining the capital requirement;
- the Internal Audit Department is responsible for periodically auditing the operational risk management system, and for reporting on it to the Company Bodies;
- the Operational Risk Committee is a consultative body that is responsible for analysing the reports on the operational risk profile 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, is responsible for organising and maintaining the set of activities provided for by the operational risk management system.

The Integrated Self-Diagnosis Process, which is performed annually, supports the following:

- estimation of the risk of exposure to contingent future losses following operational events (Scenario Analysis) and assessment of the monitoring level of elements characterising the operational context of the analysed Organisational Unit (Assessment of the Operational Context);
- the analysis of IT risk exposure;
- the creation of substantial synergies with the Group's specialist Human Resources and General Affairs units in charge of the development of operational processes and business continuity, with the Financial Management Governance Unit and with the Compliance and Internal Audit units that manage compliance with certain specific laws, regulations and related matters (Italian Legislative Decree 231/01 and Law 262/05) or carry out effectiveness tests on the controls on company processes.

Overall, the Self-Diagnosis process showed good operational risk management in 2017 and contributed to extending the dissemination of a corporate culture focused on continuous operational risk management. As part of the Self-Diagnosis process, the Organisational Units also analysed their own exposure to IT risk. This assessment complements the one carried out by the technical departments (ISGS Head Office Department for Information Systems, IT Departments of the Fideuram Group), and by other departments with control responsibilities (Information Security and Business Continuity Sub-Department, Group Information Security Departments). The collection process for data on operational risk events and operational loss data in particular (obtained from internal and external sources) provides significant information on prior exposure, while also contributing to our knowledge and understanding of operational risk on the one hand, and to assessing the effectiveness of or potential weaknesses in the internal audit system on the other.

The internal model for calculating capital absorption has been designed to combine all the main sources of information, whether quantitative (operational loss) or qualitative (Self-Diagnosis). The quantitative part is based on an analy-

1. Except for Fideuram Fiduciaria S.p.A., Sirefid S.p.A., Financière Fideuram, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Bank (Luxembourg).

sis of the historical data regarding internal events (monitored by decentralised units, verified appropriately by the central unit and managed by a dedicated data processing system) and external events (monitored by the Operational Riskdata eXchange Association). The qualitative part (scenario analyses) is focused on the prospective valuation of the risk profile of each unit, and is based on the structured and organised collection of subjective estimates which are provided directly by Management with the aim of measuring the potential financial impact of particularly severe operational risk events. 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. The capital at risk 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 99.9%. This method also involves applying a correction factor obtained from qualitative risk analyses of the operating context in order to take the effectiveness of the internal controls in the various different organisational units into account. Operational risk monitoring is carried out using an integrated reporting system that provides Management with information to support the management and/or mitigation of the risks assumed.

A structured training programme has been launched for staff actively involved in the operational risk governance process to provide continuous support for the process.

In addition, the Group follows a traditional policy for transferring operational risk (to cover offences such as employee misconduct, theft and damage, the transport of valuables, computer fraud, forgery, fire and earthquake damage and third-party liability), which contributes to mitigating its impact.

In order to achieve optimal use of the operational risk transfer instruments available and to leverage the financial benefits while complying with all the related regulatory requirements, the Intesa Sanpaolo Group has taken out an insurance policy known as an Operational Risk Insurance Programme which provides greater cover and significantly higher limits than traditional policies, transferring the risk of substantial operational losses to the insurance market. Our internal model's insurance mitigation component has been authorised by the Bank of Italy.

In addition, the Group has its own business continuity solutions that can be deployed to contain risks regarding its premises and infrastructures and the impact of events such as environmental disasters, international crises and social protests. The Fideuram Group has also taken out a traditional insurance policy to cover any cases of misconduct by the Personal Financial Advisers in the Group's Sales Networks.

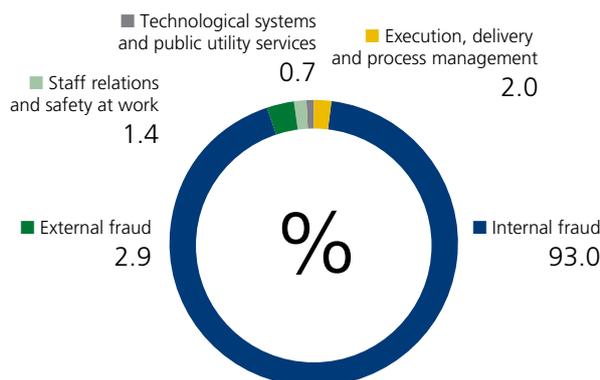
## QUANTITATIVE INFORMATION

The Group adopts a combination of the methods envisaged by law (AMA, TSA, BIA) to determine its regulatory capital. The resulting capital absorption amounted to €168m at 31 December 2017, down significantly from 31 December 2016 (€205m).

At 31 December 2017, there were no emerging phenomena of note.

The allocation of operating losses recognised during the year according to type of event (and whose amount exceeds the reporting limits set for the Group) shows that most of them can be classified as "Internal Misconduct", mainly consisting of losses due to the misappropriation of customer assets by Personal Financial Advisers. A smaller portion is attributable to the losses related to customer complaints and disputes over the sales relationship, the costs generated by illegal use of payment cards, disputes over relationships with human resources, anomalies in computer flows and errors in the performance and management of processes.

## Analysis of operational losses 2017



In particular, the item "internal misconduct" caused losses amounting to €10.4m, of which about €1.6 m for provisions made to cover fraud exposed in 2017 and involving 18 Personal Financial Advisers, and €5.6m for provisions covering previous offences. The remaining €3.2m is comprised of indemnities and disputes over sales relationships with customers. Year-end operational losses totalled €12.3m, down from 2016.

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

### Legal and tax risk

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

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

At 31 December 2017, these provisions totalled €99m. The total provisions and the amount of the individual provisions set aside are calculated on the basis of external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and regarding which a negative outcome is considered either remote or not quantifiable are not included in the provisions for legal disputes. At 31 December 2017, the number and value of pending

proceedings were not sufficient to have any potential significant impact on the business, assets or financial situation of the Group. More specifically, existing litigation may be classified as follows.

**1) Cases regarding alleged unlawful and/or improper conduct by former financial advisers authorised to offer products and services outside Group premises**

The majority of legal proceedings against the Group regard claims for compensation of damages in response to alleged unlawful conduct by former financial advisers authorised to offer products and services outside Fideuram and Sanpaolo Invest premises. The Group's involvement where damaging events of this kind are concerned is linked to the fact that it is considered jointly and severally liable with its advisers pursuant to article 31, subparagraph 3, of the Italian Finance Consolidation Act (Testo Unico della Finanza - TUF), which specifies that the broker is jointly and severally liable for any damages to third parties caused by a financial adviser authorised to offer products and services outside company premises, even when responsibility for said damages has been ascertained in a court of criminal law. This type of complaint is in most cases due to acts of appropriation, forged signatures on contractual forms and the issue of false statements and/or reports to customers. In June 2017, Fideuram renewed a personal financial adviser misconduct insurance policy with Generali Italia, through the broker AON S.p.A., which covers claims consequent upon unlawful acts committed by Fideuram and Sanpaolo Invest 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 financial adviser).

**2) Cases regarding securities in default and losses on investments in financial products**

Legal disputes initiated by customers requesting the cancellation of and/or compensation for damages arising from the purchase of securities in default and cases in which the customer alleges non-compliance with the regulations governing the provision of investment services and activities, consequently requesting the cancellation of transactions, refunding of the principal invested and/or compensation for damages.

**3) Disputes initiated by former financial advisers authorised to offer products and services outside Group premises regarding alleged breaches of their agency contract**

There are a small number of legal disputes of this kind initiated by former Fideuram and Sanpaolo Invest financial advisers authorised to offer products and services outside Group premises, resulting from the Bank's and Stockbroker's normal operations, which involve complaints regarding alleged breach of contract. They are mainly requests for the payment of various different termination indemnities, commission and compensation for damages.

**4) Disputes regarding banking and other operations**

These cases are mainly requests for compensation regarding banking operations (e.g. capitalisation of interest, claims from receivers and the disposal of pledged assets) and/or miscellaneous complaints which do not fall within any other category.

**5) Disputes regarding supervisory investigations**

This category concerns two pending judgements that see Sanpaolo Invest opposing the Italian Ministry of the Economy and Finance and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), which launched two penalty proceedings following supervisory investigations, one regarding the years 1992-1997, and the other regarding 2005. In particular, Sanpaolo Invest and the managers involved contest the imposition of financial penalties totalling €213,000 in the first case and €296,500 in the second, and the inefficiencies and/or omissions in its management processes alleged by the Supervisory Authority. The CONSOB's investigations into the years 1992-1997 led to the formulation of a number of objections regarding the alleged inadequacy of the procedures in place with Personal Financial Advisers for the provision of services and, likewise, the alleged inadequacy of the controls on said procedures, failure to notify the Board of Statutory Auditors of the Personal Financial Advisers' irregularities and failure to provide for a register of the audits performed. The Rome Court of Appeal found in favour of the defence presented by Sanpaolo Invest and the managers concerned, annulling the penalties. The Court of Cassation overturned the Rome Court of Appeal's judgement following an appeal by the CONSOB and Italian Ministry of the Economy and Finance, remitting the case to the Rome Court of Appeal. The Court of Appeal, to which the case was remitted on 11 February 2011, ruled that the penalties against Sanpaolo Invest and its managers be annulled. On 28 March 2012, the Italian Ministry of the Economy and Finance and the CONSOB filed an appeal in Cassation against the Rome Court of Appeal's decision of 11 February 2011. The Company and managers subsequently filed their defence. On 15 July 2016, the Court of Cassation overturned the Court of Appeal's judgment of 11 February 2011 and again remitted the case to another section of the Rome Court of Appeal. The Company and managers therefore resumed the proceedings in the Rome Court of Appeal on 21 November 2016.

The CONSOB's 2005 investigation was launched in relation to an audit of the efficiency of the management processes and internal audit system. The penalty proceedings for alleged violations of regulatory provisions, principally regarding internal auditing, led to the imposition of administrative monetary penalties totalling €296,500. Sanpaolo Invest presented submissions and filed statements in the course of the proceedings, highlighting that its procedures complied with the applicable regulations. The appeal against these penalties at the Rome Court of Appeal was rejected. The Company and managers therefore filed an appeal with the Court of Cassation. On 26 November 2015, the Court found in favour of their appeal, overturned the penalties and remitted the case to the Rome Court of Appeal. The Company and managers therefore resumed the proceedings in the Rome Court of Appeal.

**6) Tax disputes**

The Lazio Regional Tax Police (Nucleo Regionale di Polizia Tributaria del Lazio) sent Fideuram a report concerning the 2003 and 2004 tax years, questioning the tax period adopted by the bank for the tax deduction of the Personal Financial Adviser Network Loyalty Schemes, together with a number of other lesser matters. Following this report, the

bank was served a notice of assessment by the competent office of the Italian Revenue Agency regarding Corporate Income Tax (IRPEG) and Regional Business Tax (IRAP) for the year 2003, against which the bank promptly appealed. The Provincial and Regional Tax Commissions found against the bank, which then filed an appeal with the Court of Cassation. As a further consequence of the inspection by the Tax Police and regarding the same financial statement items as for 2003, the bank subsequently received notices of assessment regarding IRES corporate income tax and IRAP regional business tax for the 2004 tax year, against which the bank filed an appeal with the Tax Commission. The bank then reached a legal settlement regarding the main item while pursuing the dispute regarding a number of lesser items in the court of second instance, where the court found in favour of the bank, except for one small amount. The Revenue Agency subsequently filed an appeal with the Court of Cassation.

An additional consequence of said notice of assessment regarding the 2003 and 2004 tax years was that the bank was also served a notice of assessment for a smaller amount regarding VAT. The bank's appeal against this notice of assessment was granted by the Rome Provincial Tax Commission, but the ruling on the dispute was then overturned in the court of second instance. The dispute over this item is now also awaiting careful examination by the Court of Cassation. The provisions for risks and charges are more than sufficient to cover the items still to be settled.

In 2014, the Large Taxpayers Office of the Lazio Regional Office of the Italian Revenue Agency conducted a general inspection of Fideuram regarding IRES corporate income tax, IRAP regional business tax, VAT and withholding agent activities for the 2010 tax year. This inspection was subsequently partially extended to 2009. The inspection was completed with the notification of a report contesting the deductibility of certain items for the purposes of IRES corporate income tax and IRAP regional business tax, and alleging non-compliance with respect to withholding tax on interest earned on accounts outside Italy linked to mutual funds distributed by the bank, demanding the payment of taxes totalling €3.4m plus financial penalties and interest. In that year, the bank settled in compliance with the assessment regarding the deductibility of the various items from IRES and IRAP tax liability. In regard to the finding against the application of withholding tax on interest earned on accounts outside Italy, in January 2017 the Rome Provincial Tax Commission accepted the appeal filed by the company against the notices of assessment and imposition of penalties notified by the aforementioned Italian Revenue Agency Office. The Italian Tax Authorities then filed an appeal before the Regional Tax Commission.

During 2015, the Lazio Regional Office of the Italian Revenue Agency - Large Taxpayers Office - conducted an inspection of Fideuram regarding the 2011 tax year. The inspection was completed by a notice of assessment contesting the deductibility of certain minor items for the purposes of IRES corporate income tax and, as for 2009 and 2010, alleging non-compliance with respect to withholding tax on interest earned on accounts out-

side Italy linked to mutual funds distributed by the bank, for a total of €1.7m in taxes plus financial penalties and interest. In 2016, the bank was served the assessment reports regarding all the matters contested in the notice of assessment. The Bank settled in compliance regarding the matter of IRES corporate income tax but appealed to the Rome Provincial Tax Commission over the question of non-compliance in respect of withholding tax on mutual fund interest.

Since these claims are groundless, no amount has been set aside in the provision for tax disputes regarding the disputes that have arisen in the past two-year period.

On 11 October 2017, the Rome Tax Police Squad of the Guardia di Finanza served a notice of assessment on direct taxes at the end of an audit with inspection of company premises for the 2012 tax year. Aside from another finding for a trivial amount, the claim concerned the deductibility of a cost incurred for business advice, due to failure to meet the standard for tax materiality. On 19 December 2017 the process of settlement in compliance with the assessment was completed with the Lazio Regional Office of the Italian Revenue Agency - Large Taxpayers Office, including payment of an approximate total of €313k to settle the entire claim.

The site inspection with an audit by the aforementioned Tax Police Squad will continue during 2018 in reference to the direct taxes owed for the years 2013-2014-2015-2016.

In 2015, at the end of a general audit for the 2011 tax year, Fideuram Investimenti was notified a notice of assessment by the Lombardy Region Office of the Italian Revenue Agency. The claims concerned the value adjustment applied to the prices of the mutual fund management activities performed on behalf of the affiliate Fideuram Asset Management (Ireland), corresponding to €3.1m in taxes. The same Tax Office notice, however, noted that adequate supporting documentation had been provided (Masterfile in accordance with article 26 of Italian Decree Law No. 78/2010), such that administrative penalties would not be applicable. The dispute was settled in compliance with the assessment on 22 December 2016, with the payment of additional taxes and interest totalling approximately €2.4m. The dispute for that year can therefore be considered closed.

That same Italian Revenue Agency Office also presented a request for information on the remuneration of the same activities in 2012 and 2013, notifying that it was contesting the adjustments on the same grounds for those years as well. In accordance with the action taken regarding 2011, the dispute was subsequently settled in compliance with the assessment on 31 July 2017, with the consequent obligation to pay additional taxes and interest totalling €2.6m. The payment of this sum, covered in full by a related provision for tax disputes set aside in prior years, closed the dispute for 2012 and 2013 as well. In 2012, the Lombardy Regional Office of the Italian Revenue Agency - Large Taxpayers Office - notified Intesa Sanpaolo Private Banking of a notice of assessment setting out its findings regarding the years 2009 to 2011. It subsequently withdrew the assessments for the 2009 and 2010 tax years.

In December 2016, the Lombardy Regional Office of the Italian Revenue Agency - Large Taxpayers Office - issued notices of assessment regarding IRES corporate income tax and IRAP regional business tax in relation to the dispute regarding the 2011 tax year. The notices dispute the deductibility of the amortisation of the goodwill arising from the transfer of the company division, demanding taxes totalling €3.8m plus penalties and interest.

The appeal filed by the company before the Provincial Tax Commission was accepted in December 2017.

In August 2017, the Large Taxpayers Office of the Lombardy Regional Office of the Italian Revenue Agency served further notices of assessment on the same matter of IRES corporate income tax and IRAP regional business tax regarding 2012 as well, and for substantially the same amounts as those claimed previously. The bank has filed an appeal before the Provincial Tax Commission regarding this dispute.

Since the tax office's claim is groundless, no amount has been set aside in the provision for tax disputes.

## 7) Inspections and investigations

Following an inspection by the Italian Financial Information Unit (Unità di Informazione Finanziaria per l'Italia - UIF), subsidiary Sirefid S.p.A. received two notifications of investigation in June 2017 alleging its failure to report suspicious transactions in accordance with article 41 of Italian Legislative Decree 231/07. The company sent defence statements to the Ministry of the Economy and Finance within the required 30 days of the date of notification.

In consideration of the sanctions regime provided for in the intervening period (the new Anti-Money Laundering Decree) and having consulted internal and external legal advisers, the company has prudently set a provision of €150k aside in the provisions for risks and charges. In addition, interventions to strengthen the prevention and control units have significantly reduced the risk of the circumstances underlying the UIF's complaints recurring in future.

## PART F - INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

## SECTION 1 - CONSOLIDATED SHAREHOLDERS' EQUITY

## A. QUALITATIVE INFORMATION

Capital management in the Fideuram – Intesa Sanpaolo Private Banking Group is principally directed towards ensuring that the shareholders' equity and capital ratios of the parent company and its banking and financial subsidiaries are consistent with their risk profiles and capital requirements.

The banking and financial companies in the Group are required to comply with the capital adequacy requirements established by the harmonised regulations set out in Directive 2013/36/EU (Capital Requirements Directive - CRD IV) and European Union Regulation 575/2013 (Capital Requirements Regulation - CRR) of 26 June 2013, which implement the standards developed by the Basel Committee on Banking Supervision (Basel III framework) in the European Union, and on the basis of Bank of Italy Circulars No. 285 and No. 286 of 17 December 2013.

These rules provide for a notion of own funds that is distinct from the shareholders' equity recorded in the accounts, and which is calculated as the algebraic sum of positive and negative items that are included on the basis of capital quality.

The Group companies monitor their respect for the regulatory capital ratios during the year and on a quarterly basis, taking appropriate direction and control actions with regard to the capital items when necessary. Whenever a company transaction is to be conducted, the capital adequacy is assessed together with any related interventions that may be required regarding the shareholders' equity and/or capital items that impact on the minimum capital requirements.

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Fideuram and of non-controlling shareholders. The item Other reserves comprises Fideuram's remaining reserves and any changes in the shareholders' equity of the companies included in the scope of consolidation and of non-controlling interest shareholders.

At 31 December 2017, Fideuram – Intesa Sanpaolo Private Banking's share capital was €300,000,000 divided into 1,500,000,000 ordinary shares with no par value.

The Group did not hold any treasury shares at 31 December 2017.

## B. QUANTITATIVE INFORMATION

## B.1 Consolidated shareholders' equity: analysis by type of company

	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS	TOTAL
Share capital	300	-	-	-	300
Share premium reserve	206	-	-	-	206
Reserves	1,470	-	-	-	1,470
Capital instruments	-	-	-	-	-
Treasury shares (-)	-	-	-	-	-
Valuation reserves:	(69)	-	-	-	(69)
- Financial assets available for sale	(81)	-	-	-	(81)
- Property and equipment	14	-	-	-	14
- Intangible assets	-	-	-	-	-
- Hedging of foreign investments	-	-	-	-	-
- Hedging of financial flows	(4)	-	-	-	(4)
- Exchange rate differences	1	-	-	-	1
- Non-current assets held for sale	-	-	-	-	-
- Actuarial Profit (Loss) on defined-benefit pension plans	(11)	-	-	-	(11)
- Valuation reserves related to investments carried at equity	6	-	-	-	6
- Special revaluation laws	6	-	-	-	6
Profit (Loss) for the year (+/-) of group and third parties	871	-	-	-	871
<b>Shareholders' equity</b>	<b>2,778</b>	-	-	-	<b>2,778</b>

## B.2 Valuation reserves for financial assets available for sale: analysis

	BANKING GROUP		INSURANCE COMPANIES		OTHER COMPANIES		CONSOLIDATION ELIMINATIONS AND ADJUSTMENTS		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	46	(122)	-	-	-	-	-	-	46	(122)
2. Equities	-	-	-	-	-	-	-	-	-	-
3. Units in mutual funds	1	-	-	-	-	-	-	-	1	-
4. Loans	-	-	-	-	-	-	-	-	-	-
<b>Total 31.12.2017</b>	<b>47</b>	<b>(122)</b>	-	-	-	-	-	-	<b>47</b>	<b>(122)</b>
<b>Total 31.12.2016</b>	<b>44</b>	<b>(142)</b>	-	-	-	-	-	-	<b>44</b>	<b>(142)</b>

## B.3 Valuation reserves for financial assets available for sale: changes in the year

	DEBT SECURITIES	EQUITIES	UNITS IN MUTUAL FUNDS	LOANS
<b>1. Opening balance</b>	<b>(98)</b>	-	-	-
<b>2. Increases</b>	<b>41</b>	-	<b>1</b>	-
2.1 Increases in fair value	32	-	-	-
2.2 Reversals from negative reserves to the income statement	5	-	-	-
- following impairment	-	-	-	-
- following disposal	5	-	-	-
2.3 Other increases	4	-	1	-
<b>3. Decreases</b>	<b>19</b>	-	-	-
3.1 Reductions in fair value	11	-	-	-
3.2 Adjustments for impairment losses	-	-	-	-
3.3 Reversals from positive reserves to the income statement: following disposal	8	-	-	-
3.4 Other decreases	-	-	-	-
<b>4. Closing balance</b>	<b>(76)</b>	-	<b>1</b>	-

## B.4 Valuation reserves for defined-benefit plans: changes in the year

	ACTUARIAL GAINS / LOSSES
<b>1. Opening balance</b>	<b>(9)</b>
<b>2. Increases</b>	-
2.1 Actuarial gains	-
2.2 Other increases	-
<b>3. Decreases</b>	<b>2</b>
3.1 Actuarial losses	2
3.2 Other decreases	-
<b>4. Closing balance</b>	<b>(11)</b>

## PART H - TRANSACTIONS WITH RELATED PARTIES

### OPERATING ASPECTS

The Board of Directors of Fideuram – Intesa Sanpaolo Private Banking adopted, following the procedures provided for by Italian law, the Group Regulations governing the management of transactions with Intesa Sanpaolo S.p.A. Related Parties, Group Associated Parties and Insiders in accordance with article 136 of Italian Banking Consolidation Act (Testo Unico Bancario - TUB) and adopted the related Addendum (hereinafter, the “Regulations”).

The Regulations take into account the regulations issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) implementing both article 2391 bis of the Italian Civil Code and the Supervisory Regulations brought in by the Bank of Italy on 12 December 2011 regarding bank and banking group risk assets and conflicts of interest in respect of associated parties, the latter issued to implement article 53, subparagraph 4 et seq. of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB) and in accordance with resolution No. 277 of the Italian Interministerial Committee for Credit and Savings (CICR) of 29 July 2008 and, in addition, the rules set out in article 136 of the Italian Banking Consolidation Act.

The Intesa Sanpaolo Regulations govern the following for the entire Group:

- the criteria for identifying Related Parties and Associated Parties;
- the investigative and decision-making process for transactions with related parties and associated parties, together with the process for providing information to the Company Bodies on said transactions;
- information provided to the market on transactions with related parties;
- the prudential limits and the requirements for periodically notifying the Bank of Italy about risk assets in respect of Associated Parties;
- the rules regarding controls and organisational supervision;
- the general disclosure and abstention rules for the management of the personal interests of company directors, employees and agents/freelancers, including those other than Associated Parties.

In accordance with said Regulations, the following are considered Intesa Sanpaolo Related Parties: parties holding a controlling interest or a major interest sufficient to exert significant influence, subsidiaries and associate companies, joint ventures, the Group’s pension funds, Intesa Sanpaolo Directors and Key Managers and their close relatives, and significant equity investments.

Group associated parties are comprised of the associated parties of each bank in the Group (including Fideuram) and each significant authorised intermediary with own funds exceeding 2% of consolidated shareholders’ equity. The following are considered associated parties: i) Shareholders which exert control or significant influence and relative company groups, ii) Subsidiaries, joint subsidiaries and associate companies, as well as entities in whom the latter have a controlling interest, including jointly with others; and iii) Company directors and their relatives up to the second degree of consanguinity or affinity and significant equity investments.

As a self-regulatory measure, the regulations were extended to: i) Intesa Sanpaolo shareholders and related company groups that hold shares with voting rights in the parent company above the minimum threshold provided for by the regulations on the disclosure of significant investments in listed companies; ii) Companies where members of the Board of Directors are close family members of directors on the Board of Directors of the Group’s banks or Significant Authorised Intermediaries; and iii) Companies in which the Group has significant equity or financial interests.

The parties considered Insiders by the Regulations also include the Bank’s related parties as defined by IAS 24.

The Regulations specify the various investigative safeguards that need to be observed by the Bank’s departments in carrying out transactions with Intesa Sanpaolo Related Parties, Group Associated Parties and Insiders in accordance with article 136 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB), to satisfy the need for the substantial propriety of the transactions and requiring, among other things, a detailed examination of the reasons and interests, of the asset-related, economic and financial effects, and of the conditions of the transaction.

Consistently with the rules adopted by CONSOB and the Bank of Italy, a system of full or partial exemptions from application of the rules also applies.

The procedure has a number of different decision-making levels, differentiated as follows:

- transactions of negligible amount: with a value of €250k or less for natural persons and €1m or less for legal persons (exempted from application of the regulations);
- transactions of minor significance: with a value above the thresholds for transactions of negligible amount or equal to the thresholds for transactions of major significance;
- transactions of major significance: with a value that is above the 5% threshold of the indicators specified by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy (approximately €2.5bn for the Intesa Sanpaolo Group);
- transactions requiring the approval of the shareholders’ meeting in accordance with the By-Laws.

The Internal Audit Committee, made up of three independent members of the Bank's Board of Directors, plays a consultative role in the process for approving transactions with Intesa Sanpaolo Related Parties and Group Associated Parties. When deemed appropriate, the Committee may use independent experts according to the significance, special economic or structural characteristics of the transaction or the nature of the related party or associated party.

Transactions of major significance require the company departments to involve the Committee in the investigative and negotiation phases by sending a complete flow of prompt information, with the committee being empowered to request further information and formulate observations.

All transactions with a Related Party or Associated Party not exempted are subject to the parent company's consent and a resolution of the Board of Directors, following consultation with the Internal Audit Committee. Moreover, transactions with Related Parties or Associated Parties are conditioned on an opinion by the Internal Audit Committee of the Bank and a resolution by the Board of Directors, even if they are ordinary and made on an arm's length basis, if those transactions are subject to resolution by the Board of Directors according to the corporate rules of the Bank. The Regulations envisage specific safeguards if the Board of Directors approves a transaction of greater or lesser magnitude, notwithstanding the negative opinion of the independent Committee.

The Regulations likewise specify the general criteria for the reports to be submitted, at least quarterly, to the Board of Directors and Board of Statutory Auditors on transactions with Related Parties and Associated Parties completed in the reference period. The reports must detail all the transactions with a value above the thresholds for transactions of negligible amount with the exception of financing transactions of minor significance and banking inflows between group companies. Ordinary transactions of minor significance between group companies under arm's length conditions, on the other hand, are to be reported annually in an aggregate report.

In addition to covering the obligations provided for in article 2391 of the Italian Civil Code and article 53 of the Italian Banking Consolidation Act (Testo Unico Bancario - TUB) regarding the interests of directors, the new Regulations also govern Insider transactions in accordance with article 136 of the TUB and therefore adopt the escalated decision-making procedure (unanimous resolution of the Board of Directors, excluding the vote of the director concerned, and vote in favour by the members of the Board of Statutory Auditors) provided for to permit bank directors to enter into liabilities either directly or indirectly with the bank in which they hold their position.

## 1. INFORMATION ON REMUNERATION OF SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

(€m)

	<b>31.12.2017</b>
Short-term benefits	6
Post-employment benefits	-
Other long-term benefits	1
Employment termination indemnity	-
Payment in shares	1
<b>Total</b>	<b>8</b>

## 2. INFORMATION ON 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 31 December 2017 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 each 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 Board of Directors meeting of 4 May 2017 approved the renewal of the service agreement in place with Intesa Sanpaolo Group Services S.c.p.A., as amended to take the revision of the services offered to Fideuram for 2017 into account. At that meeting, the Board of Directors was also informed of the renewal of the service agreement with Intesa Sanpaolo S.p.A, which was amended to include a clause covering new policymaking, monitoring, and support services, and of an analogous update to the existing service agreements between Intesa Sanpaolo Group Services S.c.p.A., Intesa Sanpaolo and its subsidiaries.

The new service agreements, signed between late May and early June, will incur a total cost of approximately €70m for the Fideuram – Intesa Sanpaolo Private Banking S.p.A. Group in 2017, which is largely in line with the amount paid in 2016 (€69m).

All Fideuram's relations with its subsidiaries, as well as its relations with Intesa Sanpaolo and the latter's subsidiaries, may be considered to form part of the bank's ordinary operations. Fideuram uses the brokerage services of Banca IMI for buying and selling securities. These transactions are conducted under arm's-length conditions.

All amounts receivable and payable and all income and expenses at 31 December 2017 regarding companies in the Intesa Sanpaolo Group are summarised below:

## Assets 31.12.2017

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt securities	9,361	63
Equities and mutual funds	8	45
Loans and advances to banks	13,347	92
Loans and advances to customers	185	2
Financial derivatives	24	49
Other	33	3

## Liabilities 31.12.2017

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	2,317	88
Due to customers	548	2
Financial derivatives	534	52
Other	124	11
Guarantees and commitments	366	49

## Income statement 2017

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	178	54
Interest expense	(97)	60
Fee and commission income	739	31
Fee and commission expense	(25)	3
Operating income on financial activities	84	n.s.
Administrative expenses	(86)	10

n.s.: not significant

## Relationships with companies in the Intesa Sanpaolo Group

(€m)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	INCOME	EXPENSES
<b>Parent Company</b>					
Intesa Sanpaolo S.p.A.	21,797	347	364	186	45
<b>Companies controlled by the Parent Company</b>					
Banca IMI S.p.A.	574	2,615	2	118	99
Banco di Napoli S.p.A.	-	-	-	1	-
Cassa di Risparmio del Veneto S.p.A.	-	-	-	-	1
Epsilon Associati SGR S.p.A.	1	-	-	3	-
Eurizon Capital S.A.	6	-	-	26	-
Eurizon Capital SGR S.p.A.	24	-	-	112	-
Fideuram Vita S.p.A.	363	537	-	460	13
Intesa Sanpaolo Assicura S.p.A.	-	1	-	-	-
Intesa Sanpaolo Bank Ireland Plc	30	-	-	-	-
Intesa Sanpaolo Bank Luxembourg S.A.	119	-	-	1	1
Intesa Sanpaolo Group Services S.C.p.A.	-	5	-	-	67
Intesa Sanpaolo Immobilière S.A.	-	-	-	-	1
Intesa Sanpaolo Life Ltd	8	1	-	46	1
Intesa Sanpaolo Servitia S.A.	-	-	-	-	2
Intesa Sanpaolo Vita S.p.A.	36	17	-	72	2

## PART I - SHARE-BASED PAYMENT ARRANGEMENTS

### A. QUALITATIVE INFORMATION

#### 1. DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

##### 1.1 Bonus scheme based on financial instruments

The Supervisory Regulations regarding the remuneration and bonus and incentive scheme policies and practices of banks and banking groups stipulate, inter alia, that part of the bonuses awarded to "Risk Takers" (at least 50%) be in the form of financial instruments allocated over a long-term time horizon. To this end, the Fideuram Group has purchased Intesa Sanpaolo shares for a total value of €7m. These shares are recorded under financial assets measured at fair value through profit or loss.

The shares will be assigned to the participants in accordance with the implementation regulations of the bonus systems, which as a rule require the participants to have been in continuous service up until the moment the shares are actually delivered, and make each deferred part of the bonus (whether in the form of cash or financial instruments) subject to an ex-post correction mechanism (known as a malus condition) which can reduce the amount paid and the number of any shares allocated in relation to the extent to which certain specific financial/asset targets that measure the sustainability of the results achieved over time have been met.

##### 1.2 Leveraged Co-Investment Plan (LECOIP)

Intesa Sanpaolo announced an incentive scheme for Group employees concomitantly with the launch of its 2014-2017 Business Plan, in the form of a stock ownership plan named the Leveraged Employee Co-Investment Plan (LECOIP).

Following the allocation, free of charge, of Intesa Sanpaolo ordinary shares acquired on the market (Free Shares), the employees were given the opportunity to benefit from a long-term Investment Plan, the term of which is aligned with said Company Plan, involving the subscription of certain financial instruments - LECOIP Certificates - issued by a finance company outside the Intesa Sanpaolo Group. Those employees that opted to join the Investment Plan were additionally allocated new-issue Intesa Sanpaolo ordinary shares (Matching Shares) and subscribed new-issue Intesa Sanpaolo ordinary shares in a cash capital increase reserved for employees in which the shares were discounted from their market value (Discounted Shares).

In accordance with the operation of the Plan, the Group companies bought Intesa Sanpaolo ordinary shares on the market for their employees (Free Shares). Conversely, Intesa Sanpaolo assumed the obligation of allocating the Matching and Discounted shares to all Group company employees.

The LECOIP Certificates grant the following rights:

- the right to receive upon maturity an amount in cash (or in Intesa Sanpaolo ordinary shares) equal to the original market value of the Free Shares and Matching Shares;
- the right to receive, again upon maturity, a portion of any appreciation in value of the shares with respect to their original market value.

Participation in the Plan did not require any cash payments by the employees. Upon subscription of the Certificates, the issuer and employees simultaneously entered into a forward contract for the shares allocated. The proceeds of the sale were used by the employees to subscribe the discounted shares, with the remainder being used to purchase the Certificates.

The date of allocation of the shares was 1 December 2014, which thus marked the beginning of the vesting period ending in April 2018.

The cost of this employee benefit is the fair value of the shares allocated, calculated at the allocation date and recognised under personnel expenses. The cost of the Matching Shares and Discounted Shares borne directly by Intesa Sanpaolo was recorded as a balancing entry to an increase in shareholders' equity through the use of a specific reserve. The fair value of the Free Shares and Matching Shares was determined using the market value of the shares at the allocation date. The fair value of the subscription discount on the Discounted Shares was calculated using the stock market price of the shares at the allocation date and the related discount. The cost for those employees who joined the stock ownership plan only, without joining the Investment Plan (and therefore only received the Free Shares), was recognised in full at the moment of allocation, since these shares were not subject to any vesting conditions.

Conversely, for employees joining the LECOIP Investment Plan, it is a condition of the Plan that they remain in service for the length of the Plan, in addition to which there are specific performance conditions for Risk Takers and Senior Managers, which require the completion of a given period of service and the achievement of specified bank capitalisation and profit targets.

The portion resulting from Intesa Sanpaolo's direct allocation of shares to employees of the other Group companies (part of the Matching Shares and Discounted Shares), which was in effect a contribution to its subsidiaries, was recognised as an increase in the value of the equity investments with a corresponding increase in the beneficiary companies' shareholders' equity.

The income statement and balance sheet effects of the Plan, estimated weighting the vesting conditions appropriately (including the likelihood of the employees remaining in the Group for the duration of the Plan), will be recognised over the entire vesting period, which is to say over the duration of the Plan.

**B. QUANTITATIVE INFORMATION****2. OTHER INFORMATION****2.1 Bonus scheme based on financial instruments**

	NUMBER OF SHARES	PER-SHARE FAIR VALUE (€)
<b>Intesa Sanpaolo Shares at 31 December 2016</b>	<b>2,053,133</b>	<b>2.4260</b>
- Shares acquired in the year	811,241	2.9301
- Shares allocated in the year	392,412	2.7045
<b>Intesa Sanpaolo Shares at 31 December 2017</b>	<b>2,471,962</b>	<b>2.7700</b>

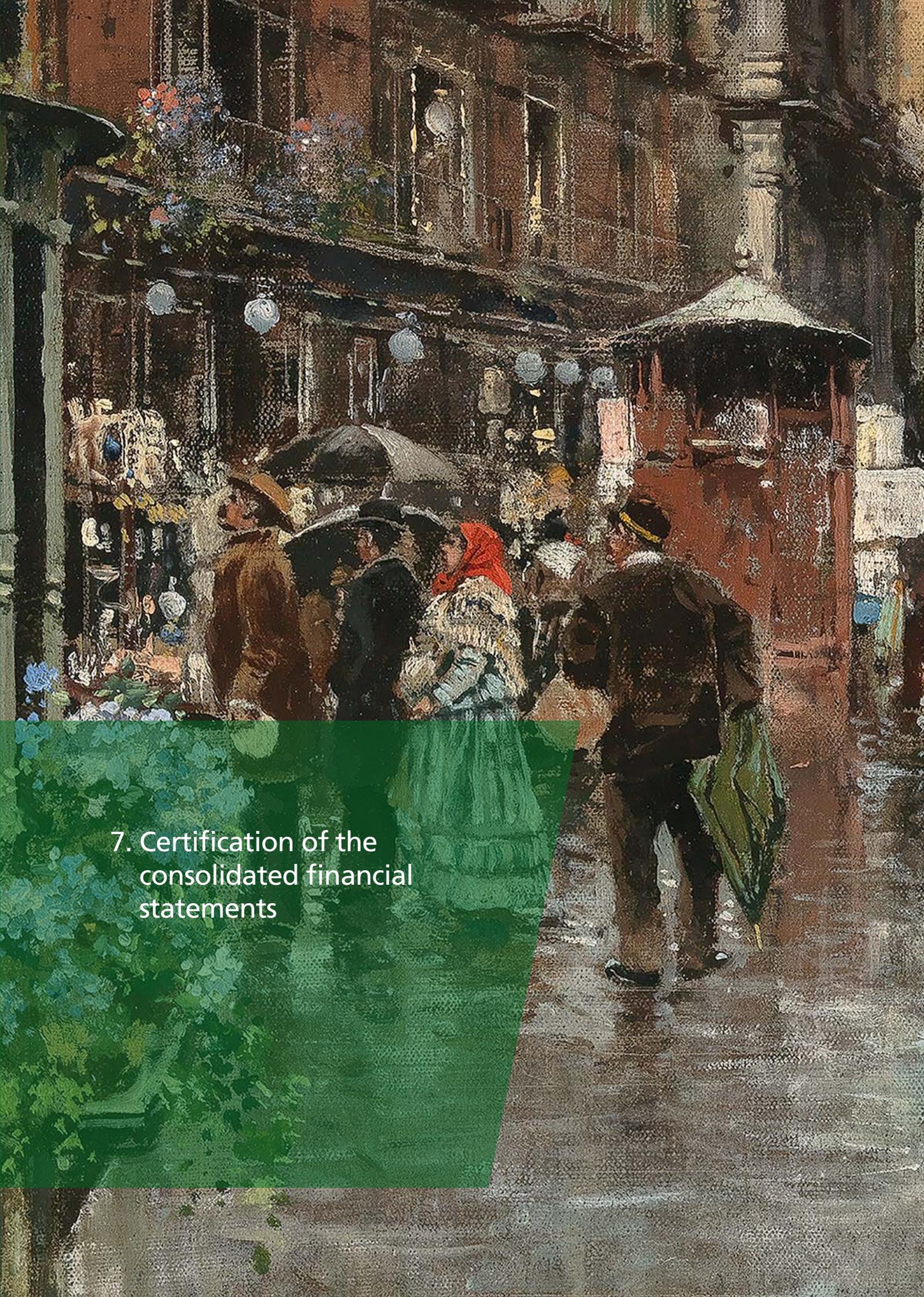
**2.2 LECOIP investment plan**

LECOIP PLAN								TOTAL NUMBER OF SHARES ALLOCATED	NUMBER OF LECOIP CERTIFICATES AT 31.12.2016	CHANGES IN THE YEAR	NUMBER OF LECOIP CERTIFICATES AT 31.12.2017	AVERAGE FAIR VALUE AT 31.12.2017
FREE SHARES		MATCHING SHARES		DISCOUNTED SHARES		SELL TO COVER SHARES						
NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE	NUMBER OF SHARES	AVERAGE PER-SHARE FAIR VALUE					
1,025,554	2.3284	2,961,603	2.3072	15,948,628	0.3699	2,919,114	2.4007	22,854,899	3,682,543	(34,793)	3,647,750	3.9140

The income statement effects of the Leveraged Co-Investment Plan (LECOIP) totalled €10m in 2017.







7. Certification of the consolidated financial statements

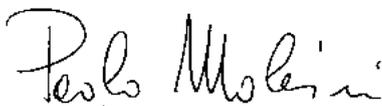


## 7. Certification of the consolidated financial statements

1. The undersigned Paolo Molesini, as Managing Director and General Manager, and Paolo Bacciga, as Manager responsible for the preparation of the company accounts, of Fideuram - Intesa Sanpaolo Private Banking, hereby certify, also taking account of the provisions of article 154 bis, subparagraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the consolidated financial statements are:
  - suitable for the characteristics of the Group, and
  - that the Group has fully applied the administrative and accounting procedures for preparing the consolidated financial statements during 2017.
2. The verification of the suitability and effective application of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2017 was carried out using methodologies developed in line with the COSO framework and, for the IT part, the COBIT framework, which are generally internationally accepted as reference frameworks for the internal audit system<sup>1</sup>.
3. In addition, the undersigned also certify as follows:
  - 3.1 The consolidated financial statements at 31 December 2017:
    - have been prepared in accordance with the applicable international financial reporting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    - correspond to the accounting books and records;
    - give a true and fair view of the financial position and results of the issuer and of the group of companies included in the scope of consolidation.
  - 3.2 The Directors' Report includes a reliable analysis of operating performance and income, of the situation of the issuer and the consolidated group of entities, together with a description of the main risks and uncertainties to which they are exposed, as well as a reliable analysis of the information on significant transactions with related parties.

22 February 2018

Paolo Molesini  
Managing Director and  
General Manager



Paolo Bacciga  
Manager responsible for the preparation  
of the company accounts



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





8. Independent  
Auditors' Reports



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

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

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

### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the consolidated financial statements of the Fideuram - Intesa Sanpaolo Private Banking Group (the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and statements of consolidated comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fideuram - Intesa Sanpaolo Private Banking Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Fideuram - Intesa Sanpaolo Private Banking S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Measurement of provisions for risks and charges**

Notes to the consolidated financial statements: PART A - Accounting policies, sections 12 "Provisions for risks and charges" and 18 "Other information"; PART B - Notes to the consolidated balance sheet, section 12 "Provisions for risks and charges"; PART C - Notes to the consolidated income statement, section 12 "Net provisions for risks and charges"; PART E – Information on risk and related hedging policies

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The consolidated financial statements at 31 December 2017 include provisions for risks and charges of €459 million. They comprise provisions for litigation (€87 million), personal financial advisers' termination indemnities (€221 million) and network loyalty schemes (€44 million).</p> <p>Measuring provisions for risks and charges for pending litigation is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement.</p> <p>Measuring provisions for risks and charges for the personal financial advisers' termination indemnities and network loyalty schemes is a complex activity, with a high degree of uncertainty, and entails directors' actuarial-based estimates about the probability of payments, the expected payment timing and the average personal financial advisers' (and related customers') retention rates.</p> <p>For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— understanding the process for the measurement of provisions for risks and charges, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;</li><li>— analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from their subsequent settlement, in order to check the accuracy of the estimation process;</li><li>— sending written requests for information to the legal advisors assisting the Group about the assessment of the risk of losing pending litigation and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the provisions for risks and charges;</li><li>— analysing the reasonableness of the assumptions used to measure the provisions for risks and charges relating to the main litigation through discussions with the relevant internal departments and checks of the supporting documentation;</li><li>— analysing the reasonableness of the assumptions, actuarial assumptions and methods used by the directors to estimate the liability for personal financial advisers' termination indemnities and network loyalty schemes; we carried out these</li></ul>



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- procedures with the assistance of experts of the KPMG network;
  - assessing the appropriateness of the disclosures provided in the notes about the provisions for risks and charges.
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### ***Responsibilities of the directors and board of statutory auditors (“Collegio Sindacale”) of Fideuram - Intesa Sanpaolo Private Banking S.p.A. for the consolidated financial statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 20 March 2013, the shareholders of Fideuram - Intesa Sanpaolo Private Banking S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.



## **Report on other legal and regulatory requirements**

### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10***

The directors of Fideuram - Intesa Sanpaolo Private Banking S.p.A. are responsible for the preparation of the Group's directors' report at 31 December 2017, which is comprised of paragraphs from 3.1 to 3.4 of section 3 "Operating and market context", paragraphs from 4.1 to 4.4, 4.7.1 and 4.8 of section 4 "Performance" and paragraph 5.2 of section 5 "Governance" (the "directors' report"), and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 December 2017 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the consolidated financial statements of the Fideuram - Intesa Sanpaolo Private Banking Group at 31 December 2017 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

### ***Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254 of 30 December 2016***

The directors of Fideuram - Intesa Sanpaolo Private Banking S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016. We have checked that the directors had approved such non-financial statement.

In accordance with article 3.10 of Legislative decree no. 254 of 30 December 2016, we attested the compliance of the non-financial statement separately.

Rome, 6 March 2018

KPMG S.p.A.

(signed on the original)

Giuseppe Scimone  
Director of Audit



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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254/2016 and article 5 of Consob Regulation no. 20267**

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

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 consolidated non-financial statement of Fideuram – Intesa Sanpaolo Private Banking S.p.A. (the "Company") and its subsidiaries (together, the "Group") prepared in accordance with article 4 of the decree and approved by the board of directors on 22 February 2018 (the "NFS"). The NFS is comprised of the following sections and paragraphs of the Group's 2017 integrated annual report:

- section 2 "Highlights";
- section 1 "Business model";
- paragraphs 2.1 "Chairman's statement", 2.2 "Managing director's statement";
- paragraphs 4.5 "Customer segmentation", 4.7.1 "Financial capital" - "Distribution of value", 4.7.2 "Productive capital", 4.7.3 "Intellectual capital", 4.7.4 "Human capital", 4.7.5 "Relational capital" and 4.7.6 "Natural capital";
- paragraphs 5.2 "Organisational structure", 5.3 "Ownership structure", 5.4 "Role of subholding company" and 5.5 "Company management";
- paragraphs 9.1 "Sustainability reporting methodology", 9.2 "Overview table of GRI indicators and consolidated non-financial statement", 9.4 "Value added statement".

### **Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") for the NFS**

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "G4 Sustainability Reporting Guidelines" issued in 2013 by GRI - Global Reporting Initiative (the "GRI G4 Guidelines"), which they have identified as the reporting standards.

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VAT number IT00709600159  
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25 20124 Milano MI ITALIA



The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the Group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the Group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

### **Auditors' independence and quality control**

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG S.p.A. applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditors' responsibility**

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI G4 Guidelines. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 4 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the Company's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.



Specifically, we carried out the following procedures:

- 1 analysing the material aspects based on the Group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied;
- 2 analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree;
- 3 gaining an understanding of the following:
  - the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
  - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
  - the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 4.a);

- 4 understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the Company's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the Group's business and characteristics:

- at group level,
  - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
  - b) we carried out analytical and selected procedures to check, on a sample basis, the correct aggregation of data in the quantitative information.

### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 consolidated non-financial statement of the Fideuram – Intesa Sanpaolo Private Banking Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI G4 Guidelines.



**Fideuram - Intesa Sanpaolo Private Banking Group**

*Independent auditors' report*

31 December 2017

### **Other matters**

The Group included the 2016 sustainability information in its 2016 integrated annual report and has presented the data included therein for comparative purposes in its NFS. We reviewed that sustainability information in compliance with ISAE 3000 revised, not pursuant to any legal requirements, and expressed an unqualified conclusion thereon.

Rome, 6 March 2018

KPMG S.p.A.

(signed on the original)

Marco Maffei  
Director of Audit

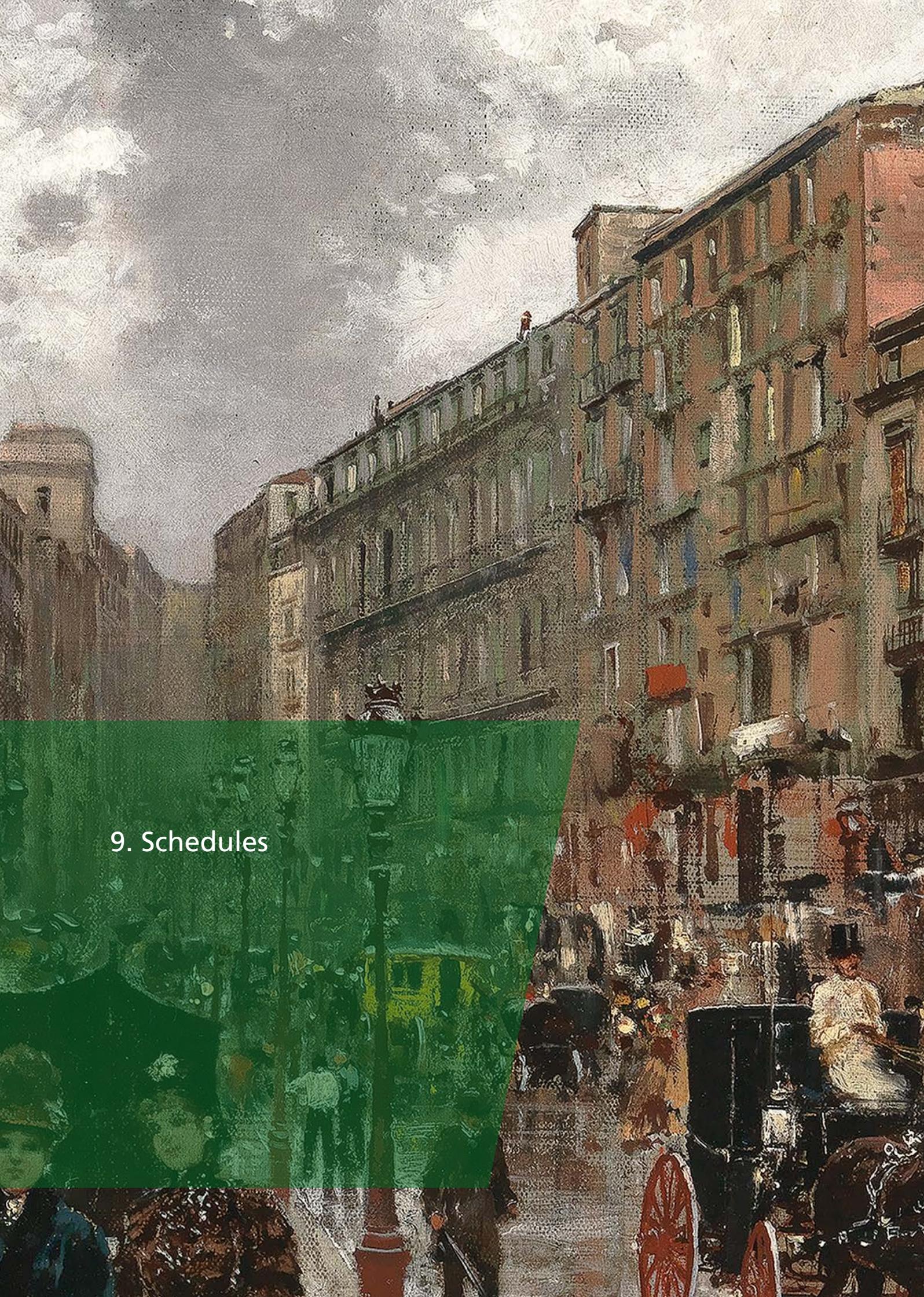


9.1 Sustainability reporting methodology

9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Disclosure

9.3 Basis of preparation of the reclassified financial statements

9.4 Value Added Statement



9. Schedules

## 9.1 Sustainability reporting methodology

The non-financial disclosures required by Legislative Decree 254/2016 have been included in the Directors' Report to highlight the interconnectedness of the financial and environmental, social and governance information in the value creation process. These disclosures are addressed to all stakeholders identified in the Fideuram Group Code of Ethical Conduct.



The Integrated Annual Report is available in Italian and English on the Fideuram website. In addition, an interactive Annual Report with multimedia information (audio and video aids) is available on our homepage, supplementing and enhancing the financial reporting with a varied array of external corporate communications.

### CSR MANAGER

Formalising the Group's commitment to the integrated management of non-financial matters, Fideuram has appointed a Corporate Social Responsibility (CSR) Manager for the Private Banking Division.

### REFERENCE STANDARDS

Italian Legislative Decree 254 of 30 December 2016 was published in January 2017, implementing Directive 2014/95/EU regarding the disclosure of non-financial and diversity information by large undertakings and groups.

The new obligations, which apply from 2017, require the publication of a Non-Financial Disclosure covering environmental, social, human resources, human rights, bribery and extortion issues. In regard to these issues, it represents the model used for the management and organisation of activities, applied policies and principal risks. Since 2013, our Group has reported financial and non-financial information in the Integrated Annual Report, which has included the non-financial information required by law in application of Legislative Decree 254/2016 since 2017. Continuing past practice, and confirming its innovative approach, the Fideuram Group presents the information required by that Decree in its Integrated Financial Report. Therefore, the Consolidated Non-Financial Disclosure is complemented with financial information. The Consolidated Non-Financial disclosure has been prepared in accordance with the G4 Sustainability Reporting Guidelines drawn up by the Global Reporting Initiative (GRI) in 2013 and the provisions of Legislative Decree 254/2016. This year's Integrated Annual Report has been prepared on the same basis as the Integrated Annual Report at 31 December 2016, confirming the Group's commitment to transparent performance reporting.

The GRI-G4 guidelines offer two options for the preparation of sustainability reporting in accordance with the guidelines: Core and Comprehensive. Both options can apply for any organisation, irrespective of its size, sector or location. The choice of option does not have any effect on the quality of the reporting. The Group has prepared this Integrated Annual Report in line with the Core option, considered more in keeping with the principles of conciseness and connectivity of an Integrated Report.

The Report contents have been selected based on the principles outlined in the "Integrated Reporting" Framework of the IIRC, in the GRI-Global Reporting Initiative (GRI-G4) guidelines, in the Legislative Decree 254/2016, and the AA-1000APS AccountAbility standard.

In particular, the materiality principle set out in GRI-G4, which considers information material when its omission could significantly influence the decisions of users of the report, has been adopted to define the material topics for reporting the most significant risks and opportunities for the Group.

An aspect is defined as material if it simultaneously:

- reflects the organisation's significant economic, environmental and social impacts (defined on the basis of Management opinion);
- substantively influences the assessments and decisions of stakeholders (defined on the basis of a specific stakeholder engagement).

The Group is also guided by the definition of materiality in the International Integrated Reporting Framework in its implementation of the materiality analysis process. Consequently, in this document, materiality for the organisation and for its stakeholders is taken to mean the potential to affect, positively or negatively, the ability to create value.

The principles of materiality, stakeholder inclusiveness, sustainability context and completeness were also taken into account in determining the reporting content.

The information quality criteria and scope of reporting were likewise determined taking the related GRI principles into consideration (balance, comparability, accuracy, timeliness, reliability and clarity).

The non-financial reporting was reviewed (limited review) in accordance with the applicable criteria set out in the International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). The auditors KPMG S.p.A. were appointed to perform this limited review, in compliance with Legislative Decree 254/2016.

## THE REPORTING PROCESS

The non-financial information reporting process has been formally established through the definition of a specific operating guide under the supervision of the Financial Management Governance Unit. All our company departments contribute to drafting the content of the Integrated Annual Report and operate to establish dialogue with stakeholders. Data collection for the report is centralised in the Administration and Reporting Department and implemented by sending specific requests to the different departments involved. The dedicated team not only reports on financial and non-financial performance, but also disseminates information on environmental, social and governance topics within the Group.

## MEASUREMENT SYSTEMS

The indicators used in our non-financial reporting have been chosen in accordance with the reference standard and the results of the materiality analysis process. Almost all the data are direct measurements obtained from accounting data and other information systems, with the exception of a small number of estimates, which are all appropriately identified. To ensure accuracy of measurement and period-on-period comparability in interpreting the indicators, the Group departments have been equipped with appropriate information to ensure the measurement methods are applied correctly. The financial indicators come from the accounting system and are in line with the International Financial Reporting Standards.

## PERIOD AND SCOPE OF REPORTING

The non-financial reporting is published annually. The data presented refer to the 2017 financial year and are, where applicable, compared with the previous two years. The scope of reporting refers to the companies included in the consolidated financial statements, with any limitations appropriately identified. The year 2017 is the second that the Intesa Sanpaolo Group Private Banking Division, formed by bringing together Fideuram and its subsidiaries and Intesa Sanpaolo Private Banking S.p.A., Sirefid S.p.A. and Intesa Sanpaolo Private Bank (Suisse) S.A., has operated to full capacity. The sustainability data (financial, social, environmental and governance) has been restated as necessary to take the new scope of consolidation into account and enable comparison of the data for different periods with 2015.

The Fideuram Group's sustainability reporting at 31 December 2017 is provided in the following sections and paragraphs of the Integrated Annual Report:

- Highlights
- Section 1. Business model
- Section 2. Strategies: paragraphs 2.1 and 2.2
- Section 3. Operating and market context: paragraph 3.5
- Section 4. Performance: paragraphs 4.5, 4.7.1 (Distribution of Value), 4.7.2, 4.7.3, 4.7.4, 4.7.5 and 4.7.6
- Section 5. Governance: paragraphs 5.2, 5.3, 5.4 and 5.5
- Section 9. Schedules: paragraphs 9.1, 9.2 and 9.4.

## MATERIALITY ANALYSIS

The materiality analysis process involves Group Management and stakeholders and is carried out in five stages as follows:

- 1) **Identification of a list of topics**, in line with the Group's strategic objectives, through an analysis of subjects relevant to the banking sector (for example: "Sustainability Topics for Sectors: what do stakeholders want to know", provided by the GRI in 2013, and "Material Sustainability Issues for the Financial Sector", provided by the Sustainability Accounting Standards Board - SASB), study of our internal documents (minutes of the company bodies and Code of Ethical Conduct), and a benchmark analysis of the documents published by our main competitors and comparable operators, as well as by reviewing a media search on coverage of the Group.
- 2) **Categorisation and selection of material topics** through an internal assessment by the Administration and Reporting Department. A shortlist of topics material to value creation in the Group is drawn up during this phase. The topics identified in the first phase are then assigned to the stakeholder categories: Customers, Shareholders, Colleagues (Personal Financial Advisers and Employees), Suppliers, the Community and Institutions and the Environment.
- 3) **Prioritisation of material topics** questionnaires submitted to Group Management and a sample of external stakeholders in order to take both internal and external perspectives into consideration. The questionnaire covers 16 material topics and the respondents are asked to assign a materiality (relevance) score of 1 to 7 to each of them.

For the internal perspective, Management is asked to assess each topic's capacity to generate opportunities for the Group, influencing its ability to create value. For the external perspective, the aspects that guide the stakeholders' scoring of priorities are as follows:

- the topic's impact on expectations of the Fideuram Group
- the materiality of the topic in terms of the need to receive information on the performance, actions and future plans of the Group.

4) **Prioritisation of stakeholders** by Group Management, assigning a score of 0 to 100 to the main categories of stakeholders that interact with the Group regarding:

- The stakeholder category's influence on the Group
- The stakeholder category's dependency on the Group.

5) **Process Review by Management**

Management reviews the results of the materiality analysis.

## Materiality Analysis Process

PHASES	1 - Identification of a list of topics	2 - Categorisation and selection of material topics	3 - Prioritisation of material topics	4 - Prioritisation of stakeholders	5 - Process Review by Management
OBJECTIVES	<ul style="list-style-type: none"> <li>- Identify the material topics for the sector, for the Fideuram Group and for its stakeholders</li> <li>- Identify and prioritise significant stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Identify the material topics for the creation of value in the Fideuram Group through an internal analysis</li> </ul>	<ul style="list-style-type: none"> <li>- Assess the potential of each topic to generate risks and opportunities regarding the ability to create prospective value. Internal analysis and External analysis (Stakeholder Analysis)</li> </ul>	<ul style="list-style-type: none"> <li>- Assess the importance of the main stakeholder categories in terms of influence on the Group and dependency on the Group</li> </ul>	<ul style="list-style-type: none"> <li>- Review prioritisation of the topics in relation to their impact on the Group's strategies</li> <li>- Report procedure followed and results obtained</li> </ul>
OUTPUTS	<ul style="list-style-type: none"> <li>- Tree of topics</li> <li>- Stakeholders tree</li> </ul>	<ul style="list-style-type: none"> <li>- Shortlist of material topics</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation of materiality matrix</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation of materiality matrix and stakeholder matrix</li> </ul>	<ul style="list-style-type: none"> <li>- Sharing of materiality matrix with Management</li> <li>- Publication of Integrated Annual Report focused on material aspects</li> </ul>

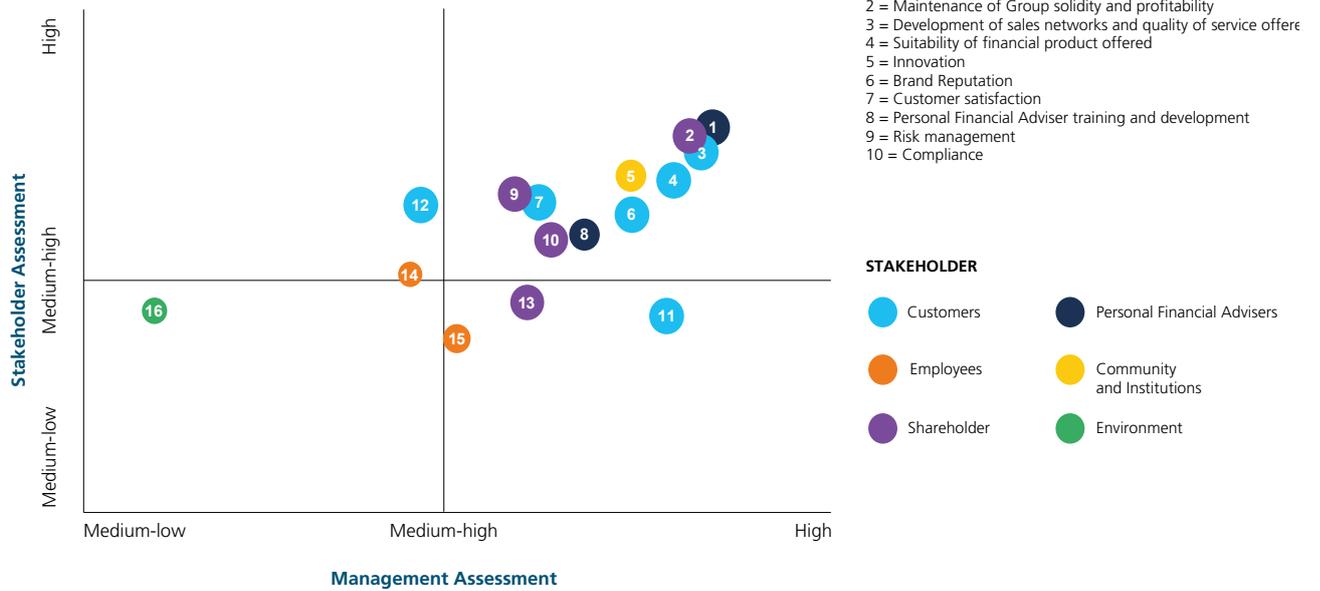
The materiality matrix below shows the positioning of topics in relation to their priority for the Group and relevance for stakeholders.

The area between the two variables is divided into bands of increasing materiality for the creation of value. The material topics are those in the top right-hand quadrant of the ma-

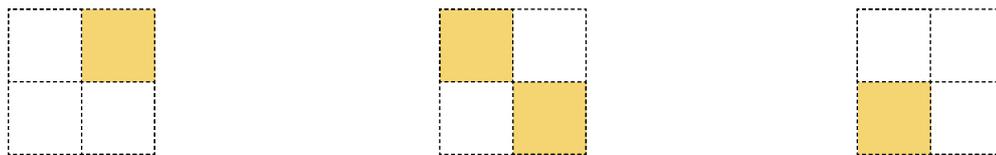
trix, and it is on these that the Group has prevalently focused its sustainability performance monitoring and reporting.

The sizes of the circles in the chart are directly proportional to the importance of the individual topics in the value creation process, and were defined in relation to the contribution of each topic to the various different drivers.

## Materiality matrix



The materiality assessments of the individual topics are shown in relation to the matrix quadrants below:



HIGH MATERIALITY		MEDIUM-HIGH MATERIALITY		MEDIUM-LOW MATERIALITY	
1.	SECURITY AND MANAGEMENT OF CUSTOMER PORTFOLIOS	11.	HIGH NET WORTH INDIVIDUAL AND PRIVATE BANKING CUSTOMERS	16.	CLIMATE CHANGE
2.	MAINTENANCE OF GROUP SOLIDITY AND PROFITABILITY	12.	INTERNET AND HOME BANKING		
3.	DEVELOPMENT OF SALES NETWORKS AND QUALITY OF SERVICES OFFERED	13.	CORPORATE GOVERNANCE		
4.	SUITABILITY OF FINANCIAL PRODUCT OFFERED	14.	EMPLOYEE TRAINING		
5.	INNOVATION	15.	PERFORMANCE MANAGEMENT AND CAREER PATHS		
6.	BRAND REPUTATION				
7.	CUSTOMER SATISFACTION				
8.	PERSONAL FINANCIAL ADVISER TRAINING AND DEVELOPMENT				
9.	RISK MANAGEMENT				
10.	COMPLIANCE				

The table below shows the material topics and their related indicators when they are linked to given GRI-G4 aspects. Topics with medium to low materiality for both management and stakeholders (in the lower left quadrant) are not

shown in the table. A number of indicators in the Society (SO), Human Resources (HR) and Environmental (E) categories are not reported in the GRI Content Index since they are not material.

### GRI-G4 Core option cross-reference table (high materiality)

MACRO-CATEGORY	TOPIC	RELATED GRI-G4 ASPECT	GRI-G4 INDICATORS	IMPACT INSIDE ORGANISATION	IMPACT OUTSIDE ORGANISATION
Security and management of customer portfolios	<ul style="list-style-type: none"> <li>- Transparent management of customer portfolios</li> <li>- Financial fraud prevention</li> <li>- Monitoring of Personal Financial Adviser-customer relations</li> <li>- Strengthening retention mechanisms (both for Personal Financial Advisers and customer portfolios)</li> </ul>	Product responsibility Complaints Compliance	PR6, PR7, PR8, PR9, FS6, FS16	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Maintenance of Group solidity and profitability	<ul style="list-style-type: none"> <li>- Competitiveness in market</li> <li>- Continuity of customer services</li> </ul>	Economic performance Market presence	EC1, EC4, EC5	Fideuram Group	Customers Regulator Community
Development of sales networks and quality of services offered	<ul style="list-style-type: none"> <li>- Strengthening the sales network and dedicated channels for contacting existing and potential customers</li> <li>- Customisation of product offering to meet customer needs</li> <li>- Development of advisory services, aiming to anticipate market demand</li> <li>- Prompt and effective response to customer needs</li> <li>- Promotion of financial literacy and responsible investment management culture"</li> </ul>	Training and education Economic performance	LA1, LA9, LA10, LA11 EC1, EC4	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Suitability of financial product offered	<ul style="list-style-type: none"> <li>- Cost of financial product appropriate for quality of service offered</li> <li>- Appropriateness of products offered for customers' financial literacy</li> <li>- Ease of understanding and relevance of information provided (e.g. prospectuses)</li> <li>- Inclusion of ethical, social and environmental criteria in evaluation of investments (e.g. green bond and social venture fund)"</li> </ul>	Product responsibility Complaints Compliance Training and education Product and service information and prospectuses Product portfolio	PR7	Fideuram Group Personal Financial Advisers	Customers Community
Innovation	<ul style="list-style-type: none"> <li>- New tools available to customers</li> <li>- Product innovation</li> <li>- Service innovation</li> </ul>	Product responsibility	FS14	Fideuram Group	Customers Community
Brand reputation	<ul style="list-style-type: none"> <li>- IT security in terms of computer fraud prevention and customer data protection (privacy)</li> <li>- Brand reputation</li> </ul>	Privacy Compliance Risk management Public policy Anti-corruption	PR8, PR9, SO4, SO5, SO6, SO7, SO8	Fideuram Group	Customers Regulator Community
Customer satisfaction	<ul style="list-style-type: none"> <li>- Accessibility of services for customers with physical disabilities</li> <li>- Customer satisfaction surveys on quality of services offered by the Group</li> <li>- Effective management of customer reports and complaints to improve service</li> </ul>	Product responsibility Complaints Compliance Customer satisfaction	PR5, PR8, PR9, FS14	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Personal Financial Adviser training and development	<ul style="list-style-type: none"> <li>- Recruitment and induction of young talent in sales network through diverse systems of entry to the profession</li> <li>- Specialist training for Personal Financial Advisers</li> <li>- Further development of tools supporting advisory services</li> </ul>	Training and education	LA9	Fideuram Group Personal Financial Advisers	Customers Regulator Community
Risk management	<ul style="list-style-type: none"> <li>- Anti-competitive and antitrust policies</li> <li>- Management of business-related risks</li> </ul>	Risk management Anti-competitive behaviour	SO6, SO7	Fideuram Group	Regulator Community
Compliance	<ul style="list-style-type: none"> <li>- Regulatory compliance</li> <li>- Appropriate updating on developments in the reference regulatory framework</li> </ul>	Compliance	SO8, PR9	Fideuram Group	Regulator Community

## GRI-G4 Core option cross-reference table (medium-high materiality)

MACRO-CATEGORY	TOPIC	RELATED GRI-G4 ASPECT	GRI-G4 INDICATORS	IMPACT INSIDE ORGANISATION	IMPACT OUTSIDE ORGANISATION
High Net Worth Individual and Private Banking customers	<ul style="list-style-type: none"> <li>- Customers with financial assets potentially totalling between €500,000 and €10,000,000</li> <li>- Focus on HNWI customers to obtain economies of scale and ensure creation of value in a manner that is sustainable over time</li> <li>- Growth and development prospects in the market</li> </ul>	<ul style="list-style-type: none"> <li>Product responsibility</li> <li>Privacy</li> <li>Economic performance</li> </ul>	PR5, PR7, EC1	Fideuram Group Personal Financial Advisers	Customers Regulator
Internet and home banking	<ul style="list-style-type: none"> <li>- E-banking and virtualisation of services</li> <li>- Availability of diversified and interactive channels for Bank-customer communications"</li> </ul>	<ul style="list-style-type: none"> <li>Product responsibility</li> </ul>	FS14	Fideuram Group	Customers Community
Corporate Governance	<ul style="list-style-type: none"> <li>- Management of changes in Italian and international regulatory frameworks</li> <li>- Transparency and clarity in management of decision-making processes</li> <li>- Conflict of interest management</li> <li>- Policies and initiatives to limit the risk of incidents of corruption occurring</li> <li>- Remuneration and compensation policies for members of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>Ethics and Integrity</li> <li>Anti-corruption</li> <li>Regulatory compliance</li> </ul>	LA12, SO4, SO5, SO8	Fideuram Group	Regulator Community
Employee training	<ul style="list-style-type: none"> <li>- On-the-job training</li> <li>- Induction of new employees and young colleagues</li> <li>- Monitoring quality and effectiveness of training</li> <li>- Training programmes tailored to individual positions and needs</li> </ul>	<ul style="list-style-type: none"> <li>Training and education</li> <li>Economic performance</li> </ul>	LA9, LA10, LA11	Fideuram Group Employees	Customers
Performance management and career paths	<ul style="list-style-type: none"> <li>- Performance management system (assessment of employee performance and transparency of criteria used)</li> <li>- Remuneration systems with reward mechanisms for management and colleagues (MBO, bonuses, balanced management of remuneration differentials etc.)</li> <li>- Transfer and sharing of competencies between colleagues</li> <li>- Attraction capability, development and retention mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>Human resource management</li> <li>Remuneration and incentives</li> <li>Performance management systems</li> </ul>	LA1, LA11	Fideuram Group Employees	Community

Legislative Decree 254/2016

## STAKEHOLDER ENGAGEMENT

The Fideuram Group developed and implemented its stakeholder engagement process adopting the principles set out in the AA1000APS standard developed by AccountAbility (the Institute of Social and Ethical Accountability), which identifies the foundations on which effective stakeholder engagement is built in the following principles:

- **Inclusiveness:** promoting stakeholder participation in the development and achievement of an accountable and strategic approach to sustainability.
- **Materiality:** determining the relevance and significance of an issue to an organisation and its stakeholders.
- **Responsiveness:** an organisation's ability to respond to stakeholder issues, through decisions, actions, results and communication.

A management model has been designed to enable us to monitor the entire engagement process with the objective of adhering to the three principles of the AA1000APS standard. This monitoring extends from the mapping of stakeholders and quality assessment of engagement initiatives to the proposals and weaknesses that emerge, and the action plan resulting from balancing corporate strategy and input from stakeholders.

The stakeholders involved in the materiality analysis process were selected at the end of the phase involving Group Management.

The stakeholders were selected to meet the following requirements:

<b>RESPONSIBILITY</b>	Parties for whom the Group has responsibilities (legal, financial and operational) that are formalised in regulations, contracts and company policies.
<b>INFLUENCE</b>	Parties that are currently or could in the future be able to influence the Group's decision-making processes. Can include parties who have an informal influence over those with formal decision-making powers.
<b>PROXIMITY</b>	Parties with whom the Group has established long-term relations and parties on whom the Group depends for its day-to-day operations.
<b>REPRESENTATION</b>	Parties that by law or culture and tradition act in a representative capacity for other individuals.
<b>STRATEGY</b>	Parties with whom the Group has entered into direct or indirect relations in line with its policies and strategic choices.

The following stakeholder groups were identified: customers, Shareholder, Personal Financial Advisers, colleagues, suppliers and associations.

## 9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Disclosure

KPMG S.p.A. has conducted a limited assurance engagement of the non-financial reporting of the Fideuram Group at 31 December 2017, in accordance with the provisions of ISAE 3000 (Revised) and in compliance with the provisions of Legislative Decree 254/2016. Information on the scope of the Independent Auditors' work and the procedures they followed is provided in the "Independent Auditors' Report on Consolidated Non-Financial Disclosure".

The following is reported:

- the Overview table of GRI indicators (Content Index);
- the cross-reference table of required information in the Consolidated Non-Financial Disclosure and the sections of the Integrated Annual Report which summarise that information.

The information in the tables is included in the scope of the limited external assurance engagement. No other information has been included in the audit.

### OVERVIEW TABLE OF GRI INDICATORS

#### GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
<b>Strategy and Analysis</b>			
G4-1	Chairman's Statement: page 28 Managing Director's Statement: page 29		
G4-2	Non-financial risks: pages 48-49 Human capital (social, environmental, and reputational risk control): page 147 Corruption risk monitoring: page 219 Suppliers: pages 175-177		
<b>Organisational Profile</b>			
G4-3	Cover (Fideuram - Intesa Sanpaolo Private Banking Group)		
G4-4	Business Model: pages 8-17 Advanced Advisory Services: pages 60-61		
G4-5	Back cover		
G4-6	Group structure: pages 8-9 Role of sub-holding company: page 207		
G4-7	Ownership structure: page 206 Role of sub-holding company: page 207		
G4-8	Business model: pages 10-13 Business segments: pages 18-21 Customer segmentation: page 59 Segment reporting: pages 72-76 Geographical distribution of networks: pages 86-89		
G4-9	Highlights		
G4-10	Employees: pages 134-137 Personal Financial Advisers: pages 88, 113, 120		
G4-11	Contractual practices: pages 122-123, 139		
G4-12	Suppliers: pages 175-177		
G4-13	There were no significant changes in 2017 from the previous year.		
G4-14	The Fideuram Group adopts a precautionary approach to the assessment and management risk.		
G4-15	The values and history of the Group: pages 198-199		
G4-16	The financial system and other institutions: page 187		
<b>Identification of material aspects and scope of reporting</b>			
G4-17	Group structure: pages 8-9 Role of sub-holding company: page 207 "Period and scope of reporting" methodology: page 359		
G4-18	Sustainability reporting methodology: pages 358-364		
G4-19	"Materiality analysis" – "Materiality matrix" methodology: pages 359-361		
G4-20	"Materiality analysis" "Cross-reference table" methodology: pages 362-363		

GENERAL STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
G4-21	"Materiality analysis" "Cross-reference table" methodology: pages 362-363		
G4-22	No significant restatements were made in 2017 from the report for the previous year.		
G4-23	No significant changes were made in 2017 from the report for the previous year.		
<b>Stakeholder Engagement</b>			
G4-24	Stakeholders: pages 22-25		
G4-25	Stakeholders: pages 22-25 "Stakeholder engagement" methodology: pages 363-364		
G4-26	Tools supporting Advisory Services: pages 94-98 Network services: pages 100-103 Customer events: pages 155-170 "Stakeholder engagement" methodology: page 363-364		
G4-27	No significant topics or problems were reported by Group stakeholders over the last three years.		
<b>Report Profile</b>			
G4-28	31 December 2017		
G4-29	March 2017		
G4-30	Sustainability reporting methodology: page 359		
G4-31	Fideuram in a click: page 397		
G4-32	About this Report "Reference standards" methodology: pages 358-359		
G4-33	"Reference standards" methodology: pages 358-359 Independent Auditors' Report: pages 346-355		
<b>Governance</b>			
G4-34	Organisational structure: pages 204-205 Governance: pages 208-211 Internal audit system: pages 213-223		
G4-38	Organisational structure: pages 204-205 Governance: pages 208-211 A delegation process has not yet been formalised for social and environmental topics. However, responsibility for these topics lies with the Board of Directors. Information on other delegation mechanisms is provided in the section on the Fideuram Group Model of Governance.		
G4-39	Company management: page 210		
G4-41	Governance: pages 208-211 Internal audit system: pages 213-223		
<b>Ethics and Integrity</b>			
G4-56	The values and history of the Group: pages 198-199		

## SPECIFIC STANDARD DISCLOSURES

SPECIFIC STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
<b>Economic indicators</b>			
DMA: Economic Performance	pages 45, 63-64, 77, 375 Stakeholders: page 24		
G4-EC1	Distribution of value: pages 77, 375 Group donations by sector supported: page 181 Non-financial risks: pages 48-49		
G4-EC2	Human capital (social, environmental, and reputational risk control): page 147 Natural Capital: page 191		
G4-EC4	The Group has not received any significant financial assistance from government bodies. Ownership structure: page 206		
DMA: Market presence	pages 8-9, 151 Contractual practices: pages 122, 139		
G4-EC5	Remuneration and incentives: pages 123, 139 Geographical distribution of networks: pages 86-89		
DMA: Procurement Policies	Suppliers: pages 175-177		
G4-EC9	Suppliers: pages 175-177		

SPECIFIC STANDARD DISCLOSURES	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
<b>Human Resources</b>			
DMA: Human resource management	pages 111-112, 134		
G4-LA1	Personal Financial Advisers: page 115 Employees: page 138		
G4-LA2	Employee healthcare, pensions and services: page 143 Supplementary pension funds: page 144 Geographical distribution of networks: pages 86-89		
DMA: Diversity and Equal Opportunities	The Group's corporate culture is committed through all its management processes to diversity of every kind - gender, ability, generational and cultural - and ensures equal treatment.		
G4-LA3	Parental leave: page 143		
DMA: Contractual Practices	pages 122-123, 139		
G4-LA4	Contractual practices: page 139		
DMA: Occupational Health and Safety	Health and Safety: page 144		
G4-LA6	Employee injuries: page 145		
DMA: Training and Education	pages 129-132, 141-143		
G4-LA9	Development of human resources: page 142		
G4-LA10	Development of human resources: page 141		
G4-LA11	Network training: pages 129-132 Career development: page 139		
G4-LA12	Personal Financial Advisers: page 120 Employees: pages 134-137 Vulnerable employees: page 140 Board of Directors: page 211		
DMA: Remuneration system	pages 123, 139		
G4-LA16	No incidents of discrimination were reported over the last three years.		
<b>Human rights</b>			
G4-HR3	No incidents of discrimination were reported over the last three years.		
<b>Social Indicators</b>			
DMA: Local Communities	The Fideuram Group is attentive to the needs of and its social impact on the communities where it operates, supporting social initiatives and the work of societies, associations and institutions within the area. pages 178-181		
DMA: Anti-corruption	Pages 199, 219		
G4-SO4	Employees: page 143 Corruption risk monitoring: page 219		
G4-SO5	No episodes of corruption were reported during the last three years.		
G4-SO6	In accordance with internal policy, political parties and movements and their organisational arms cannot receive donations and sponsorships. The only form of loans that may be made to these types of borrowers is an annual advance on public contributions for the reimbursement of election expenses. No loans were made to political parties and movements in 2017.		
DMA: Anti-Competitive Behaviour	The Group has solutions in place, implemented by its internal audit units, to monitor compliance with current regulations regarding anti-competitive behaviour, anti-money laundering and embargoes, and operates in close collaboration with the relevant authorities to this end.		
G4-SO7	No legal actions for unfair competition, antitrust or monopolistic behaviour were initiated against the Group over the last three years.		
DMA: Compliance with Laws and Regulations	pages 147, 327-331		
G4-SO8	Notes to the Consolidated Financial Statements: pages 327-331		
<b>Product responsibility</b>			
DMA: Product responsibility	page 172		
G4-PR5	Customer assistance service: page 172		
DMA: Marketing Communications	pages 152, 155-171		
G4-PR6	Human capital (social, environmental, and reputational risk control): page 147 The Fideuram Group does not finance or invest in the equities of companies which operate in sensitive or controversial sectors, or in blacklisted countries.		
G4-PR7	No incidents of non-compliance with regulations or voluntary codes on marketing activities, including advertising, promotion and sponsorship, were reported over the last three years.		
DMA: Privacy	page 173		
G4-PR8	Customer feedback: page 173		
DMA: Compliance with Laws and Regulations	pages 147, 218-223		
G4-PR9	Notes to the Consolidated Financial Statements: pages 327-331		

## GRI G4 - Financial Services Sector Disclosures

SECTOR SPECIFIC INDICATORS	PAGE/S WHERE INFORMATION REQUIRED BY THE INDICATOR IS PROVIDED	OMISSIONS	REASONS FOR OMISSIONS
FS1	Sustainable Finance: pages 182-187		
FS2	Sustainable Finance: pages 182-187		
FS6	Client financial assets: pages 56-57		
FS9	Human capital (social, environmental, and reputational risk control): page 147		
FS14	Accessibility of services: page 88		
FS16	Promoting a financial culture: pages 152-153		

## Additional indicators

INDICATORS	PAGE NUMBER/S
<b>CUSTOMERS</b>	
Customer complaints by type	page 173
Customer complaints by reason	page 173
<b>SHAREHOLDERS</b>	
Rating	Highlights
<b>LEVEL OF EDUCATION</b>	
Education	page 137
Number of participants (enrolled) in training activities.	page 142
Training by subject matter	page 142
Trade union freedom: days of work absence for trade union reasons	page 140
<b>PERSONAL FINANCIAL ADVISERS</b>	
Ratio of customers to Personal Financial Advisers	page 111
Ratio of client assets to Personal Financial Advisers	page 111
Size of distribution Networks	page 113
Origin of professionals joining Networks (%)	page 114
Turnover by staff age and gender	page 115
Total number of Personal Financial Advisers by Network, area and geographical distribution, gender and rank, average age and length of service.	pages 88-89, 120
Training by subject matter	page 142
<b>CLIMATE CHANGE</b>	
EN1	page 191
EN2	page 191
EN3	page 192
EN23	page 193
EN29	No significant fines or non-monetary penalties were reported during the last three years.

## SUMMARY TABLE OF NON-FINANCIAL DISCLOSURE

ARTICLE 3 OF LEGISLATIVE DECREE 254/2016					GRI - G4	
DESCRIPTION	PARAGRAPH	SUB-PARAGRAPH	REQUIREMENT	ELEMENTS OF ANALYSIS	GRI-G4 REFERENCE INDICATOR	INFORMATION IN INTEGRATED ANNUAL REPORT 2017
Company model	1	a)	Description of company model for management and organisation of business activities, including management of environmental, social, human resources, human rights compliance, fight against bribery and extortion issues, which are relevant given the activities and characteristics of the company.	Management and organisation model	not applicable	1.2. Business model
				Description of environmental issue management procedures (e.g. environmental management systems, materials consumption, power consumption, emissions, water consumption, waste management, etc.)	G4-DMA environmental category	4.7.6 Natural Capital
					G4-24	1.6 Stakeholders
					G4-25	1.6 Stakeholders
						9.1 Sustainability reporting methodology (Stakeholder Engagement)
						4.7.3 Intellectual capital (Tools supporting Advisory Services, Market research, Network services)
					G4-26	4.7.5 Relational capital (Customer events, Bank and art together, New offices opened, 30 years of Sanpaolo Invest)
				G4-27	3.5 Non-financial risk	
				Description of procedures for human resource management issues (e.g. human resources management, equal opportunity, performance management systems, training, trade union relations, occupational health and safety, etc.)	G4-DMA social category (Employment, Trade Union Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Gender equal pay)	4.7.4 Human capital 9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
					Description of procedures for management of human rights issues (e.g. freedom of association, human rights compliance, signing of protocols/framework - Global Compact/UN Declaration, child labour, etc.)	G4-DMA social category (Investments, Non-discrimination, Freedom of association and collective bargaining, Child Labour, Forced Labour, Safety Policies, Rights of Indigenous Peoples, Assessment, Human Rights Violation Reporting Mechanisms)
Description of procedure for management of fight against bribery and extortion (e.g. reporting systems, whistleblowing systems, 231 Model, memorandums of understanding, etc.)	G4-DMA social category (Anti-corruption)	4.7.4 Human capital				
	G4-12	4.7.5 Relational capital (Suppliers)				
Description of procedure for management of supply chain issues (e.g. selection procedures, ratings, audits etc.)	G4-DMA economic category (Supply policies)					

ARTICLE 3 OF LEGISLATIVE DECREE 254/2016					GRI - G4	
DESCRIPTION	PARAGRAPH	SUB-PARAGRAPH	REQUIREMENT	ELEMENTS OF ANALYSIS	GRI-G4 REFERENCE INDICATOR	INFORMATION IN INTEGRATED ANNUAL REPORT 2017
KPI	1	c)	Results achieved and key performance indicators for non-financial services, referring to environmental, social, human resources, human rights compliance, fight against bribery and extortion issues, which are relevant given the activities and characteristics of the company	Indication of the perimeter of reporting (in the case of consolidated statement)	G4-17	1.1 Group structure 5.4 Role of sub-holding company 9.1 Sustainability reporting methodology (Period and scope of reporting)
				Description of environmental issue management procedures (e.g. environmental management systems, materials consumption, power consumption, emissions, water consumption, waste management, etc.)	EN1 EN2 EN3 EN8 EN23	4.7.6 Natural Capital
				Policies practiced on social issues (ex. amount of social investments, number of CSR initiatives, etc.)	G4-DMA social category (Local communities)	4.7.5 Relational capital (Community) 9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
				KPI reporting on human resources issues (e.g. breakdown of human resources by type of contract, gender, job classification, age bands, number of persons subject to performance management, remuneration policies, number of training hours provided, number of union members, accident indices, etc.)	G4-10	4.7.4 Human capital (Employees and Personal Financial Advisers)
					G4-11	4.7.4 Human Capital (Contracts)
					LA1	4.7.4 Human capital (Employees and Personal Financial Advisers)
					LA3	4.7.4 Human capital (Employees and Personal Financial Advisers)
					LA4	4.7.4 Human capital (Employees and Personal Financial Advisers)
					LA6	4.7.4 Human Capital (Employee injuries)
					LA9	4.7.4 Human capital (Human resource development)
					LA10	4.7.4 Human capital (Human resource development)
					LA11	4.7.4 Human capital (Career development)
					LA12	4.7.4 Human capital (Personal Financial Advisers, Employees, Vulnerable employees) 5.5 Company management (Board of Directors)
				LA13	4.7.4 Human Capital (Contracts)	
				LA16	9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement	
				SO4	4.7.4 Human Capital (Employees) 5.7 Internal audit system	
				KPI reporting on human rights compliance issues (e.g. number of human rights compliance audits, number of reports, etc.)	HR3	9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
KPI reporting on fight against bribery and extortion issues (e.g. reports received, actions taken, audits performed within Group and/or of suppliers, etc.)	SO4	4.7.4 Human Capital (Employees) 5.7 Internal audit system				
	SO5	9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement				
	SO6					
	SO7					
SO8	6. Consolidated financial statements - Notes to the consolidated financial statements					
KPI reporting on supply chain issues (e.g. number of suppliers by merchandise area, geographical area, supplier audits, etc.)	EC9	4.7.5 Relational capital (Suppliers)				
Risks	1	d)	Description of main risks generated or sustained and connected with the issues listed here, which derive from the activities of the company, its products, commercial services or relationships, including, as relevant, the supply and subcontracting chains	Description of the main environmental risks (generated or sustained)	G4-2	3.5 Non-financial risk 4.7.4 Human capital (Monitoring of social, environmental, and reputational risks)
				Description of the main social risks (generated or sustained)	G4-2	3.5 Non-financial risk 4.7.4 Human capital (Monitoring of social, environmental, and reputational risks)
				Description of the main human resource management risks (generated or sustained)	G4-2	3.5 Non-financial risk 4.7.4 Human capital (Monitoring of social, environmental, and reputational risks)
				Description of the main risks related to fight against bribery and extortion (generated or sustained)	G4-2	3.5 Non-financial risk 4.7.4 Human capital (Monitoring of social, environmental, and reputational risks) 5.7 Internal audit system (Monitoring of corruption risks)
				Description of the main supply chain risks, referring to environmental, social, human rights, and fight against corruption issues	G4-12	4.7.5 Relational capital

ARTICLE 3 OF LEGISLATIVE DECREE 254/2016				GRI - G4		
DESCRIPTION	PARAGRAPH	SUB-PARAGRAPH	REQUIREMENT	ELEMENTS OF ANALYSIS	GRI-G4 REFERENCE INDICATOR	INFORMATION IN INTEGRATED ANNUAL REPORT 2017
Use of resources	2	a)	The declaration in paragraph 1 shall at least contain information concerning (minimum content)	Use of renewable energy resources	EN3	4.7.6 Natural Capital
				Use of non-renewable energy resources		
				Use of water resources	EN8	4.7.6 Natural Capital
HSE Impact	2	c)	The declaration in paragraph 1 shall at least contain information concerning (minimum content)	Description of medium-term environmental impact	DMA environmental category	4.7.6 Natural Capital
				Description of medium-term impact on health and safety	DMA social category (Occupational Health and Safety)	4.7.4 Human capital
Human resource management	2	d)	The declaration in paragraph 1 contains information on social issues pertaining to human resource management	Description of social aspects pertaining to human resource management	DMA social category (Employment, Trade Union Relations, Occupational Health and Safety, Training and Education)	4.7.4 Human capital
				Description of actions taken to guarantee gender equality	DMA social category (Diversity and equal opportunity, Gender equal pay)	4.7.4 Human capital 9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
				Description of measures aimed at implementing conventions of international and supranational organisations (e.g. ILO)	G4-15	5.1 The values and history of the Group
				Description of ways in which dialogue with parties is maintained	G4-26	4.7.3 Intellectual capital (Tools supporting Advisory Services, Market research, Network services) 4.7.5 Relational capital (Customer events, Bank and art together, New offices opened, 30 years of Sanpaolo Invest) 9.1 Sustainability reporting methodology (Stakeholder Engagement)
Human rights	2	e)	The declaration in paragraph 1 shall at least contain information concerning (minimum content)	Information about human rights compliance	G4-15	5.1 The values and history of the Group
					G4-56	5.1 The values and history of the Group
Fight against corruption	2	f)	The declaration in paragraph 1 shall at least contain information concerning (minimum content)	Indication of tools used to prevent risk of bribery and extortion	DMA social category (Anti-corruption, Non-competitive behaviour)	5.7 Internal audit system 9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
Methods and standards	3		Description and references to reporting methods and standards used to provide information	Information and indicators provided in comparison with previous years (for comparative purposes)	G4-13	1.2. Business model 9.1 Sustainability reporting methodology (Period and scope of reporting)
					G4-22	9.1 Sustainability reporting methodology (Period and scope of G4-23 reporting)
					G4-23	9.1 Sustainability reporting methodology (Materiality matrix)
				Description of reporting standards used	G4-19	9.1 Sustainability reporting methodology (Reconciliation table)
					G4-28	9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
					G4-29	
					G4-30	9.1 Sustainability reporting methodology (Period and scope of reporting)
				Description of methods used	G4-31	11. Contact us – Fideuram in a click
					G4-32	9.2 Overview tables of GRI indicators and the Consolidated Non-Financial Statement
					G4-17	1.1 Group structure 5.4 Role of sub-holding company 9.1 Sustainability reporting methodology (Period and scope of reporting)
G4-18	9.1 Sustainability reporting methodology (Reporting process, Reporting period and scope, Materiality analysis)					

## 9.3 Basis of preparation of the reclassified financial statements

The balance sheet and income statement at 31 December 2017 are a reclassified balance sheet and reclassified income statement to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position. These statements were prepared using appropriate groupings of the items in the official financial statements.

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

- net profit (loss) on financial assets, fee and commission income and expense, and the provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, recognised in the official Bank of Italy schedule as net profit (loss) on assets measured at fair value, which - being pertaining to the Personal Financial Advisers - have been recognised as commission expense and provisions;
- net profit on financial assets and personnel expenses have been stated net of the change in fair value of the Intesa Sanpaolo shares purchased under the Risk Takers' bonus schemes;
- fee and commission income has been stated net of the amount related 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 expenses incurred for maintaining the stability of the banking system (consisting of the contributions to the Deposit Guarantee Scheme and to the Single Resolution Fund, in addition to the expenses connected with the voluntary scheme set up by the Interbank Deposit Guarantee Fund) have been reclassified in a separate item, net of tax, designated "Expenses regarding the banking system (net of tax)";
- non-recurring income and expenses and charges for integration have been reclassified, net of the tax effect, in a separate item designated "Non-recurring income (expenses) net of tax".

## Reconciliation statements

### Reconciliation of consolidated balance sheet and reclassified consolidated balance sheet (€m)

RECLASSIFIED BALANCE SHEET ITEMS - ASSETS	CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	31.12.2017	31.12.2016
Cash and cash equivalents		78	71
	<i>Item 10. Cash and cash equivalents</i>	78	71
Financial assets (other than loans and held-to-maturity investments)		4,898	4,533
	<i>Item 20. Financial assets held for trading</i>	43	41
	<i>Item 30. Financial assets designated at fair value through profit or loss</i>	259	195
	<i>Item 40. Financial assets available for sale</i>	4,596	4,297
Held-to-maturity investments		-	125
	<i>Item 50. Held-to-maturity investments</i>	-	125
Loans and advances to banks		22,510	18,705
	<i>Item 60. Loans and advances to banks</i>	22,510	18,705
Loans and advances to customers		9,645	9,602
	<i>Item 70. Loans and advances to customers</i>	9,645	9,602
Hedging derivatives		5	3
	<i>Item 80. Hedging derivatives</i>	5	3
Equity investments		148	141
	<i>Item 100. Equity investments</i>	148	141
Property and equipment		53	40
	<i>Item 120. Property and equipment</i>	53	40
Intangible assets and goodwill		188	181
	<i>Item 130. Intangible assets</i>	188	181
Tax assets		161	180
	<i>Item 140. Tax assets</i>	161	180
Other assets		1,045	1,091
	<i>Item 160. Other assets</i>	1,045	1,091
<b>Total assets</b>	<b>Total assets</b>	<b>38,731</b>	<b>34,672</b>

RECLASSIFIED BALANCE SHEET ITEMS - LIABILITIES	CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES	31.12.2017	31.12.2016
Due to banks		2,641	2,665
	<i>Item 10. Due to banks</i>	2,641	2,665
Due to customers		30,581	27,561
	<i>Item 20. Due to customers</i>	30,581	27,561
Financial liabilities held for trading		45	27
	<i>Item 40. Financial liabilities held for trading</i>	45	27
Hedging derivatives		981	1,103
	<i>Item 60. Hedging derivatives</i>	981	1,103
Tax liabilities		96	64
	<i>Item 80. Tax liabilities</i>	96	64
Other liabilities		1,150	813
	<i>Item 100. Other liabilities</i>	1,097	759
	<i>Item 110. Provision for employment termination indemnities</i>	53	54
Provisions for risks and charges		459	458
	<i>Item 120. Provisions for risks and charges</i>	459	458
Equity attributable to owners of the parent company		2,778	1,981
	<i>Items 140, 170, 180, 190, 220 Equity attributable to owners of the parent company</i>	2,778	1,981
<b>Total liabilities</b>	<b>Total liabilities and shareholders' equity</b>	<b>38,731</b>	<b>34,672</b>

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

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	CONSOLIDATED INCOME STATEMENT ITEMS	2017	2016
Net interest income		159	161
	Item 30. Net interest income	171	176
	- Item 60. (partial) Net fee and commission income related to net interest income	(12)	(15)
Net profit (loss) on financial assets and liabilities		26	35
	Item 80. Net profit (loss) on trading activities	8	10
	Item 90. Net profit (loss) on hedging derivatives	1	2
	Item 100. Net profit (loss) on sales or repurchases	5	22
	Item 110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	6	5
	- Item 60. (partial) Return on insurance policies for network loyalty schemes	(1)	(1)
	- Item 100 Expenses regarding the banking system	10	-
	Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	-	1
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	(3)	(4)
Net fee and commission income		1,686	1,543
	Item 60. Net fee and commission income	1,673	1,527
	- Item 60. (partial) Net fee and commission income related to net interest income	12	15
	- Item 60. (partial) Return on insurance policies for network loyalty schemes	1	1
<b>Operating income before net impairment</b>		<b>1,871</b>	<b>1,739</b>
Net impairment		2	(2)
	Item 130. Net impairment	(1)	(3)
	- Item 130. (partial) Expenses regarding the banking system	3	1
<b>Operating income</b>		<b>1,873</b>	<b>1,737</b>
Personnel expenses		(314)	(286)
	Item 180. a) Personnel expenses	(360)	(317)
	- Item 180. a) (partial) Expenses connected with the integration of Intesa Sanpaolo Private Banking	20	32
	Item 180. a) (partial) Return on Intesa Sanpaolo Shares for remuneration and bonus schemes	-	(1)
	- Item 180. a) (partial) Vivaldi Project	26	-
Other administrative expenses		(220)	(225)
	Item 180. b) Other administrative expenses	(475)	(478)
	- Item 220. (partial) Recovery of indirect taxes	230	217
	- Item 180. b) (partial) Expenses connected with the integration of Intesa Sanpaolo Private Banking	14	10
	- Item 180. b) Expenses regarding the banking system	11	26
Depreciation and amortisation		(15)	(15)
	Item 200. Depreciation of property and equipment	(3)	(3)
	Item 210. Amortisation of intangible assets	(22)	(17)
	- Item 210. (partial) Expenses connected with the integration of Intesa Sanpaolo Private Banking	10	5
<b>Operating expenses</b>		<b>(549)</b>	<b>(526)</b>
Net provisions for risks and charges		(33)	(40)
	Item 190. Net provisions for risks and charges	(39)	(44)
	- Item 190. (partial) Return on insurance policies for network loyalty schemes	3	4
	- Item 190. (partial) Vivaldi Project	3	-
Profit (loss) on equity investments		9	10
	Item 240. Profit (loss) on equity investments	9	10
Other operating income (expense)		-	(3)
	Item 220. Other income/expense	257	214
	Item 270. Gain (loss) on disposal of investments	(8)	-
	- Item 220. (partial) Recovery of indirect taxes	(230)	(217)
	- Item 220. Vivaldi Project	(19)	-
<b>Profit (loss) before tax from continuing operations</b>		<b>1,300</b>	<b>1,178</b>
Income taxes for the year on continuing operations		(389)	(342)
	Item 290. Income taxes for the year on continuing operations	(359)	(318)
	- Item 290. (partial) Tax impact of the expenses connected with the integration of Intesa Sanpaolo Private Banking	(15)	(15)
	- Item 290. (partial) Tax impact of the expenses regarding the banking system	(8)	(9)
	- Item 290. (partial) Tax impact of the gain (loss) on disposal of investments	3	-
	- Item 290. (partial) Vivaldi Project	(10)	-
Expenses regarding the banking system (net of tax)		(16)	(18)
	- Item 100. (partial) Expenses regarding the banking system	(10)	-
	- Item 130. (partial) Expenses regarding the banking system	(3)	(1)
	- Item 180. b) Expenses regarding the banking system	(11)	(26)
	- Item 290. (partial) Tax impact of the expenses regarding the banking system	8	9
Non-recurring income (expenses) net of tax		(24)	(32)
	- Item 180. a) (partial) Expenses connected with the integration of Intesa Sanpaolo Private Banking	(20)	(32)
	- Item 180. b) (partial) Expenses connected with the integration of Intesa Sanpaolo Private Banking	(14)	(10)
	- Item 210. (partial) Expenses connected with the integration of Intesa Sanpaolo Private Banking	(10)	(5)
	- Item 290. (partial) Tax impact of the expenses connected with the integration of Intesa Sanpaolo Private Banking	15	15
	- Item 270. Gain (loss) on disposal of investments	8	-
	- Item 290. (partial) Tax impact of the gain (loss) on disposal of investments	(3)	-
<b>Net profit</b>	<b>Item 340. Parent company interest in net profit (loss) for the year</b>	<b>871</b>	<b>786</b>

## 9.4 Value Added Statement

The Group's Value Added Statement below has been prepared using the income statement figures from the 2017 Consolidated Financial Statements. These figures have been reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI), which comply with the Global Reporting Initiative's guidelines.

The statement prepared using these reclassified figures breaks the economic value added down into three main components:

- Wealth created
- Value distributed
- Economic value retained by the Group.

### Value Added Statement (\*)

(€m)

FINANCIAL STATEMENT ITEMS	2017	2016	2015
10. Interest income and similar income	331	326	373
20. Interest expense and similar expense	(160)	(150)	(171)
40. Fee and commission income	2,416	2,190	2,210
50. Fee and commission expense (not including expense for Personal Financial Advisers Network)	(98)	(79)	(122)
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	8	10	8
90. Net profit (loss) on hedging activities	1	2	3
100. Net profit (loss) on sale or repurchase of:	5	22	9
a) Loans	6	8	(1)
b) Financial assets available for sale	(1)	14	10
c) Held-to-maturity investments	-	-	-
d) Financial liabilities	-	-	-
110. Net profit (loss) on financial assets and liabilities measured at fair value through profit or loss	6	5	7
130. Net impairment of:	(1)	(3)	-
a) Loans	2	(2)	-
b) Financial assets available for sale	(3)	(1)	-
c) Held-to-maturity investments	-	-	-
d) Other financial transactions	-	-	-
220. Other income/expense	250	214	213
240. Profit (loss) on equity investments (Profit/losses from sales)	-	-	-
270. Gain (loss) on disposal of investments	8	-	-
<b>A Total wealth created</b>	<b>2,766</b>	<b>2,537</b>	<b>2,530</b>
180.b Other administrative expenses (not including indirect taxes and donations/gifts)	(245)	(258)	(252)
<b>Value distributed to suppliers</b>	<b>(245)</b>	<b>(258)</b>	<b>(252)</b>
180.a Personnel expenses (including Personal Financial Advisers Network)	(1,036)	(937)	(966)
<b>Value distributed to employees and Personal Financial Advisers</b>	<b>(1,036)</b>	<b>(937)</b>	<b>(966)</b>
330. Net profit (loss) for the year attributable to non-controlling interests	-	-	-
<b>Value distributed to third parties</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit distributed to shareholders	(788)	(714)	(561)
<b>Value distributed to shareholders</b>	<b>(788)</b>	<b>(714)</b>	<b>(561)</b>
180.b Other administrative expenses: indirect taxes	(230)	(219)	(222)
290. Income taxes for the year (current taxes)	(317)	(282)	(292)
<b>Value distributed to Central and Branch Administration</b>	<b>(547)</b>	<b>(501)</b>	<b>(514)</b>
180.b Other administrative expenses: donations and gifts	(1)	-	-
<b>Value distributed to community and environment</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>B Total value distributed</b>	<b>(2,617)</b>	<b>(2,410)</b>	<b>(2,293)</b>
<b>C Total value retained</b>	<b>149</b>	<b>127</b>	<b>237</b>

(\*) 2015 figures restated taking the changes in the scope of consolidation into account so that straight comparisons can be made.



Via Tolpau Impressione  
di Poggia  
Napoli G. P. VANEMERIS



10. Glossary

**Additional Tier 1 capital (AT1)**

Comprised of equity instruments other than ordinary shares (which are included in CET1) that comply with the regulatory requirements for inclusion in this tier of own funds (such as savings shares). A series of items are subsequently deducted from the total.

**Adviser**

Financial adviser who assists companies involved in corporate finance transactions. Their tasks include providing advisory services and preparing valuations.

**Alternative investments**

The term alternative investments covers a vast range of investment forms, including private equity investments and investments in hedge funds.

**American Option**

An option that may be exercised at any time before and not only at the expiry date of the option.

**Amortised cost**

Differs from cost in providing for the cumulative amortisation of the difference between the value at initial recognition of an asset or liability and its nominal value using the effective interest rate method.

**Asset allocation**

Procedure adopted by an asset manager that consists in distributing a portfolio across a variety of financial instruments in different investment markets.

**Asset Backed Securities (ABS)**

Debt securities, generally issued by companies known as Special Purpose Vehicles (SPV), which are secured by pools of different assets (mortgage loans, consumer loans or credit card transaction receivables, etc.) which can solely be used to satisfy the rights incorporated in the financial instruments. The repayment of the principal and payment of interest depend on the performance of the securitised assets and any additional guarantees supporting the transaction. ABS are subdivided into different tranches (senior, mezzanine, junior) according to their assigned priority in receiving redemption of principal and payment of interest.

**Asset class**

Class of financial assets (at first level of analysis: shares, bonds, cash, other).

**Asset gathering**

The activity of gathering assets, in the Group's case through Networks of Financial Advisers in Italy who are members of the Italian Association of Companies Selling Financial Products and Investment Services (Assoreti).

**Asset Liability Management (ALM)**

Body of techniques that enables the integrated management of financial statement assets and liabilities, typically used for measuring interest rate risk.

**Asset management**

The activity of managing and administering assets on behalf of customers.

**Associazione Bancaria Italiana (ABI - Italian Banking Association)**

The association that represents, defends and promotes the interests of the Italian banking and financial system.

**Associazione fra le Società Italiane per Azioni (Assonime - Association of Italian Joint Stock Companies)**

The association representing Italian joint stock companies of all kinds (industrial, financial, insurance and service companies). Its mission is to contribute to building a regulatory system that is favourable to economic activity, to interpret, adapt and apply legislation for effective operation of the market and, lastly, to assist member companies in their application of the law.

**Associazione Italiana Private Banking - AIPB (Italian Private Banking Association)**

Association of Private Banking operators that numbers Italy's leading operators amongst its members. AIPB's members include Banks and Banking Groups, Associations, Universities, Research Centres, Asset Management Companies and Advisers who share their expertise to establish, develop and extend private banking culture at the service of high net worth individuals.

**Associazione Italiana Revisori Contabili (ASSIREVi - Italian Association of Auditors)**

A private association that promotes and conducts scientific analysis supporting the adoption of auditing standards, and the study of the development of the related laws and regulations. It is also engaged in resolving professional, legal and tax problems of common interest to its members.

**Associazione Nazionale consulenti Finanziari - ANASF (Italian National Association of Financial Advisers)**

Advocates and provides continuing professional development for and information on financial advisers, supporting their interests in tax, legal, contractual and pension matters, while also offering specialist consultancy services.

**Associazione Nazionale fra le Imprese Assicuratrici (ANIA - Italian National Association of Insurance Companies)**

The body representing insurance companies that operate in Italy. Represents its members and the Italian insurance market in dealings with the main political and administrative institutions and undertakes its own and joint research into resolving technical, economic, administrative, tax and legal problems concerning the insurance industry.

**Assogestioni (Italian Association of Fund Managers)**

Italian association of fund managers that represents Italy's leading asset management companies and a large number of banks and insurance companies offering discretionary accounts and complementary social security. A number of non-Italian asset management companies operating in Italy are also members. Assogestioni's various activities include drawing up a ranking of mutual funds.

**Assoreti (Italian Association of Companies Selling Financial Products and Investment Services)**

Association of banks and investment companies that provide advisory support regarding investments, as defined in article 1, subparagraph 5, f), of Italian Legislative Decree

No. 58 of 24 February 1998, acting through their own financial advisers authorised to offer products and services outside company premises. The association's purpose is to research and follow developments in the legislation, maintain constant contact with the relevant institutions and provide statistical processing of data that enables analysis of the development of the sector.

### **Auditing**

The body of activities for monitoring company processes and accounting, carried out both by internal departments (internal audits) and by independent auditors (external audits).

### **Automated Teller Machine (ATM)**

Automatic machine that allows customers to make cash withdrawals, pay in cash or cheques, obtain account information, pay utilities and top up mobile phones etc. The terminal is activated by the customer inserting a magnetic chip card and entering their personal identification number.

### **Backtesting**

Historical testing to assess the reliability of asset portfolio risk source measurements.

### **Bancassurance**

The offer of insurance products through a bank's branch network.

### **Bank for International Settlements (BIS)**

International organisation with head office in Basel, founded in 1930. Its activities include providing financial assistance to national monetary institutions and promoting general rules regarding the world banking system.

### **Bank of Italy**

A public-law institution that acts in the general interest in the monetary and financial sector, maintaining price stability, the stability and effective operation of the financial system and undertaking other duties assigned by Italian law.

### **Banking book**

The portion of a bank's holdings, and securities holdings in particular, that is not held for trading purposes.

### **Banking direct inflows**

Deposits by and bonds issued by banks.

### **Banking indirect inflows**

Debt securities and other instruments received by the bank for custody, management or in relation to the management of equity investments.

### **Basel Committee**

International forum for regular periodic cooperation on banking supervisory matters with two main objectives: to disseminate and enhance understanding of key supervisory issues and to improve the quality of banking supervision worldwide.

### **Basel II**

The common name for the New Capital Accord which came into effect on 1 January 2007. The Accord is based on three "pillars":

- Pillar 1: while the objective of a minimum capital requirement of 1% of risk-weighted assets remains unchanged, a new system of rules was developed for measuring typical banking and financial sector risks (credit risk, counterparty risk, market risk and operational risk) that provides for alternative calculation approaches with different levels of complexity and offers the option, following prior authorisation by the Regulator, of internally-developed approaches.
- Pillar 2: requires banks to adopt processes and tools that equip them with an Internal Capital Adequacy Assessment Process (ICAAP) that is appropriate for every type of risk, including forms other than those covered by the minimum capital requirement (first pillar), for the purposes of assessing current and prospective risk in a manner that takes strategies and developments in the reference scenario into account. The Supervisory Authorities are tasked with examining the ICAAP process, formulating an overall judgement and specifying appropriate corrective measures where necessary.
- Pillar 3: introduces obligations regarding the publication of information on capital adequacy, risk exposure and the general characteristics of the systems in place for identifying, measuring and managing risk.

### **Basel III**

Set of reforms drawn up by the Basel Committee on Banking Supervision following the 2007-2008 financial crisis with the aim of improving the existing capital adequacy framework for the banking sector (Basel II), the effectiveness of supervision and the ability of intermediaries to manage the risks they assume.

### **Basis point**

Unit of measurement for interest rate spread or changes in interest rates, equal to one hundredth of a percentage point. Example: If rates rise from 9.65% to 9.80%, they have risen by 15 basis points.

### **Benchmark**

Financial parameter or indicator or financial instrument with characteristics that brokers consider sufficiently representative to be adopted as a reference for understanding whether a financial instrument with similar characteristics has performed better or worse than the benchmark over a given period.

### **Best practice**

Generally speaking, identifies a way of doing something that may be considered representative of the best level of knowledge and its implementation within a given technical and/or professional area.

### **Bid-ask spread**

The difference between the prices quoted for an immediate sale and an immediate purchase of a given financial instrument or group of financial instruments.

### **Board of Directors**

Company body responsible by law for the management of a company and the direction of its business.

### **Board of Statutory Auditors**

Internal supervisory body in joint stock companies.

**Bond**

Security in the form of a loan contracted between a legal person and members of the public that incorporates two rights: the right to repayment of the nominal value upon maturity and the right to the payment of interest on the amount (coupon). Bonds pay interest, calculated in relation to the nominal value, that can be fixed, floating or index-linked, which is to say linked to price indices or reference rates using specific mechanisms.

**Borsa Italiana S.p.A.**

The private company managing the organisation and operation of Italy's financial markets.

**BOT**

A BOT (Buono Ordinario del Tesoro) is a short-term Italian Treasury Bill used to meet Italian government borrowing requirements. It has a variable maturity and does not pay regular coupons but only repays the principal upon maturity.

**Branches**

The bank's area branches.

**Broker**

A financial intermediary who executes their customers' instructions to buy and sell for which they receive payment in commission that is usually stated as a percentage of the value of the transaction.

**BTP**

Acronym of Buono del Tesoro Poliennale, a medium-to-long-term Italian government bond issued to finance public debt, which pays a fixed-rate yield.

**Budget**

The planned future costs and income of a company.

**Bund**

A long-term government bond issued by the German government.

**Business model**

The system of inputs, added-value activities and outputs by means of which an organisation creates and preserves value in the short, medium and long term.

**Call option**

An option contract that, upon payment of a premium, gives the buyer the right to buy a given asset at a price set by the contract (exercise price or strike price) on or by a given date.

**Capital**

The assets forming the inputs in an organisation's business model, which are used, improved, consumed, changed or influenced through its activities in the process of creating value.

**Cash Generating Unit (CGU)**

A cash generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

**CCT**

Acronym of Certificato di Credito del Tesoro, Italy's Treasury Credit Certificate, which is a medium-to-long-term Italian government bond issued to finance public debt. These floating-rate securities offer a coupon that is indexed to the BOT treasury bill yield, increased by a given amount.

**Certificates**

Investment certificates are financial instruments that can have the contractual characteristics of derivatives that are linked to the performance of an underlying asset. The purchase of a certificate gives the investor the right to receive a sum linked to the value of the underlying asset at a given date. In certain cases, an option may provide the investor with partial or total protection of the premiums paid irrespective of the performance links stipulated in the contracts.

**Client Assets**

These assets comprise:

- 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.

**Collateral**

Pledge of financial instruments or cash offered as security by a borrower to a lender that the lender can take possession of or sell on the market if the borrower defaults on their obligations. Collateral provides banks with a guarantee, in relation to their market counterparties, of the successful conclusion of the transactions in progress and of future transactions, effectively releasing the risk profile of its investments from considerations connected with the counterparty risk.

**Commissione Nazionale per le Società e la Borsa (CONSOB - Italian National Commission for Listed Companies and the Stock Exchange)**

An entirely autonomous administrative body with the status of a legal person and the object of promoting the protection of investors' interests and of ensuring the effective operation, transparency and growth of the Italian securities market.

**Common Equity Tier 1 capital (CET1)**

Common Equity Tier 1 Capital as defined by the new regulatory provisions for banks set out in European Union Regulation No. 575/2013 (Capital Requirements Regulation or CRR) and by Directive 2013/36/EU (Capital Requirements Directive CRD IV), which implement the standards developed by the Basel Committee on Banking Supervision (Basel III) in the European Union. CET1 is calculated as the algebraic sum of ordinary shares issued by the Bank that meet the classification criteria for regulatory purposes, the share premium deriving from the issue of the instruments included in CET1, profits carried forward, revaluation reserves and other reserves.

A series of items are then deducted from this total (e.g. anticipated losses, equity investments, deferred tax assets), which moreover benefit from the allocation mechanism and, in the transitional period, gradual application through the phase-in arrangements.

**Common Equity Tier 1 ratio (CET1 ratio)**

Ratio between the bank's Common Equity Tier 1 capital and total risk-weighted assets (RWA).

**Community Directives**

European Union legislative instruments directed at member states, which are obliged to achieve the objectives specified in the directives, and in turn issue implementation legislation for application within each individual state.

**Compound interest**

Percentage of principal formed when accrued interest is added to the principal and generates interest in its turn.

**Core Business**

Principal business towards which company strategies and policies are directed.

**Corporate Customers**

Customer segment made up of medium and large enterprises (mid-corporate and large corporate).

**Corporate governance**

The body of rules and regulations that govern the life of a company, in particular with respect to the transparency of its documents and company minutes, and to the completeness of the information it provides the market.

**Corporate social responsibility (CSR)**

Corporate social responsibility is the voluntary integration of social and environmental matters in a company's business operations and stakeholder relations.

**Cost/Income Ratio**

The ratio between administrative expenses and depreciation and amortisation, on the one hand, and operating income before net impairment on the other (including other income, net, and net profit on equity investments). One of the key ratios showing the efficient running of a bank. The lower it is, the higher the efficiency.

**Counterparty risk**

The risk of a potential loss due to a counterparty failing to meet their contractual obligations.

**Country risk**

Set of economic, financial and political factors that may make it difficult to obtain the repayment of debts contracted by trusted foreign customers irrespective of their individual solvency.

**Country Risk Premium (CRP)**

Premium for country risk, a cost of capital component aimed specifically at compensating the risk associated with a given country (which is to say the risk connected with economic, financial, political or currency instability).

**Covered bond**

Covered Bank Bonds that may, in addition to being secured by the issuing bank, also be secured by a pool of mortgages or other high-quality loans held for this purpose by a Special Purpose Vehicle.

**Covered warrant**

A type of warrant issued by a broker that gives the holder the right to buy (call) or put (sell) a specific amount of underlying assets at a given date and specific price (strike price).

**Credit Risk**

The risk that a change in the credit rating of a trusted counterparty with whom a bank has an exposure could generate a corresponding change in value of the credit position.

**CTZ**

Acronym of Certificato del Tesoro Zero Coupon, Italy's Zero Coupon Treasury Certificate, which does not have a coupon and only pays interest upon repayment.

**Currency**

A generally-accepted means of payment for the purchase of goods and services, and the universal means of exchange. Its use is founded on the economic operators' confidence in the issuing body, the central bank.

**Default**

The situation in which it is impossible for a party to meet their contracted financial obligations.

**Deficit**

A situation in which spending exceeds revenue. A Public Deficit is when the difference between government revenue and spending forms a public debt.

**Deposit Guarantee Scheme**

One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. Bank deposits of up to €100k are protected using a single guarantee fund.

**Depository bank**

A bank providing third parties with a custody and administration service for assets (cash and financial instruments) under management with an asset management company. In the case of mutual funds and pension funds, the depository bank also acts in a supervisory role with respect to the work of the asset management company, regarding both respect for the fund regulations and the correct accounting of the transactions conducted, and calculates the Net Asset Value (NAV).

**Derivative**

Term for a type of financial instrument, the price/return of which is based on the price/return of other assets known as underlying assets, which can be financial instruments, indices, interest rates, currencies or raw materials.

**Dividend**

Amount distributed by a company to its shareholders by way of remuneration for the capital they have invested (risk capital), representing the distribution of net profit for the year.

**Dow Jones**

Index showing the performance of the New York Stock Exchange.

**Duration**

Financial duration of a security, or its residual life, weighted by the flow of coupons that the security will pay in the future. The duration is generally used to measure investments in bonds. The duration expressed in years and days indicates the date by which the holder of a bond regains possession of the principal initially invested, taking the coupons into account. It is an indicator of the interest rate risk of a bond or bond portfolio.

In its most frequent configuration it is calculated as the average due date of the projected cash flows, weighted for the contribution of the current value of each flow to the price.

**Earnings per Share (EPS)**

Ratio of net profit to the average number of outstanding shares at period end, net of treasury shares.

**E-banking**

The use of an electronic network (Internet or similar) that allows customers to carry out a vast range of banking and financial transactions online.

**ECB reference interest rates**

Interest rates set by the Governing Council that reflect European Central Bank monetary policy. Currently they include the minimum bid rate on the main refinancing transactions, the interest rate on the marginal lending facility and the interest rate on the deposit facility of the central bank.

**Economic Value Added (EVA)**

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 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.

**Effective interest rate**

The effective interest rate is the rate that discounts the current value of the future cash flows arising from a loan - in relation to both principal and interest - to the amount disbursed inclusive of the costs/income arising from the loan. This method of accounting using financial logic makes it possible to spread the economic effect of costs/income throughout the residual life of the loan.

**E-learning**

Distance training using computer aids.

**Embedded derivative**

Embedded derivatives are clauses (contractual terms) incorporated in a financial instrument that produce identical effects to those of a stand-alone derivative.

**Embedded value**

The value of a Group's or company's adjusted shareholders' equity plus the value of its business portfolio at the valuation date.

**Emerging markets**

The financial markets of developing countries. These markets offer considerable opportunities to obtain high yields, but are characterised by high risk and volatility.

**Endorsement credit**

Operation through which a bank or finance company undertakes to bear or guarantee a customer's debt to a third-party.

**ESG**

The acronym ESG (Environment, Social and Governance) identifies three areas that constitute the concept of social awareness and guide the choices taken by business operators with their investment policies and pursued strategies.

**Euribor**

Reference interbank rate used in European Union countries. It is calculated as the weighted average of the interest rates at which the major banks operating in the European Union grant loans. It is calculated daily and used as a parameter for setting the variable interest rates on loans.

**Euro area**

The geographical area covered by the member states of the European Union that have adopted the euro, often referred to as the eurozone.

**Euro overnight index average (EONIA)**

The effective overnight euro interest rate for the interbank market. It is calculated as a weighted average of all overnight unsecured lending transactions in the interbank market, initiated within the euro area by a panel of contributing banks.

**European Bank for Reconstruction and Development (EBRD)**

International bank that provides financial assistance to European countries embarking on processes of economic reform.

**European Banking Authority (EBA)**

EU body established by Regulation (EU) No. 1093/2010 made up of representatives of the member states' central banks and supervisory authorities and operating as part of the framework of regulatory activities regarding banking policy. It promotes cooperation and convergence in the financial supervisory practices of the different member states.

**European Banking Federation (EBF)**

Association of banks in Europe that provides a forum for the discussion and agreement of proposals and initiatives regarding banking and the banking industry.

**European Central Bank (ECB)**

European community institution tasked with managing monetary policy in the euro area with the objective of maintaining price stability. The main governing bodies of the ECB are the Governing Council, Executive Board and General Council.

**European Commission**

Executive body of the European Union tasked with the implementation of European Laws (Directives, Regulations and Decisions), and the financial statements and programmes of the European Parliament and Council. It has power of legislative initiative and negotiates international agreements, mainly regarding commerce and cooperation. The President and members of the European Commission are appointed by the member states following the prior approval of the European Parliament.

**European Financial Reporting Advisory Group (EFRAG)**

A committee set up to assist the European Commission with prior technical advice regarding the endorsement of new International Financial Reporting Standards (IFRS).

**European Insurance and Occupational Pensions Authority (EIOPA)**

EU body established by Regulation (EU) No. 1094/2010 with responsibilities of providing effective supervision of the insurance market, especially regarding oversight of cross-border groups, of promoting greater EU harmonisation of insurance and pensions rules, and of protecting consumers.

**European Investment bank (EIB)**

European Union financing institution that supports public or private investment projects in line with EU objectives.

**European Option**

An option that may be exercised only at the expiry date of the option.

**European Securities and Market Authority (ESMA)**

EU body established by Regulation (EU) No. 1095/2010 responsible for safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection.

**European Stability Mechanism (ESM)**

Financial stability mechanism with a maximum lending capacity of €500bn that provides financial assistance to euro area Member States experiencing or threatened by financing difficulties. The main difference with respect to the earlier European Financial Stability Facility (EFSF) regards private sector involvement. The ESM is able to provide loans, buy government bonds on the primary and secondary markets and recapitalise banks, albeit not yet directly.

**European Systemic Risk Board (ESRB)**

EU body established by Regulation (EU) No. 1092/2010. The ESRB is tasked with the macro-prudential oversight of the financial system in the European Union, monitoring and assessing systemic risk in order to contribute to the prevention or mitigation of systemic risks to financial stability.

**European Union (EU)**

Currently made up of 28 members, the European Union is governed by five institutions: the European Parliament, the European Council, the European Commission, the Court of Justice and the Court of Auditors.

**European Union Regulations**

Regulations that are directly applicable and compulsory in all member states of the European Union without any national transposition legislation being required.

**Exchange rate**

The ratio between two different currencies stated as the value of one country's currency expressed in the currency of another.

**Exchange Rate Risk**

The risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of exchange rate fluctuations.

**Exchange-traded funds (ETF)**

Mutual funds which track a given market index. The certificates representing units can be traded on regulated markets. The sole investment objective of an ETF is to passively match the composition and return of a market index (stock market, sector, geographical area, bond market) which is the benchmark. When one of the components of the benchmark changes, the corresponding financial asset in the fund is also changed.

**Expected loss**

The total value of the loan losses that a company could incur over a time horizon of one year. In a portfolio of loans, the expected loss is the average of the loss distribution.

**Exposure At Default (EAD)**

EAD is an estimation of future on-balance sheet and/or off-balance-sheet exposure in the event and at the time of a debtor's default.

**Fair value**

The purchase price for which an asset can be traded or a liability settled in a free transaction between informed and independent parties.

**Fair value hedge**

A hedge of the exposure to fluctuations in fair value of a recognised asset or liability that are attributable to a particular risk.

**Fair value option (FVO)**

The fair value option permits entities to designate a financial instrument to be measured at fair value. The option can also be exercised for financial instruments that are not derivatives and not held for trading, allowing them to be measured at fair value in the income statement.

**Fairness/Legal opinion**

Opinion provided upon request by experts recognised for their professionalism and competence regarding the congruence of economic conditions and/or the legitimacy and/or technical aspects of a given transaction.

**Federal funds rate**

Short-term interest rate in the United States federal funds market, in which banks excess reserves with the Federal Reserve are traded. Although it is a market rate, the Federal Reserve announces a short-term rate target for its open market transactions, and the effective rate is generally close to this target rate.

**Federal Reserve (Fed)**

The Federal Reserve (Bank) or just Fed is the Central Bank of the United States.

**Financial Crisis Advisory Group (FCAG)**

Body supporting the International Accounting Standards Board (IASB) and U.S. Financial Accounting Standards Board (FASB), tasked with considering critical financial reporting issues and proposing solutions to overcome them.

**Financial instruments quoted in an active market**

A financial instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred over a normal reference period are readily and regularly available through stock exchanges, dealers, brokers, sector companies, pricing services or authorised bodies.

**Financial intermediary**

Professional figure who provides the public with financial products and services (purchase of equities, granting of loans, provision of payable services and foreign exchange broking).

**Financial Stability Board (FSB)**

International body tasked with monitoring the global financial system in order to develop and promote policies in the interest of financial stability.

**Forborne exposures**

Forborne exposures can be non-performing or performing as follows.

- Non-performing exposures with forbearance measures. These exposures can be an item under doubtful loans, unlikely to pay or non-performing past due or overdue loans. They do not represent a category of impaired assets of their own;
- Forborne performing exposures.

**Forwards**

Forward contracts on interest rates, exchange rates or stock market indices, generally traded in Over The Counter markets, in which the conditions are stipulated when the contract is agreed but performance occurs at a predetermined future date, through the receipt or payment of differentials calculated with reference to parameters that differ depending on the subject of the contract.

**Front-end fees**

Fees paid by customers when signing a contract and when making any subsequent payments.

**FTSE MIB**

The principal benchmark index for the Italian equity markets. The index measures the performance of the 40 most-capitalised Italian shares and seeks to replicate the broad sector weights of the Italian stock market. The FTSE MIB Index is market capitalisation-weighted after adjusting constituents for float.

**Funding**

Obtaining, in various forms, the funds needed to finance company operations or specific financial transactions.

**Futures**

Standardised forward contracts with which the parties commit to exchanging assets or commodities at a predetermined price on a future date. These contracts are as a rule traded on regulated markets, where their performance is guaranteed. In practice, futures on assets often do not involve the physical exchange of the underlying asset.

**Gain**

Positive economic amount resulting from the sale of an asset at a higher price than the purchase price.

**Global reporting initiative (GRI)**

An independent international organisation with the object of developing and disseminating guidelines for the proper reporting of the three elements of sustainability: the economy, environment and society.

**Goodwill**

The goodwill paid for the acquisition of an equity investment in a subsidiary equals the difference between the purchase price and the corresponding portion of shareholders' equity for the part that cannot be attributed to the separable assets of the company purchased.

**Gross Domestic Product (GDP)**

The total value of the end goods and services produced by a country in a given period of time using its own home market input. When calculated at current prices, it is known as nominal GDP, and when calculated at constant prices (base-year prices), it is known as real GDP.

**Gross inflows**

Assets gathered through new business in mutual funds, discretionary accounts and life insurance (inflows) gross of payments (outflows) in the same period.

**Guided Open Architecture**

A service that offers third-party products alongside and to complement our Group products with a view to providing investors with a complete range of products.

**Hang Seng**

Hong Kong stock market index.

**Harmonised mutual funds**

Open-ended mutual funds able to offer units (shares) to the public with certain investment limits. These limits include the requirement to invest predominantly in quoted financial instruments.

**Hedge accounting**

Rules regarding the accounting of hedging transactions.

**Hedge fund**

Mutual fund that uses hedging instruments to obtain a better risk/return ratio. It is not limited in terms of objective or investment instrument and can even finance positions through high levels of borrowing.

**Hedging**

Hedging transactions are entered into to cover the risk of undesirable fluctuations in exchange rates, securities, interest rates and commodities etc.

**Holding Company**

A company that has controlling interests in several companies.

**Home Banking**

Banking service for private customers which allows them to use a computer at home to execute transactions such as payment instructions and utility payments, to request services such as the issue of new cheque books and to obtain information on their banking situation.

**IAS/IFRS**

The International Accounting Standards/International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), adopted by the countries of the European Union from 2005 for companies listed on the stock exchange.

**Impaired loans**

Loans that show evidence of a possible decline in value (impairment loss) as a result of events occurring after their initial recognition. They include loans that have been given the status of doubtful loans, debtor unlikely to pay loans and non-performing past due loans in accordance with the Bank of Italy rules in line with the IAS/IFRS.

**Impairment**

A financial asset is considered to be impaired when its book value is higher than its estimated recoverable value.

**Impairment test**

An impairment test is an estimate of the recoverable value (which is the higher of fair value less costs to sell and the value in use) of an asset or group of assets. IAS 36 requires the following to undergo an impairment test on an annual basis:

- Intangible assets with an indefinite useful life;
- Goodwill acquired in a business combination transaction;
- Any asset, if there is an indication that it may have suffered a permanent impairment loss.

**In the money**

Expression regarding option contracts. A call option is in the money when the market price is higher than the strike price, whereas a put option is in the money when the market price is lower than the strike price.

**Incurred loss**

A loss that is already inherent in a portfolio but not yet identifiable at individual loan level. Also known as "incurred but not reported loss". It represents the credit risk inherent in a portfolio of performing loans, and is a basic indicator of the total presumptive adjustments required in the financial statements.

**Index-Linked Policies**

A life insurance policy where the benefit upon maturity depends on the performance of a reference parameter that can be a share price index, a basket of securities or other indicator.

**Inflation**

Phenomenon in which price changes impact on asset purchasing power expressed in nominal terms. Measured statistically by an index regarding a basket of specific goods.

**Information system**

The system of infrastructures, personnel and procedures used to manage important information for a company. The part of this system which is managed using information technology is generally called the information technology (IT) system.

**Initial public offering (IPO)**

Offering to the public of the shares of a company that intends to be listed on a regulated market.

**Insolvency**

Situation in which a debtor is no longer able to meet their financial commitments as they fall due.

**Institute of International Finance (IIF)**

The IIF is the biggest global association of financial institutions. Founded in 1983 in response to the international debt crisis, the IIF has evolved to meet the changing needs of the financial community, supporting the financial industry in prudently managing risks and developing best practices and standards with a view to fostering global financial stability.

**Institutional investors**

Entities such as banks, insurance companies, asset management companies and stockbrokers which invest in securities for professional reasons.

**Integrated Report**

A document reporting on how the governance, business model and overall vision of an organisation, its operating context, opportunities and risks, strategy and plans for the allocation of its resources, its performance and future prospects contribute to the creation and preservation of value in the short, medium and long term.

**Integrated reporting**

Body of processes and activities through which an organisation communicates its ability to create and preserve value in the short, medium and long term, integrating financial reporting with reporting on strategies, future development plans, risks, opportunities and topics relating to governance and to economic, environmental and social impacts.

**Interbank Deposit Protection Fund (IDPF)**

A deposit guarantee scheme, set up in the form of a private consortium recognised by the Bank of Italy. Its members are Italian banks other than mutual savings banks and its purpose is to guarantee the depositors of member banks for amounts up to €100k. The Fund intervenes in cases of compulsory administrative liquidation or extraordinary administration, following authorisation by the Bank of Italy. The resources for these interventions are provided by the member banks subsequent to the emergence of the crisis affecting the bank (ex post), at the request of the Fund.

**Interbank market**

A residual money market, offered by banks with excess funds and taken up by banks that need additional funds to meet their liquidity requirements. The introduction of the euro created a single large European interbank market with the Euribor as its reference rate.

**Interest**

Remuneration for principal borrowed.

**Interest rate risk**

The financial risk to which a bank is exposed as a result of a fluctuation in interest rates, which can be measured in terms of potential changes in future net interest income or in the current value of shareholders' equity (considered as the difference between the current value of interest-bearing assets and interest-bearing liabilities).

**Interest Rate Swap (IRS)**

A contract in which the counterparties agree to exchange cash flows, paying a fixed/floating or floating/floating rate on a given notional principal amount.

**International Accounting Standards Board (IASB)**

The international body responsible for issuing the IAS/IFRS international accounting standards.

**International Banking Federation (IBFed)**

The body that represents the major national banking associations, founded with the object of promoting effective action and agreed responses to questions of mutual interest.

**International Financial Reporting Interpretations Committee (IFRIC)**

The IASB committee that issues the official interpretations of the IAS/IFRS international financial reporting standards.

**International Integrated Reporting Council (IIRC)**

An international committee whose mission is to create a global framework that integrates financial, environmental, social and governance information in a manner that is clear, concise, cohesive, comparable and able to respond to the complexities of the current socio-economic environment, cohesively integrating different reporting models.

**International Monetary Fund (IMF)**

An organisation of almost two hundred member countries working to foster global monetary cooperation, develop international trade and support the resolution of financial crises caused by balance of payment imbalances.

**International Organization of Securities Commissions (IOSCO)**

An organisation made up of representatives of the supervisory authorities overseeing the securities markets. It promotes regulatory standards with a view to improving efficient operation of the markets. The organisation also aims to strengthen cooperation between its member authorities.

**International Valuation Standards Council (IVSC)**

An independent organisation of valuation experts with the object of developing high quality international valuation standards and taking part in the international debate of valuation experts, cooperating with other international organisations.

**Investment grade**

Term for a medium-to-high rating of an issuer or bond (higher than S&P's BBB and Moody's Baa2). Classifying a financial instrument as investment grade implicitly means it is of medium-to-high quality.

**ISIN**

A 12-digit alphanumeric code that uniquely identifies the securities in circulation of all member countries of the International Organization for Standardization (ISO).

**ISTAT**

Italy's National Institute of Statistics, founded in 1926, which produces statistics on all aspects of Italian economic and social life.

**Istituto per la Vigilanza sulle Assicurazioni (IVASS) - Italian Insurance Regulator**

Independent authority that works to ensure the stability of the market and insurance companies, as well as the transparency of insurance products, in the interest of insureds and users in general.

**Joint venture**

Agreement between two or more companies to undertake a given business activity, generally by establishing a joint stock company.

**Junior bond**

In a securitisation transaction, the most subordinated tranche of securities issued and the first to absorb any losses that may be encountered in the process of recovering the underlying assets.

**Liquidity**

Convertibility into cash. When liquidity regards an investment, it refers to the potential of that investment to be converted into cash quickly and without difficulty.

**Liquidity risk**

The risk of an entity encountering difficulties in obtaining the funds to meet the obligations deriving from financial instruments.

**Lock-up**

Period of time during which management and large investors are prohibited from selling their shares.

**London Benchmarking Group (LBG)**

A network of companies committed to measuring and reporting the value and impact of their community investment. The London Benchmarking Group has drawn up a comprehensively-structured reporting model that has become an internationally-recognised standard, widely endorsed by many organisations, including the main sustainability indices (such as the Dow Jones Sustainability Index).

**Long position**

The market purchase of a security with the expectation that the asset will rise in value on any market.

**Loss Given Default (LGD)**

The estimated share of an asset that is lost if a debtor defaults.

**Mark to Market**

A process for valuing a portfolio of securities or other financial instruments on the basis of market prices.

**Market**

A place where demand and supply for one or more goods or services meet, and where this meeting leads to the determination of a price at which sellers are prepared to sell their assets and buyers to purchase them.

**Market capitalisation**

A company's value on the stock market: the sum of the market price of its different classes of shares, multiplied by the number of shares issued.

**Market making**

A financial activity carried out by specialist brokers with the aim of ensuring the liquidity and depth of the market, both through their continuous presence and through their function as a competitive guide for determining prices.

**Market risk**

The risk of losses on balance-sheet and off-balance-sheet positions that could result from unfavourable fluctuations in market prices. The variables that constitute the different types of risks forming market risk are: interest rates (interest rate risk), market prices (price risk) and exchange rates (exchange rate risk).

**Material aspects**

Material Aspects are those that reflect the organization's significant economic, environmental and social impacts; or substantially influence the assessments and decisions of stakeholders.

**Materiality**

Consists in determining the relevance and significance of a topic for an organisation and its stakeholders. A topic is material to an organisation and its stakeholders if it influences their decisions, actions and performance.

**Mercato interbancario dei depositi (e-MID - interbank market of deposits)**

Electronic market for trading in interbank deposits operated by the company e-MID S.p.A..

**Mercato Telematico Azionario (MTA - electronic stock exchange)**

The electronic stock exchange division of the Italian stock exchange on which ordinary shares, preference shares, savings shares, convertible bonds, pre-emption rights, warrants, covered warrants and units in closed-ended equity and real-estate funds are traded.

**Merger**

Transaction in which a number of legal entities are replaced with one.

**Mezzanine bond**

In a securitisation transaction, the intermediate subordinated tranche between the junior tranche and senior tranche.

**MiFID**

The Markets in Financial Instruments Directive is Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 regarding investment services in the financial instruments sector.

**MiFID 2**

The new European directive on investment services addresses the goal of creating a single market for financial services in Europe, which guarantee complete and fair di-

sclosure to investors, management of potential conflicts of interest, and adequate client profiling.

**Monte Titoli S.p.A.**

Joint stock company that acts as Italy's centralised manager of the shares and bonds issued by private companies. Financial instruments listed in Italy must be entered in Monte Titoli's dematerialisation and centralisation system, which records every change of ownership.

**Morgan Stanley Capital International All Country World Index (MSCI ACWI)**

An index measuring the stock performance of principal listed companies worldwide. The vast measurement basis of the index reflects the average situation of stock markets worldwide and provides information on the performance of a hypothetical equity investment on the world market, measured as the weighted average of the performance of the regional markets. The MSCI ACWI is made up of 47 country indices, comprising 23 of securities traded on developed country markets and 24 of securities traded on emerging country markets.

**Mutual fund**

Independent assets in the form of a diversified portfolio of financial assets divided up into units belonging to a large number of holders and managed by a special management company.

**NASDAQ**

Acronym of National Association of Securities Dealers Automated Quotation. The US electronic stock exchange for securities which usually have lower capitalisation than those listed on the New York Stock Exchange.

**Net Asset Value (NAV)**

The value per unit (share) of a fund's assets minus its liabilities.

**Net inflows**

Assets gathered through new business in mutual funds, discretionary accounts and life insurance (inflows) net of payments (outflows) in the same period.

**Network italiano per il business reporting (NIBR - Italian business reporting network)**

The Italian business reporting network is the official Italian participant of the World Intellectual Capital Initiative (WICI) at global and European level with the object of making a substantial contribution to the development of Business Reporting, particularly in its non-financial aspects and where intangibles are concerned, through identifying sector Key Performance Indicators that are critical for the development of organisations and for the management of their capacity to create value.

**New York Stock Exchange (NYSE)**

The New York Stock Exchange is the world's largest stock exchange by market capitalisation of its listed companies. The NYSE was founded in 1817 and merged with Euronext in 2007, creating a global capital market that includes the principal European markets.

**Nikkei 225**

Tokyo stock market index of the top 225 shares listed in the first section of the stock exchange, with the highest capitalisation and liquidity.

**Nominal value**

For shares: the fraction of share capital represented by a single share. For bonds: the value that the issuer commits to repaying upon maturity and on which the interest is calculated. It does not change over time and is not influenced by the issuer's financial situation. In the case of shares, it can only be changed by means of a change to the Articles of Association and the consequent splitting or consolidation of shares. The nominal value (also known as par value or face value) is not the same as the issue price (shares can be issued for a higher amount than their nominal value, that is to say with a premium, while bonds can not only be issued above par but below par as well); nor is it the same, for shares, as the current value or market value.

**Non-financial disclosure**

A non-financial disclosure covers environmental, social, human resources and human rights compliance issues, and measures against bribery and extortion. This disclosure, introduced by Legislative Decree 254/2016, is mandatory for all large businesses and groups.

**Non-performing loan**

Loan to a party that is insolvent or in a substantially equivalent situation.

**Official reserves**

The official reserves held by central banks consist of universally-accepted means of payment, mainly dollars and gold, on which they can draw to finance the import of essential goods in the event of a crisis or to intervene on the foreign exchange market to support their currency.

**Online trading**

System for trading financial assets on the stock exchange using a computer.

**Open market operations**

The purchase or sale of government bonds by a country's central bank with the aim of controlling the monetary base of an economy.

**Operational risk**

The risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. This definition includes legal risk.

**Option**

The entitlement but not the obligation, acquired through the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a predetermined price (strike price) by or at a given future date.

**Organisation for Economic Cooperation and Development (OECD)**

An international organisation with head office in Paris set up to promote maximum economic development, full employment and the growth of international trade.

**Organismo Italiano di Contabilità (OIC - Italian accounting standards body)**

Standards setting organisation for accounting matters in Italy. It issues accounting standards for financial statements regarding matters not provided for by the IAS/IFRS, provides support regarding the application of the IAS/IFRS in Italy and assists Italian lawmakers in the issue of accounting regulations.

**Organismo Italiano di Valutazione (OIV - Italian valuation standards body)**

The Italian valuation standards body was founded in November 2011 with the object of providing and updating Italian Valuation Standards for the measurement of companies, financial instruments and real assets, participating in the international debate of valuation experts and becoming a reference body for Italian lawmakers.

**Other related parties – close relatives**

Close relatives of a person who may influence or be influenced by that person in their dealings with an entity, including cohabiting partners (and spouses from whom the person is not legally separated), children, children of a cohabiting partner and dependants of the person or cohabiting partner.

**Out of the money**

Said of a call option when the strike price is above the spot price of the underlying asset, and of a put option when the strike price is below the spot price.

**Outright Monetary Transaction (OMT)**

Programme launched by the Governing Council of the European Central Bank in 2012. It provides for unlimited purchases, without the subordination of private investors, of short-term government bonds issued by euro area countries which have declared they are in economic difficulty. It requires the submission of a formal request for help to the ESM bailout fund in order to be activated, and that the specified conditions of the intervention be respected in the future.

**Outsourcing**

Use of an outside company to provide goods or services.

**Over The Counter (OTC)**

Transactions entered into directly by the parties concerned without using a regulated market.

**Overdue loan**

Loans to parties with loans that are overdue or past due at period end as defined by the related Bank of Italy rules.

**Overnight**

Interbank transaction in which one bank lends money to another bank with the commitment that the loan will be repaid the following day. The interest is also paid upon repayment.

**Own funds**

In the new regulatory framework, own funds are composed of the sum of Tier 1 capital and Tier 2 capital.

**PattiChiari**

A project formed by a consortium of Italian banks to offer simple, modern, certified tools that enable customers to make a better choice of financial products by ensuring clarity, ease of understanding and ease of comparison.

**Pay-out Ratio**

The percentage of a company's income that is distributed to shareholders in the form of a dividend related to the company's total income.

**Pension funds**

Bodies/management companies (in certain cases with the status of a legal person) which pay out supplementary pension benefits.

**Performance**

Result obtained by a mutual fund over a given period of time. Performance is measured by the increase in value of a unit in the reference period with respect to a benchmark.

**Performance fees**

Recurring fees withheld by an asset management company exclusively on the basis of the performance of the product managed. The percentage charged is usually linked to any increase in the value of a unit with respect to a reference parameter. This reference parameter can be a benchmark or another indicator, such as the rate of inflation, for example.

**Performing loan**

Loan to a party that did not present any specific insolvency risks at period end.

**Personal Financial Advisers**

A natural person who - as an employee, agent or authorised representative - is professionally engaged in the off-site offer of financial instruments and/or investment services in accordance, in Italy, with the provisions of the Italian Finance Consolidation Act (TUF) and the laws and regulations implementing them. The work of a Personal Financial Adviser is carried out exclusively in the interest of a single principal. In order to practice the profession in Italy, a Personal Financial Adviser must be registered in a register kept for the purpose by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

**Plain vanilla (derivatives)**

Products whose price depends on the price of the underlying instrument, which is quoted on regulated markets.

**Portfolio**

The real and financial assets held by an individual investor.

**Position**

Market commitment to buy or sell financial instruments.

**Pre-emption right**

Right of shareholders or holders of convertible bonds to buy a number of shares or bonds that is proportional to those already held, which can be sold on the stock market if the right is not exercised.

**Price risk**

The risk that the fair value or future cash flows of a financial instrument could fluctuate following fluctuations in market prices (other than the fluctuations caused by interest rate risk or exchange rate risk) arising from factors specific to the individual instrument or to its issuer, or due to factors that influence all similar financial instruments traded on the market.

**Pricing**

Generally speaking, the procedures used to calculate the returns/yields and/or costs of the products and services offered by a bank.

**Primary market**

Complex of underwriting or sale transactions for the public issuance of securities.

**Prime rate**

The interest rate that banks offer for loans to their most important customers. The Prime Rate depends on general market conditions, the availability of reserves and the amount of the loan, and can vary from one country to another.

**Private banking**

Financial services for the global management of private customers' financial requirements.

**Prospectus**

A document for the public providing detailed information on a company making a public offering.

**Prudential filters**

Filters used in calculating own funds that apply corrections to the financial statement items in order to maintain the quality of own funds and reduce any potential volatility that could arise from the application of the IAS/IFRS international financial reporting standards.

**PSD2**

Directive 2015/2366/EU on payment services promotes the development of an efficient, secure and competitive internal market for retail payments by strengthening user protection, supporting innovation and improving the security levels of services.

**Public offer for sale**

Offering, to the public, of a block of shares by the controlling group, through a placement.

**Public offer for subscription**

An offer to the public of shares in the process of issue regarding which the old shareholders have waived their pre-emption rights either partially or totally.

**Public purchase and exchange offer**

A mixed purchase and exchange offering in which shares can be purchased or exchanged with others.

**Public Purchase Offer (PPO)**

Transaction by which a substantial number of shares in a listed company is purchased in order to acquire control of said company. The Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) has set the maximum ownership limit for any controlling shareholder

at 30%, above which it is obligatory to launch a PPO for the remaining shares on the market.

#### **Put option**

An option contract that, upon payment of a premium, gives the buyer the right but not the obligation to sell a given asset at a predetermined price (strike price).

#### **Rating**

An assessment of the creditworthiness of a company or of the debt securities it issues on the basis of the financial soundness of the company and of its prospects. This assessment is carried out by specialist agencies.

#### **Rating Agency**

Independent company that specialises in assigning credit ratings to the issuers of financial instruments. The rating is expressed as a combination of letters and/or digits.

#### **Recession**

Commonly used to mean an extended decline in Gross Domestic Product (GDP). In economics, this means a decline in GDP for at least two consecutive quarters.

#### **Recurring fees**

Fees withheld by an asset management company by way of remuneration for their management activities, calculated in relation to the market value of the assets managed.

#### **Repurchase agreements**

Financial instruments largely consisting in lending agreements in accordance with which the holder sells securities to or buys them from a bank or other financial institution at a predetermined price with a commitment to buy back or resell the same securities at a future date.

#### **Residual public purchase offer**

Public purchase offer provided for by Italian law to protect non-controlling shareholders against the possibility of shares being delisted or traded irregularly. A shareholder owning more than 90% of the ordinary share capital of a listed company is required to launch a residual public purchase offer.

#### **Retail Customers**

A customer segment that principally comprises private individuals, professionals, retailers and the owners of small enterprises.

#### **Return**

The total profit on an investment expressed as a percentage of the capital invested.

#### **Return On Assets (ROA)**

The ratio of net profit to total assets.

#### **Return On Equity (ROE)**

The ratio of net profit to average shareholders' equity.

#### **Risk factors**

The factors that give rise to the risk of a financial instrument or portfolio (e.g. exchange rates, interest rates etc.).

#### **Risk Management**

The acquisition, measurement, evaluation and global management of the various different types of risk and their respective hedging.

#### **Risk Weighted Assets (RWA)**

On and off-balance-sheet assets (derivatives and guarantees) classified and weighted in relation to different risk ratios in accordance with the banking regulations issued by the supervisory authorities for calculating capital ratios.

#### **Risk-free interest rate**

The interest rate of a risk-free investment, which is to say an investment where there is no uncertainty regarding the cash flows generated. Risk-free investments are generally exemplified by short-term government securities, since the fact that governments have the power to print money makes it extremely unlikely they will not comply with their financial obligations. The risk-free interest rate can be measured in real terms (after taking price fluctuations into account) or in nominal terms (in which case the nominal risk-free rate is the expected real risk-free rate plus the expected inflation rate). The return required of any security can be expressed as the sum of the nominal risk-free rate plus the risk premium.

#### **Scope of sustainability reporting**

It identifies the boundaries of the economic, social and environmental impacts of the material aspects identified. Impacts can occur internally and/or externally to the organisation.

#### **Secondary market**

Market on which previously-issued financial instruments are bought and sold.

#### **Securitisation**

Transactions in which pools of assets are transferred to a "Special Purpose Vehicle" company and the latter issues securities with different degrees of subordination regarding potential losses on the underlying assets.

#### **Segment reporting**

The reporting of financial results by business segment and geographical area.

#### **SEI Advanced Advisory Service**

A service Fideuram launched in 2009 on which customers pay commission. The service consists in identifying each customer's individual requirements classified by "area of need", in analysing their development over time, in analysing and providing advisory support regarding their overall position, including any portfolios held with third-party institutions, in providing in-depth risk-return profile analysis, in identifying appropriate investment strategies and solutions for each individual area of need and in monitoring the portfolio by area of need.

#### **Senior bond**

In a securitisation transaction, the most privileged tranche in terms of priority of payment of principal and interest.

**Sensitivity**

The risk, arising in securities transactions, of the counterparty not fulfilling their obligation to deliver the securities or pay the amount owed after maturity.

**SEPA**

Single Euro Payments Area, to which the 28 Member States of the European Union and other non-EU countries belong. Everyone executing economic transactions within this area may make and receive payments in euro according the same standard rules, procedures and practices.

**Settlement risk**

The risk, arising in securities transactions, of the counterparty not fulfilling their obligation to deliver the securities or pay the amount owed after maturity.

**Share**

A unit of ownership of the share capital of a joint stock company or a partnership company limited by shares. The owner of a share has the status of shareholder. Should the company go into liquidation, repayment of the share capital is made on a residual basis after all the other creditors have been paid.

**Share capital**

The sum of the nominal values of all the shares issued by a company, corresponding to the capital received from shareholders at its foundation and subsequent changes.

**Shareholders' equity**

On a company balance sheet, the shareholders' equity is the difference between the assets and liabilities.

**Short position**

The market sale of a security with the expectation that the asset will fall in value.

**Single Resolution Mechanism (SRM)**

One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism provides for a Single Resolution Committee that resolves bank and investment firm crises in the euro area, operating in accordance with harmonised regulations and making use of the Single Resolution Fund.

**Single Supervisory Mechanism (SSM)**

One of the three pillars of the euro area banking union, set up in 2014 to meet the challenges of fragmentation in the European financial market. The mechanism grants the European Central Bank a direct supervisory role regarding the major euro area banks, with the objective of ensuring harmonised supervisory criteria.

**Società di gestione del risparmio (SGR - asset management company)**

A joint stock company under Italian law with registered office and general management in Italy that is authorised to provide collective asset management and individual portfolio management services for third parties, together with any other services and activities provided for by the relevant laws and regulations in force.

**Società di intermediazione mobiliare (SIM - stock-brokers)**

An intermediary authorised to provide investment services including, amongst others, dealing on their own behalf and on behalf of third parties, the receipt and transmission of trading orders, the broking of services and asset management.

**Società di investimento a capitale variabile (SICAV - open-ended investment company)**

A mutual fund with the structure of a joint stock company and the exclusive object of investing its assets. In contrast to a mutual fund, in which one owns units, one owns shares in a SICAV. The subscribers of a SICAV are therefore entitled to take part in the Shareholders' Meeting.

**Special Purpose Vehicle (SPV)**

Special Purpose Vehicles are companies that are set up by one or more entities to fulfil a specific objective.

**Speculative grade**

Term for a low rating of an issuer or bond (less than S&P's BBB and Moody's Baa2). Classifying a financial instrument as speculative grade implicitly means that it is exposed to high credit risk.

**Spin off**

This is when part of the assets of a company is separated from it to form a new legal entity.

**Spread**

The difference between the interest rates of different securities with the same maturities. Normally used by Banca Fideuram to measure the difference in yield between the ten-year Bund, Germany's ten-year government bond, and Italy's equivalent, the Buono del Tesoro Poliennale (BTP). When the BTP/Bund spread widens it means that the interest the Italian government has to pay market investors rises in comparison with the equivalent German government bond. In practice, it is a measure of Italy's risk compared to Germany, the benchmark country.

**Stakeholder engagement**

The process of exchanging information with, listening to and learning from stakeholders with the intention of building mutual understanding and trust regarding problems of mutual interest. Its value lies in the possibility of combining the achievement of corporate goals with meeting the expectations of stakeholders.

**Stakeholders**

Parties who for various reasons interact with the activities of a company, being involved in its results, influencing its performance and evaluating its economic, social and environmental impact.

**Statutory reserve**

The minimum amount that a bank is required to hold by way of reserves under the Eurosystem. Compliance with this requirement is assessed on the basis of the average daily reserve holdings over a maintenance period.

**Stock exchange list**

List of quoted prices of securities listed on a stock exchange.

**Stock exchange price**

The value of a security in official trading.

**Stock options**

Option contracts which grant the entitlement to purchase shares in a company within a predetermined time and at a predetermined price. They are used as a form of supplementary remuneration in bonus and loyalty schemes.

**Stress test**

A simulation procedure used to measure the impact of extreme market scenarios on the bank's total risk exposure.

**Strike price**

The exercise price of an option.

**Structured security**

A security comprising a fixed component which is similar to a normal bond and a derivative component which is similar to an option, linked to the performance of an external factor.

**Sub-fund**

Subdivision of an umbrella fund or SICAV, distinguished by its management characteristics. A sub-fund represents capital that is independent of the asset management company's capital and of all the other funds or sub-funds that it manages.

**Subprime**

A subprime mortgage is, by definition, a mortgage granted to a party who would not have been able to obtain a more favourable rate on the credit market. Subprime debtors typically have low credit ratings and credit histories of defaults, attachments, bankruptcy and late payment. Because subprime debtors are considered to be at a high risk of insolvency, subprime mortgages typically have less favourable conditions than other types of lending. These conditions include higher interest rates, fees and premiums.

**Sustainability Reporting**

The process by which an organisation measures, communicates and takes responsibility for its performance from the standpoint of achieving the objective of sustainable development.

**Swaps**

Transactions that generally consist in the exchange of cash flows between operators in accordance with different types of contracts. In the case of an interest rate swap, the counterparties exchange payment cash flows, which may or may not be linked to interest rates, calculated on a notional principal amount (e.g.: one counterparty pays a fixed-rate while the other pays a floating-rate). In the case of a currency swap, the counterparties exchange specific amounts in different currencies, repaying them over time following predetermined procedures, which may regard both the notional principal and the interest-rate-linked cash flows.

**Tax rate**

Effective tax rate, resulting from the relationship between income taxes and income before taxes.

**Technical form**

The type of contract used for a given inflow or investment relationship.

**Tier 1 capital (T1)**

Comprised of Common Equity Tier 1 capital (CET1) plus additional Tier 1 capital (AT1).

**Tier 1 ratio**

Ratio of the bank's Tier 1 capital to its total risk-weighted assets (RWA).

**Tier 2 capital (T2)**

Principally comprised of eligible subordinated liabilities and any excesses of write-downs for anticipated losses (excess reserves) for loan positions risk-weighted following the IRB approach.

**Time value**

Change in the financial value of an instrument in relation to the different time horizon at which given cash flows become available or fall due.

**Total Capital Ratio**

Ratio of own funds to total risk-weighted assets (RWA).

**Trading book**

The portion of a bank's securities or financial instruments in general that is held for trading purposes.

**Underlying instrument**

Financial instrument that determines the value of a derivative instrument or structured security.

**Unemployment rate**

The percentage of workers, or rather of the workforce, which is not able to find a job.

**Unit-Linked Policies**

Life insurance policies where the benefits are linked to the value of investment funds. A policy may provide a capital guarantee or guaranteed minimum return.

**Unlikely to pay**

Loans that are not doubtful loans, where the bank assesses the borrower as being unlikely to meet their payment obligations in full (principal and/or interest) without recourse to action such as the enforcement of collateral are classified as "Debtor unlikely to pay".

**Value added**

The total wealth created by a company and distributed to its stakeholders (community, financial partners, human resources, business partners/shareholders and Local and Government Bodies) or reinvested in the company (undistributed net profit and depreciation allowances). The difference between gross production and the consumption of goods and services.

**Value in use**

The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

**VaR**

Criterion for measuring market risk that follows a probabilistic approach, quantifying the risk in relation to the maximum loss that may be expected with a certain probability, on the basis of historical price fluctuations, with respect to

a single position or an entire portfolio of securities for a specific time horizon.

**View Advanced Advisory Service**

Intesa Sanpaolo Private Banking fee-paying advisory service launched to customers in 2016. View provides a complete advisory service that 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.

**Volatility**

Statistical indicator for measuring the price fluctuation of a financial instrument with respect to its average price in a given period. The greater the volatility of a financial instrument, the riskier it is.

**World Bank**

Bank which contributes to the development of emerging countries as one of its principal objectives.

**World Intellectual Capital Initiative (WICI)**

A global network which aims to establish a new and broader conceptual framework for Business Reporting that is able to provide more satisfactory and exhaustive reporting than traditional financial information on the various different dimensions of corporate performance, including with respect to intangibles, and to provide a wider platform for non-financial information (Key Performance Indicators) that enables one to measure the capacity of companies to create value sustainably over time.

**Write-back**

Restoring (writing back) the value of assets items that were written down in prior financial years.

**Write-down**

The writing down of assets items in financial statements (to a lower value).





11. Contact us

## Branches and Personal Financial Advisers' Offices

### FIDEURAM BRANCHES

Abbiategrosso - Alba - Alessandria - Ancona - Arezzo - Asti - Bari - Belluno - Bergamo - Biella - Bologna - Bolzano - Brescia - Busto Arsizio - Cagliari - Caserta - Catania - Cernusco Sul Naviglio - Cesena - Como - Cremona - Cuneo - Darfo - Empoli - Ferrara - Florence - Foggia - Forlì - Frosinone - Genoa - Ivrea - La Spezia - Latina - Lecce - Lecco - Livorno - Lodi - Lucca - Macerata - Mantua - Massa - Messina - Mestre - Milan - Modena - Moncalieri - Montecatini Terme - Monza - Naples - Novara - Padua - Palermo - Parma - Pavia - Perugia - Pescara - Piacenza - Pisa - Pordenone - Prato - Ravenna - Reggio Calabria - Reggio Emilia - Rho - Rimini - Rome - Rovigo - Salerno - Sanremo - Savona - Seregno - Sesto San Giovanni - Siena - Siracusa - Turin - Trento - Treviglio - Treviso - Trieste - Udine - Varese - Verbania - Verona - Vicenza

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### INTESA SANPAOLO PRIVATE BANKING BRANCHES

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### INTESA SANPAOLO PRIVATE BANKING PERSONAL FINANCIAL ADVISERS' OFFICES

Bari - Salò - Genoa

### INTESA SANPAOLO PRIVATE BANK (SUISSE) BRANCH

Lugano

(at 31 December 2017)

## Fideuram in a click

Fideuram's Mobile Banking provides access to banking services and information at any time of the day or night.



The dedicated “**Fideuram**” iPhone or iPad app can be downloaded free of charge from the **App Store / iTunes** and from **Google Play** for devices that use the Android operating system. Customers using smartphones with other operating systems can simply enter [www.fideuram.it](http://www.fideuram.it) in their browser app to be transferred to the mobile site automatically.

### Contacts

Websites: [www.fideuram.it](http://www.fideuram.it) and [www.intesasanpaoloprivatebanking.it](http://www.intesasanpaoloprivatebanking.it)

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- has been prepared in accordance with the reporting framework of the International Integrated Reporting Council (IIRC) of 9 December 2013.

Integrated Annual Report Project:  
**Administration and Reporting**

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

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

Set in an architectural context of great value, **Gallerie d'Italia - Piazza Scala in Milan** displays a selection of two hundred nineteenth-century works of the Lombard school of painting, along with a collection representative of twentieth-century Italian art. **Gallerie d'Italia - Palazzo Leoni Montanari in Vicenza** holds the most important western collection of Russian icons, examples of eighteenth-century Veneto art, and a collection of Attic and Magna Graecia pottery.

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

Cover photo:



CARLO BRANCACCIO (Naples 1861–1920)

**Napoli, Via Toledo: impressione di pioggia / Naples, Via Toledo: Rain Impression c. 1888-1889**

oil on canvas, 40 x 80 cm

Intesa Sanpaolo Collection

Gallerie d'Italia - Palazzo Zevallos Stigliano, Naples

*Napoli, Via Toledo: impressione di pioggia / Naples, Via Toledo: Rain Impression* by Carlo Brancaccio depicts an outdoor daily-life scene with a lively narrative style. The artist is particularly renowned for his radiant depictions of the most famous streets and sites in Naples, as well as for his seascapes and landscapes.

This picture is part of the permanent collection on display at Gallerie d'Italia - Palazzo Zevallos Stigliano, Intesa Sanpaolo's museum venue in Via Toledo, Naples. This collection of nineteenth-century paintings offers a remarkable overview of landscape painting, a genre that experienced an incredible season in Naples, on a par with the most advanced figurations developed in the rest of Europe.



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