FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

Half-year Report at 30 June 2021

Bank of INTESA SANPAOLO

Mission

of Fideuram - Intesa Sanpaolo Private Banking

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

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

Half-year Report at 30 June 2021

Introduction

The recovery of the global economy from the pandemic crisis continued in the first half of 2021, albeit differently and with varying degrees of intensity depending on the geographical area. The discriminating factors are the speed of vaccination campaigns, the efficiency of infection prevention measures and, finally, the intensity of fiscal support for economic recovery. The progress in vaccinations has resulted in a marked decline in infections globally and has allowed for a gradual relaxation of social distancing measures in areas where the share of the vaccinated population has been larger, such as the US, the UK and the EU. The spread of a more contagious variant of the virus has resulted in an increase in cases in many countries since June, but has not led to an increase in deaths where vaccination coverage is higher.

The recovery was more buoyant in the Far East and the US than in the Eurozone, where the first few months of the year were still marked by the effects of the pandemic on the services sector. In the second quarter, however, the Eurozone also saw a clear upturn in economic activity, in line with the improving health situation and the easing of restrictions. Business confidence also improved in the services sector. In the United States, growth forecasts were revised broadly upwards following the announcement by the new federal administration of a series of aggressive fiscal stimulus programmes. In the Eurozone, in a context of still accommodating fiscal policies, the European Union completed the ratification process of the Next Generation EU programme and national recovery and resilience plans were presented, many of which have already received a favourable opinion from the European Commission.

However, the rebound in world trade and manufacturing output encountered significant obstacles in shipping and in the availability of raw materials and some intermediate goods, affecting production costs and, in some sectors, the ability of firms to meet demand. Inflation is picking up in all advanced countries, albeit largely due to transitory or one-off factors, with new multi-year highs expected in the second half of the year. Central banks have continued to prioritise supporting the recovery of the real economy. The Federal Reserve has signalled that it will raise rates only after full employment has been reached and that inflationary dynamics will remain above target for some time. The will be no reduction of bond purchases until there has been significant progress towards the targets. Faced with a less favourable economic situation and lower inflationary pressures, in March, the European Central Bank announced a significant increase in net purchases under the pandemic emergency purchase programme to avoid a premature tightening of financing conditions for the economy. The higher level of purchases, initially planned until June, was extended until September. Together with the long-term refinancing transactions, purchases under the PEPP and APP programmes are increasing excess reserves, putting downward pressure on shorter-term interest rates.

The revision of US growth and inflation forecasts led to a rise in medium and long-term interest rates on US markets, with modest spillover to European markets. However, this increase was largely reabsorbed between April and June, both due to some signs of less lively economic data and the perception that a possible greater responsiveness of monetary policy favoured a flattening of interest rate curves. Despite the sharp upward revision of planned gross and net issuance in 2021, the BTP-Bund spread stabilised at contained levels. The change of government in Italy, with the installation of an executive led by Mario Draghi and supported by a large and diverse majority of national unity, was welcomed by the markets. The Italian economy has participated in the general post-pandemic rebound by embarking on a path of gradual recovery to pre-crisis activity levels. After a stagnant first quarter, the easing of health restrictions in the second quarter was followed by a recovery in turnover in services, while the longer-established recovery in manufacturing and construction continued. In May, the level of industrial production was just below pre-crisis levels. Economic surveys show a clear improvement in the confidence climate in all sectors. Employment, which had fallen to pandemic lows in the first two months of the year, subsequently recovered but remained well below pre-crisis levels. In addition to the signs of recovery in the domestic cycle, foreign trade has already fully recovered from the 2020 downturn.

Consumption returned to growth in the second quarter of the year, supported by the rapid progress of the vaccination campaign and the gradual easing of restrictions on movement, especially for the goods component. However, the propensity to save remained much higher than before the pandemic. Business lending continued to expand and demand for state guaranteed loans remained high, with firms' demand for funds increasing both for needs related to debt refinancing and renegotiation and for fixed investments, whose contribution has turned positive for the first time since the start of the pandemic. Both the cost of bank funding and rates on new loans remained at very low levels. The rate of credit deterioration remained stable and contained.

BUSINESS CONTINUITY

In this context of gradual improvement, in the first half of 2021, the Fideuram Group continued to put in place solid measures to mitigate the effects of the crisis, continuing to communicate with staff and customers to safeguard people's health.
As far as safety measures are concerned, the essential precautions to be followed remain unchanged, in line with the indications of national and international health institutions and sector protocols governing the carrying out of working activities. With the support of Intesa Sanpaolo RBM Salute, the Group set up 24 clinics at company premises throughout the country, where staff can take rapid antigenic tests with specialised health workers.
From June onwards, the guidelines for planning attendance at premises were defined according to the pandemic zone colour of regions. For yellow and white zones, a minimum attendance at premises of 20% is foreseen (therefore, on average one day per week), with a maximum attendance per organisational structure of 50%. For red and orange zones, remote working remains preferable for all activities that can be carried out effectively in this way. As far as the Network is concerned, branch attendance is also regulated according to the pandemic risk colour assigned to areas:

- In yellow and white zones, attendance is provided for without shifts, subject to the maximum capacity of the branch, which must allow for the minimum social distance of two metres.
- In orange and red zones attendance is planned on a weekly shift basis.

SUPPORT INITIATIVES

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

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

At the end of June 2021, customers were provided with about €563.5m in new, subsidised rate loans, and ten requests for moratoria on loan instalments were accepted.

PROSPECTS

According to OECD forecasts, world output will grow by 5.8% in 2021, exceeding pre-pandemic levels, driven by strong expansion in the US and China. The forecast for global economic activity was revised upwards by 0.2 percentage points in 2021 and 0.4 in 2022. However, the medium-term outlook still varies between countries and the risks associated with the evolution of the pandemic, in particular the spread of new variants of the virus or delays in vaccination campaigns in some areas, continue to weigh on the entire world economy.
The recovery of the Italian economy is expected to continue in the second half of 2021, helped by the easing of restrictions and the expansion of foreign and domestic demand for goods. Recovery to pre-pandemic levels will still be supported by accommodative fiscal and monetary policies. The ongoing nature of the pandemic has resulted in a high degree of uncertainty about the outlook, although the rapid roll-out of vaccines should have further increased the economy's resilience to new waves of infection. Inflation is expected to peak in the second half of this cycle. The European Central Bank expects to keep official rates steady until there is a decisive and sustainable convergence of inflation to the target, a condition that the markets consider difficult to foresee in the next two years, and has recently suggested that inflation may be allowed to rise above 2% for the time being. Securities purchase programmes will continue at the current pace at least until September, but probably beyond that. In the United States, the Federal Reserve may announce a future reduction in securities purchases, probably starting in 2022. In the second half of the year, the expected progress in vaccine delivery should also allow the major emerging economies to further ease the constraints weighing on the dynamics of production activities, particularly those most sensitive to social distancing measures. If the spread of Covid-19, and in particular its mutations, is kept under control and vaccination campaigns proceed apace, economic recovery in emerging areas is expected to be robust, with GDP growth expected to be above 6% by the IMF.
With regard to the Italian banking system, in the second half of 2021, the flow of credit to businesses will remain more contained compared to the exceptional volumes of 2020. In particular, disbursements of loans to businesses with a guarantee provided by the State, which can be accessed until 31 December, will continue at a moderate pace. Mortgage loan projections for the rest of the year are supported by renewed interest in the residential property market, which is experiencing an upturn in purchases and sales and rising home prices. The trend in household loans should also benefit from a gradual recovery in consumer credit. Interest rates remain very low and the supply of credit to households remains relaxed.
The significant increase in customer deposits should continue, especially for demand deposits. Indeed, the preference for liquidity and market yields still at their lowest levels will continue to fuel current account balances, albeit against a backdrop of a gradual normalisation of the liquidity situation of businesses and a recovery in household consumption. The inflow of funds to current accounts and the substantial contribution from ECB refinancing will keep the cost of funding down. Further rate cuts on current accounts are possible. As a result, lending rates will still be very low, despite the foreseeable deterioration in credit quality, especially with the gradual phasing out of support measures for businesses

and households. However, credit conditions will remain favourable overall.
The main factors of uncertainty surrounding growth prospects remain related to the evolution of the pandemic and the effectiveness of support policies. In the current year, infection trends may affect confidence and consumption and investment decisions. In the coming years, the intensity of the recovery will largely depend on how RRP-related projects are implemented, where delayed and less effective implementation could weaken it. The pace of business recovery will also depend on the response of consumer behaviour to the reopening of the economy.

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

In the first half of 2021, as part of the process of reorganising the activities of Intesa Sanpaolo's Private Banking Division, with the aim of strengthening the Group's positioning in the Private Banking and High Net Worth Individuals segments, increasing the size, market share and profitability of the Division while developing the product portfolio and quality of services offered, the following transactions were carried out:

- the start of the liquidation of Morval Bank & Trust Cayman Ltd and Intesa Sanpaolo Private Monaco SAM;
- the sale of the Fideuram Bank (Luxembourg) business unit related to Custodian Bank and Fund Administration activities;
- the partial demerger in favour of Intesa Sanpaolo Private Banking of the UBI Banca "TOP Private Banking" business unit, which is organised for activities and services for customers and companies with large assets. To service this transaction, an increase in the share capital of Intesa Sanpaolo Private Banking of €12m was carried out, with the issue of 3 million new ordinary shares with no face value, assigned to Intesa Sanpaolo (holder of the shares of the demerged company);
- the partial demerger in favour of Fideuram of the entire interest held in IW Bank and of the UBI Banca business unit consisting of the units dedicated to service activities for IW Bank, known as the "IWB Service Branch";
- the acquisition by Fideuram of a 69% stake in the share capital of REYL & Cie and the simultaneous contribution to REYL of the entire stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval.

Following the acquisition of IW Bank, the following transactions were launched and are expected to be completed by the first quarter of 2022:

- the partial demerger of IW Bank in favour of Fideuram of a business unit consisting of banking relationships and activities;
- the partial demerger of Fideuram in favour of Intesa Sanpaolo of a compendium consisting of performing loans and related funding and personnel;
- the transformation of IW Bank into a stockbroking company.

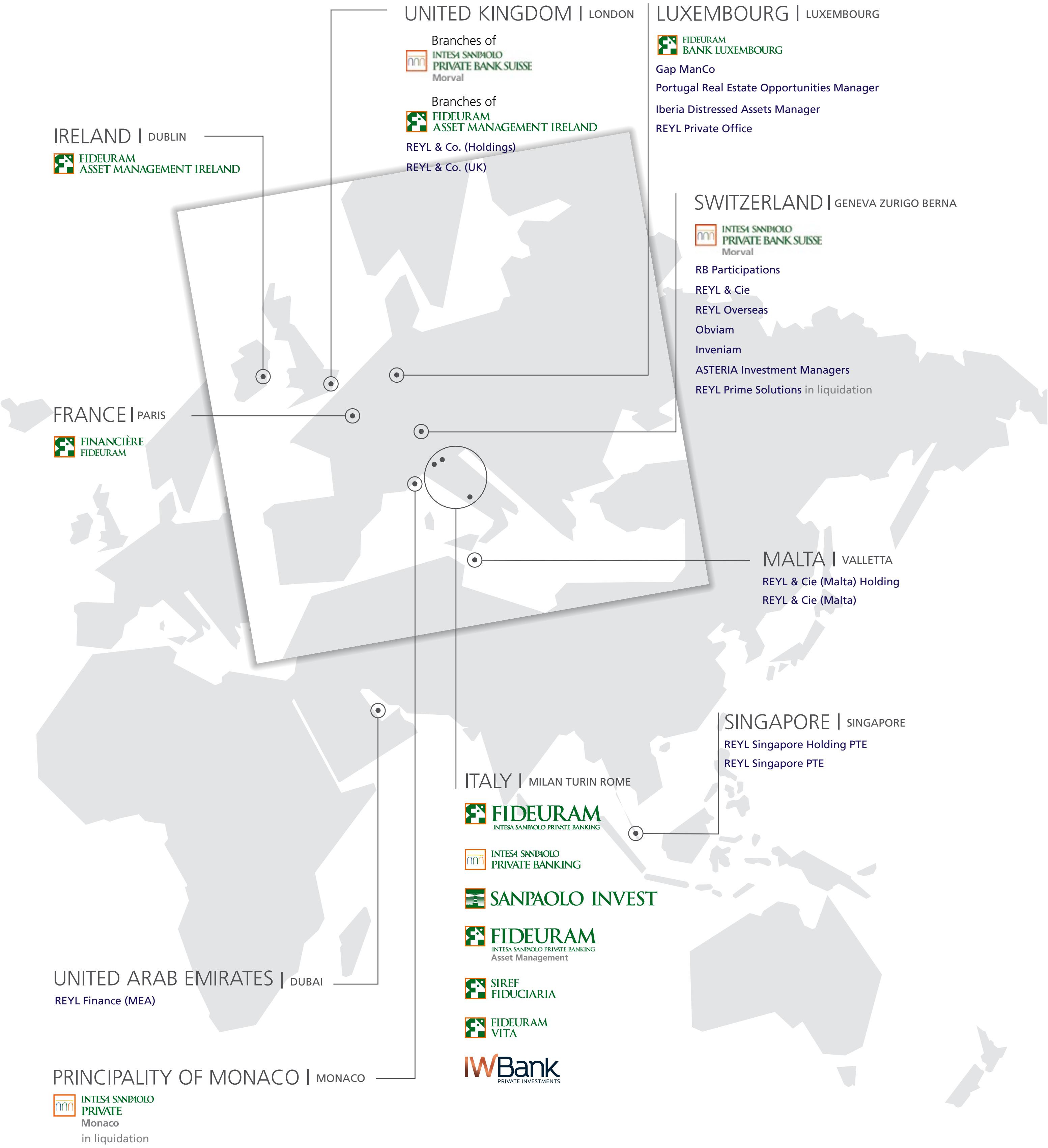
Finally, the merger by incorporation of the French subsidiary Financière Fideuram into Fideuram was launched, after obtaining the necessary authorisation from the ECB.

The Condensed half-year consolidated financial statements comprises the compulsory statements provided for by IAS1 (namely a balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows), accompanied by explanatory notes on the Group's performance, as indicated by IAS34 – Interim Financial Reporting.

The balance sheet and income statement as at and for the period ended 30 June 2021 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements. Detailed information on the reclassifications is presented in specific reconciliation statements provided in the schedules accompanying this Report.
The Interim directors' report and the Condensed half-year consolidated financial statements also contain certain information - such as, for example, data on quarterly trends and other alternative performance indicators - that is not directly attributable to the financial statements.
The comparative analysis of the accounting balances and operating data of the first half of 2021 compared to those of the corresponding comparison periods of 2020 is affected by the impact of the transactions that took place in the half-year. In the notes to the financial statements, to allow for a like-for-like comparison and to adequately represent the effects of changes in the scope of consolidation, the operating data and accounting balances presented in the balance sheet and income statement have been restated, where necessary. In preparing the restated financial statements, appropriate adjustments have been made to the historical data to reflect retrospectively, assuming that the corporate transactions took place on or after 1 January 2020, the changes in the scope of consolidation that took place in 2021, without changing the result for the year and shareholders' equity compared to the official financial statements published in previous periods.
The net effects of the adjustments were recognised in minority interests in the restated income statement and in minority interests in the restated balance sheet.

Contents

Group Structure



CAYMAN ISLANDS | GEORGE TOWN

morvalbank&trust
in liquidation

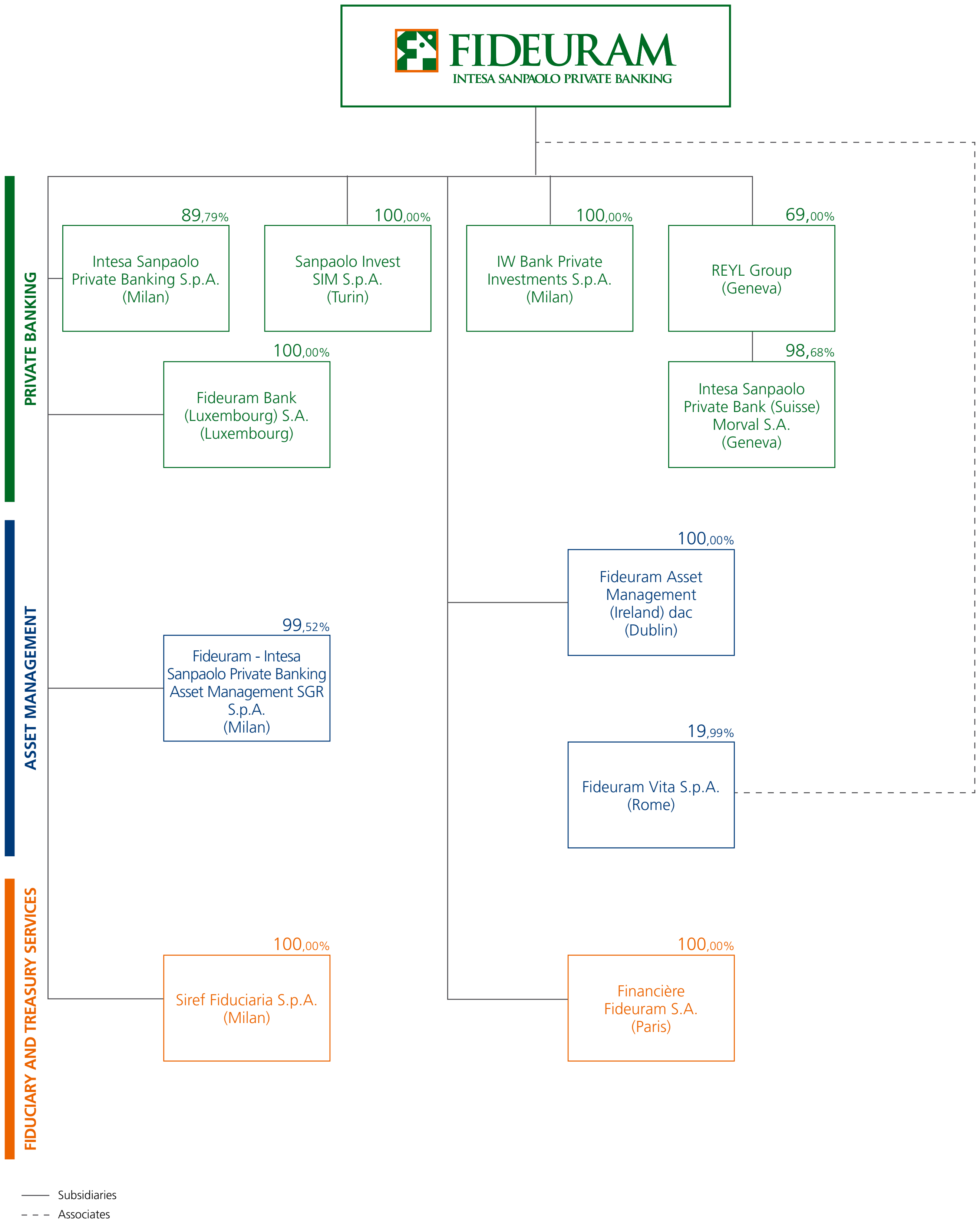
IIF SME Manager

URUGUAY | MONTEVIDEO

morvalvonwiller
advisors

ARGENTINA | BUENOS AIRES

INTESA SANPAOLO
PRIVATE
Argentina


FIDEURAM
INTESA SANPAOLO PRIVATE BANKING
PRIVATE BANKING
89,79%
Intesa Sanpaolo Private Banking S.p.A. (Milan)
100,00%
Sanpaolo Invest SIM S.p.A. (Turin)
100,00%
IW Bank Private Investments S.p.A. (Milan)
69,00%
REYL Group (Geneva)
100,00%
Fideuram Bank (Luxembourg) S.A. (Luxembourg)
98,68%
Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (Geneva)
ASSET MANAGEMENT
100,00%
Fideuram Asset Management (Ireland) dac (Dublin)
99,52%
Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR S.p.A. (Milan)
19,99%
Fideuram Vita S.p.A. (Rome)
FIDUCIARY AND TREASURY SERVICES
100,00%
Siref Fiduciaria S.p.A. (Milan)
100,00%
Financière Fideuram S.A. (Paris)
Subsidiaries
Associates

Company Officers

Shareholders' Meeting

Board of Directors

Board of Statutory Auditors

Related Parties Committee

Chairman
GIOVANNI BATTISTA BISOGNI

Members
GIORGIO BARBA NAVARETTI
MARCELLO NALDINI

General Management

General Manager
TOMMASO CORCOS

Joint General Managers
FABIO CUBELLI
(Business Coordination Area)

LINO MAINOLFI
(Operational and Financial Coordination Area)

Chief Financial Officer
DOMENICO SFALANGA

Chairman
PAOLO MOLESINI

Acting Deputy Chairman
PAOLO MARIA VITTORIO GRANDI

Deputy Chairman
FEDERICO VISCONTI

Managing Director
TOMMASO CORCOS

Directors
GIORGIO BARBA NAVARETTI
GIOVANNI BATTISTA BISOGNI
ELENA DAVID
CLAUDIA DE BENEDETTI
DANIELE PIETRO GIUDICI
ELIANO LODESANI
MARCELLO NALDINI

Secretary to the Board of Directors
FILIPPO MAMMOLA

Chairman
GIULIO STEFANO LUBATTI

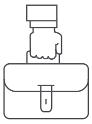
Statutory Auditors
ELISA BAUCHIERO
MARCO ANTONIO MODESTO DELL'ACQUA

Acting Auditors
ALESSANDRO COTTO
FRANCESCA MONTI

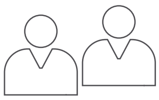
Independent Auditors
EY S.p.A.

Highlights

OPERATING RESULTS (*)



Personal financial advisers No. 6,630



Customers

Fideuram No. 622,470	Sanpaolo Invest No. 164,772	Siref Fiduciaria No. 1,807 mandates
Intesa Sanpaolo Private Banking No. 50,143 households	IW Bank No. 142,917	REYL Group No. 4,247

Total Net inflows

€8.5 bn

of which Net inflows into managed assets

€5.7 bn

Client assets

€326.9 bn

of which managed assets

€211 bn

of which advanced advisory service

€45.3 bn

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Fideuram and Sanpaolo Invest
13 years

Intesa Sanpaolo Private Banking
15 years

IW Bank
11 years

Average Length of Customer Relationship

FINANCIAL RESULTS (*)

€970 m
Net Recurring Fees

Cost / Income Ratio
33%
(35% in the first half of 2020)

Consolidated net profit
€646 m

Return On Equity
35%
(27% in the first half of 2020)

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Key Performance Indicators

	30.6.2021 (*)	30.6.2020 (*)	% CHANGE
CUSTOMER FINANCIAL ASSETS			
Net inflows into managed assets (€m)	5,680	1,817	n.s.
Total net inflows (€m)	8,520	6,279	36
Client assets (€m)	326,943	281,838	16
OPERATING STRUCTURE			
Personal Financial Advisers (No.)	6,630	6,539	
Staff (No.)	4,048	4,053	
- outside Italy (No.)	561	499	
Bank Branches (No.)	277	279	
Personal Financial Advisers' Offices (No.)	371	374	
CONSOLIDATED FINANCIAL RESULTS			
Consolidated net profit (€m)	646	419	54
Group shareholders' equity (€m)	3,338	3,358	-1
Basic consolidated net earnings per share (€)	0.430	0.279	54
Total assets (€m)	63,389	58,494	8
Wealth created (€m)	1,999	1,587	26
Value distributed (€m)	1,740	1,404	24
PROFITABILITY INDICATORS			
Return on Equity (%)	35	27	
Return on Assets (%)	2	1	
Cost / Income Ratio (%)	33	35	
Payroll costs / Operating margin (%)	19	20	
Annualised net profit / Average client assets (%)	0.4	0.3	
Economic Value Added (€m)	580	356	

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

n.s.: not significant

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Glossary

Net inflows: total subscriptions minus disinvestments.

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

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

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

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

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

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

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

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

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

Interim directors’ report

Reclassified financial statements

Consolidated balance sheet

(reclassified - €m)

	30.6.2021	31.12.2020 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	491	433	58	13
Financial assets measured at fair value through other comprehensive income	2,969	2,812	157	6
Debt securities measured at amortised cost	19,800	20,144	(344)	-2
Loans to banks	23,536	21,071	2,465	12
Loans to customers	12,933	12,138	795	7
Hedging derivatives	15	16	(1)	-6
Equity investments	207	192	15	8
Property and equipment and intangible assets	1,051	783	268	34
Tax assets	191	226	(35)	-15
Non-current assets held for sale and discontinued operation	-	1,065	(1,065)	-100
Other assets	2,196	2,058	138	7
TOTAL ASSETS	**63,389**	**60,938**	**2,451**	**4**
LIABILITIES				
Due to banks	6,271	3,752	2,519	67
Due to customers	50,028	49,948	80	-
Financial liabilities held for trading	63	64	(1)	-2
Hedging derivatives	833	954	(121)	-13
Tax liabilities	202	146	56	38
Liabilities associated with non-current assets held for sale and discontinued operations	-	1,065	(1,065)	-100
Other liabilities	1,960	1,209	751	62
Provisions for risks and charges	602	620	(18)	-3
Share capital, reserves and equity instruments	2,692	2,330	362	16
Equity attributable to non-controlling interests	92	33	59	n.s.
Net profit	646	817	(171)	-21
TOTAL LIABILITIES	**63,389**	**60,938**	**2,451**	**4**

n.s.: not significant

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Consolidated income statement

(reclassified - €m)

	1ST HALF 2021 (*)	1ST HALF 2020 (*)	CHANGE	
			AMOUNT	%
Net interest income	106	129	(23)	-18
Net profit (loss) on financial assets and liabilities	32	27	5	19
Net fee and commission income	1,040	943	97	10
INTERMEDIATION MARGIN	**1,178**	**1,099**	**79**	**7**
Profit on equity investments and other income (expense)	14	1	13	n.s.
NET OPERATING INCOME	**1,192**	**1,100**	**92**	**8**
Personnel expenses	(223)	(223)	-	-
Other administrative expenses	(133)	(132)	(1)	1
Depreciation and amortisation	(36)	(34)	(2)	6
NET OPERATING EXPENSES	**(392)**	**(389)**	**(3)**	**1**
OPERATING MARGIN	**800**	**711**	**89**	**13**
Net impairment of loans	1	(22)	23	n.s.
Net provisions for risks and charges and net impairment of other assets	(17)	(23)	6	-26
Net non-recurring income (expenses)	219	7	212	n.s.
GROSS INCOME (LOSS)	**1,003**	**673**	**330**	**49**
Income taxes for the period on continuing operations	(299)	(209)	(90)	43
Integration and voluntary redundancy expenses (net of tax)	(10)	(7)	(3)	43
Effects of purchase price allocation (net of tax)	(11)	(1)	(10)	n.s.
Expenses regarding the banking system (net of tax)	(13)	(9)	(4)	44
Net profit (loss) attributable to non-controlling interests	(24)	(28)	4	-14
NET PROFIT	**646**	**419**	**227**	**54**

n.s.: not significant

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Economic scenario

The first half of the year was characterised by a significant acceleration of growth in the US, thanks to the impact of the substantial fiscal support approved by Congress. Indeed, after the support package passed in late December, the unexpected victory of the Democratic Party in the ballots for the two Georgia Senate seats in early January allowed President Biden's party to gain control of both branches of Congress. The support package proposed by Biden in January (close to two trillion dollars) thereby became law in early March. Growth in the US was also supported by the containment of the pandemic through the rapid vaccine roll-out. In contrast, in most other parts of the world, the negative impact of the pandemic continued to weigh on economic activity, particularly in the early months of the year. The second quarter also saw an acceleration of the vaccination campaign in the Eurozone, which allowed the reopening of economic activity to begin, with a strong positive impact on growth. China, which had already returned to its pre-Covid growth trajectory by the end of 2020, continued to grow at a fairly robust pace, but with consumption still not particularly buoyant. The acceleration of growth in the US was accompanied by an unexpected rise in inflation in the spring, which led the Federal Reserve to tighten its monetary policy communication at the June FOMC meeting, after the central bank's stance had been fairly accommodative in the previous months. The ECB responded to the upward pressure on market rates that emerged at the beginning of the year, stemming from the changed fiscal policy environment in the US, with the decision to increase the pace of securities purchases under the PEPP programme at its March meeting.

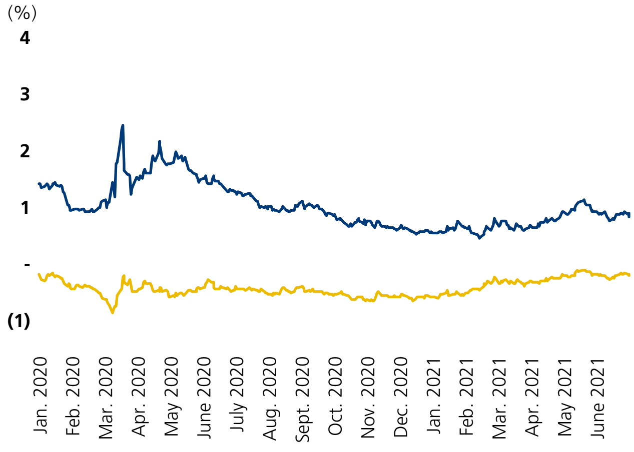
Final domestic demand in the **USA** accelerated in the first few months of the year with a pace not seen since the mid-1980s, thanks to the impact of the two fiscal support packages approved by Congress. The first (around USD900bn) was launched in December 2020, and the second, proposed by the newly installed Biden administration and much larger than market expectations (around USD1.9tn), was launched in early March. Both packages included payments immediately disbursed to households, which thereby helped to support consumption expenditure. Consumption trends and, more generally, those in economic activity also benefited from the rapid administration of vaccines in the first weeks of the year. GDP growth thereby strengthened in the first quarter and accelerated further in the second, despite the broadly negative contribution of inventories due to the short-term supply-demand imbalance. This imbalance was also reflected in the dynamics of inflation, which reached very high levels in May (5% for total inflation and 3.8% for core inflation, i.e. excluding fuel and food), driven by problems in production chains (e.g. in the car sector), bottlenecks in sectors subject to reopening and a broadly favourable base effect. Price increase, although much higher than expected, remained confined to a rather limited number of goods and services. During the first few months of the year, the Fed maintained a very accommodating stance, despite the improvement in the economic situation, and in particular considered it premature to start the internal debate on reducing securities purchases. A more restrictive turn came at the mid-June meeting, when the FOMC's projections indicated a possible rate hike before the end of 2023 (a scenario not previously contemplated).

In the first half of 2021, the **Eurozone** showed a gradual improvement in the health crisis caused by the Covid-19 pandemic, allowing GDP growth to return from the spring onwards. The first quarter of the year was still difficult due to the increased spread of the virus, which forced governments to continue to maintain significant restrictions on movement (albeit less severe than those adopted in the initial phase of the pandemic), essentially until April. In addition, the uncertain start of the vaccination campaign due to vaccine supply problems negatively affected growth prospects. However, the economy has shown a progressive capacity to adapt to the pandemic and the GDP contraction in the first quarter was much less than expected, also compared to the decline recorded in the latter part of 2020. Indeed, the manufacturing sector benefited from the recovery of international trade from the beginning of the year, while activity in the services sector rebounded especially in the second quarter, thanks to greater social mobility and the acceleration of the vaccination campaign. Inflation, after being particularly subdued at the start of the pandemic, has shown a significant upturn since January, due to the confluence of a number of mostly transitory factors. Inflation increased from -0.3% in December 2020 to 0.9% in January and reached 1.9% in June, in line with the ECB's target. By contrast, core inflation remained stable at 1% and the ECB maintained an accommodative monetary policy throughout the six-month period, reiterating the transitory nature of the rise in inflation and the need to keep financial conditions as favourable as possible. Therefore, in March the ECB decided to respond to the rise in market rates, driven by the upward movement of the US curve, by significantly increasing securities purchases under the PEPP programme in the second quarter, a decision that was also confirmed at the June meeting, to apply to the third quarter.

In **Asia**, economic activity continued to be impacted by pandemic management policies, complicated by the spread of variants, while vaccination campaigns got off to a slow start. Economic policy continued to provide support for growth. In China, success in containing local infection outbreaks allowed the continuation of the GDP growth recovery phase that began in the second quarter of 2020. Demand for medical equipment from countries affected by the pandemic fuelled robust foreign demand, while consumption struggled to recover steadily. Economic policy has entered a phase of gradual normalisation with overall credit decelerating, especially in the non-banking component. Inflation, after reaching a low in January, gradually accelerated due to the increase in the prices of non-food items and in particular the rise in oil prices. Japan's economy had to cope with a third wave of infection that forced the authorities to declare a new state of emergency, which only ended on 20 June, and with a vaccination campaign that started slowly. GDP thereby contracted again in the first quarter of the year, while the Bank of Japan did not significantly alter its monetary policy.

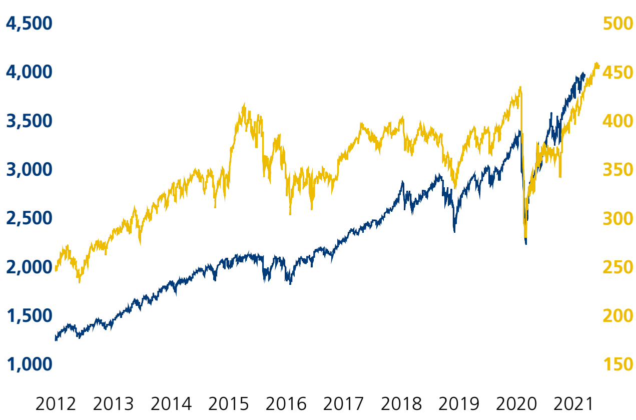
The recovery of economic activity, thanks to the combined effect of expansionary policies and vaccination campaigns, was reflected in a robust performance of equity markets in the half-year, particularly in the USA (+14.4% for the S&P 500 index) and in Europe (+13.5% for the Stoxx 600), while the performance of the Japanese and emerging markets, although largely positive, was less lively (+7.7% for the Topix index and +6.5% for the MSCI EM index in dollars, respectively). On the bond side, the acceleration of growth and the fiscal support plan in the US led to a significant increase in yields, which also extended to European bonds. The rate on ten-year US government bonds thus reached a level of around 1.75% at the end of March (from less than 1% at the beginning of the period), and then corrected in the following months to fall below 1.3% at the beginning of July. The ten-year Bund rate increased by just over 35 basis points over the six-month period, ending the period at -0.20%. The spread between Italian bonds and the Bund on the ten-year maturity reached a low of 90 basis points in mid-February, when the Draghi government took office, but then rose slightly in the following months.

10-year Bund and BTP yields



Source: Bloomberg

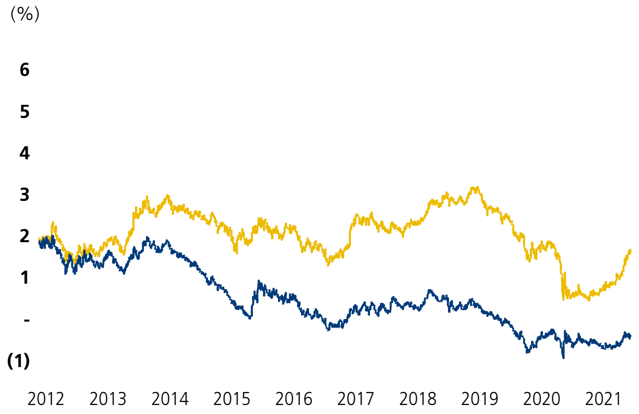
Stock market performance



Source: Bloomberg

Bond market performance

(10-year government bond yields)



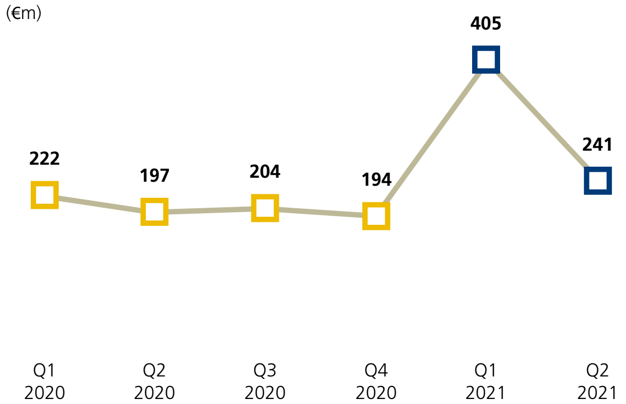
Source: Bloomberg

Overview of consolidated results

Against an economic backdrop showing the first signs of emerging from the global health emergency, the Fideuram - Intesa Sanpaolo Private Banking Group closed the first half of 2021 with a consolidated net profit of €646m, up sharply on the same period in 2020 (+€227m). Excluding non-recurring income of €219m (€164m after tax) from the sale of the Custodian Bank and Fund Administration business unit of Fideuram Bank (Luxembourg), net profit stood at €482m, up €63m on the first half of 2020 (+15%). The operating margin amounted to €800m, an increase of €89m compared to the first six months of last year (+13%). The Cost / Income Ratio stood at 33%, an improvement from 35% in the same period of 2020. The R.O.E. was 35% (27% at the end of June 2020).

The analysis of the main income statement items shows that net operating income increased by €92m (+8%) due to the growth in net commissions (+€97m), income from equity investments and other income (+€13m) and the net result from financial activities (+€5m), only partly offset by the decline in net interest income (-€23m). Net adjustments to loans improved by €23m and provisions for risks and charges decreased by €6m. Operating expenses moved in the opposite direction (+€3m). Non-recurring income includes the aforementioned gain on the sale of the Custodian and Fund Administration Branch of Fideuram Bank (Luxembourg). Gross income (loss) thereby showed strong growth (+€330m) compared to the first half of 2020.

Consolidated net profit (*)



(*) Profit for the first quarter of 2021 includes for €164m the net capital gain realised on the sale of the Custodian and Fund Administration Branch of Fideuram Bank (Luxembourg).

At 30 June 2021, there were a total of 6,630 Personal Financial Advisers in the Group's networks compared with 6,463 at 31 December and 6,539 at 30 June 2020. Client assets per Personal Financial Adviser as at 30 June 2021 amounted to over €49m. The Group's workforce consisted of 4,048 employees, up from 4,024 employees at 31 December 2020. There were 277 bank branches and 371 Personal Financial Advisers' offices.

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 around €327bn.

Since 2015, it has directed the business of the Intesa Sanpaolo Group Private Banking Division, which brings together the companies providing the Group's financial advisory, asset management and fiduciary services. The Division's mission is to serve high-end customers, creating value with products and services conceived for excellence, while ensuring the increased profitability of client assets through the constant development of our product range and service delivery solutions.

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

The Group's positioning is principally focused on the Private Banking customers and High Net Worth Individuals. Our products and services are provided by approximately 6,600 highly qualified professionals in five separate networks (Fideuram, Intesa Sanpaolo Private Banking, Sanpaolo Invest, IW Bank and the Foreign Network made up of REYL and Intesa Sanpaolo Private Bank (Suisse) Morval) with their own brand identities, service models, and customer profiles.

The Group's service model is centred on professional advisory services and the creation of long-standing relationships of trust between our customers and Personal Financial Advisers. The Group benefits from a strong and stable retail customer base, which can rely on a dedicated service model and tailored product offering.

Our advisory services are offered as Basic Advisory Services, which we provide for all customers free of charge in line with the requirements of the MiFID 2 directive, and as four Advanced Advisory Services (Sei, VIEW, Private Advisory and IW Pro Advice), which are paid services designed specifically for customers with greater financial assets and provided on the basis of a contract.

The investment solutions proposed by our Personal Financial Advisers are for the most part developed and managed within the Group through dedicated product companies. In addition, the Group's marketing agreements with leading international investment houses mean that we are also able to offer third-party products in accordance with the "Guided Open-Architecture Model" that the Group has adopted to complement its expertise and satisfy even the most complex customer needs.

The Fideuram Group also engages in banking activities (asset gathering and lending), offering its customers a complete range of banking products and services.

Fideuram - Intesa Sanpaolo Private Banking is a member of the Intesa Sanpaolo Banking Group and wholly owned by Intesa Sanpaolo S.p.A..

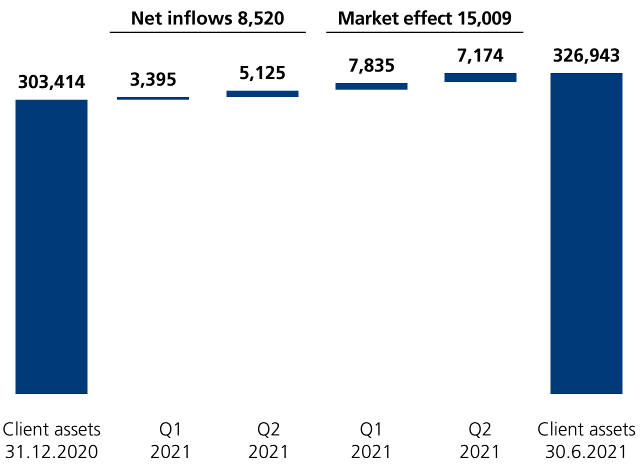
Client financial assets

Client assets as at 30 June 2021 amounted to **€326.9bn**, an increase of €23.5bn compared to 31 December 2020 (+8%), mainly due to market performance, which had a favourable impact on assets of €15bn and, to a lesser extent, net positive inflows of €8.5bn.

An analysis by aggregate shows that the **managed assets** component (65% of total assets) amounted to **€211bn**, up €14.1bn on the end-2020 figure. The increase was in discretionary accounts (+€5.8bn), mutual funds (+€5.5bn) and life insurance (+€2.7bn). **Non-managed assets** increased to a total of **€115.9bn**, or €9.4bn higher than at 31 December 2020.

Client assets (*)

(€m)



Client assets (*)

(€m)

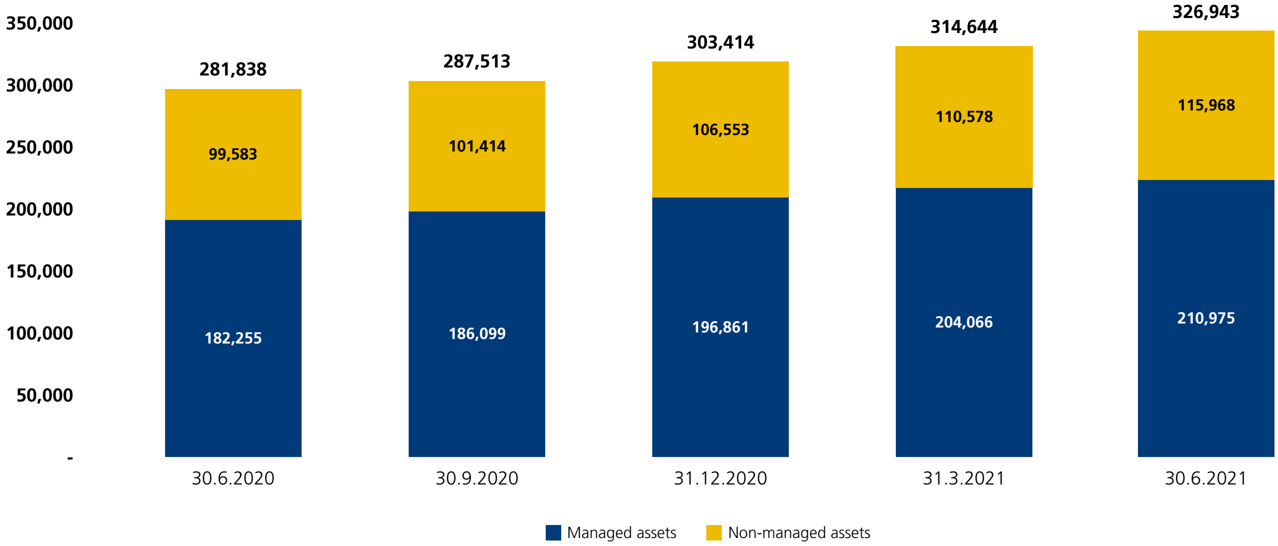
	30.6.2021	31.12.2020	CHANGE AMOUNT	%
Mutual funds	79,998	74,514	5,484	7
Discretionary accounts	60,208	54,449	5,759	11
Life insurance	67,791	65,121	2,670	4
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*44,244*	*41,462*	*2,782*	*7*
Pension funds	2,978	2,777	201	7
Total managed assets	**210,975**	**196,861**	**14,114**	**7**
Total non-managed assets	**115,968**	**106,553**	**9,415**	**9**
including: Securities	*72,182*	*62,832*	*9,350*	*15*
Total client assets	**326,943**	**303,414**	**23,529**	**8**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

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

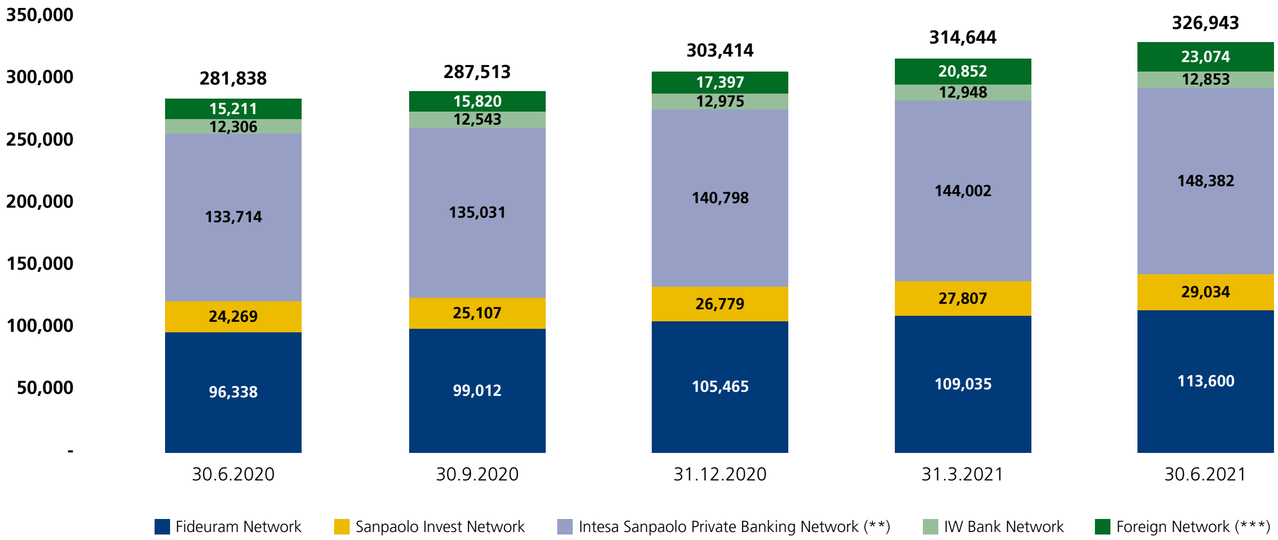
Client assets - by type of inflows (*)

(€m)



Client assets - by sales network (*)

(€m)



(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

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

(***) The figures for the foreign sales network include the client assets of REYL and Intesa Sanpaolo Private Bank (Suisse) Morval.

Inflows into managed and non-managed assets

The Group's distribution networks brought in **€8.5bn** in **net inflows** in the first six months of 2021, up €2.2bn (+36%) compared to the same period in 2020. The analysis of aggregated figures shows that the inflows into managed assets rose sharply from the corresponding period of the previous year (+€3.9bn). This was mainly attributable to the Group personal financial advisers directing a portion of inflows from customers towards managed asset products. The non-managed assets component was positive at €2.8bn, down €1.6bn compared to the first half of 2020.

Net inflows (*)

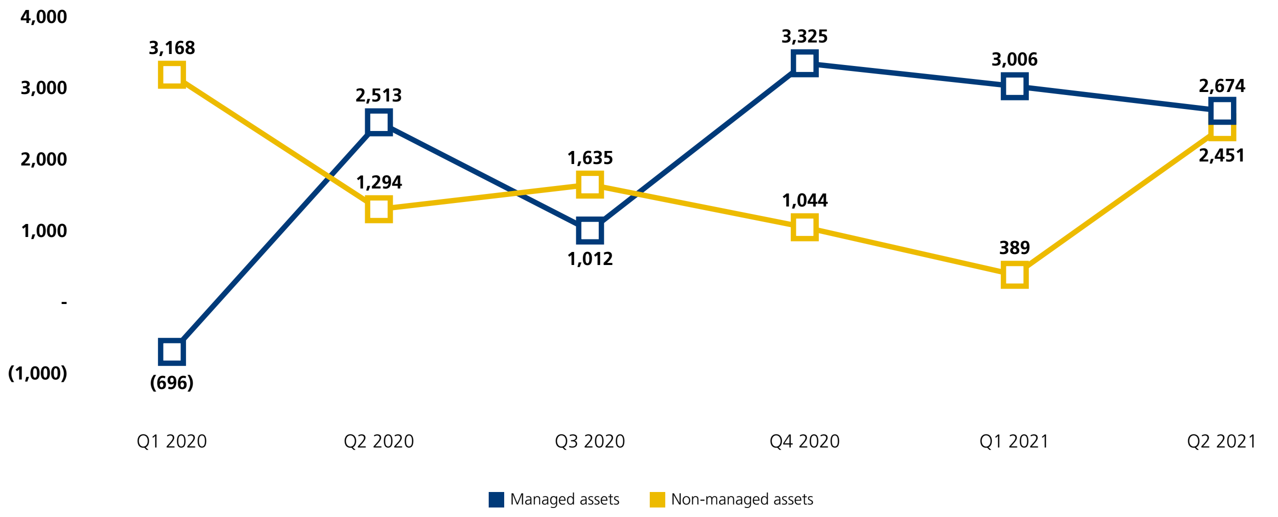
(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE AMOUNT	CHANGE %
Mutual funds	1,179	(464)	1,643	n.s.
Discretionary accounts	3,305	1,629	1,676	103
Life insurance	1,103	571	532	93
including: Fideuram Vita / Intesa Sanpaolo Vita unit linked	*1,113*	*421*	*692*	*164*
Pension funds	93	81	12	15
Total managed assets	**5,680**	**1,817**	**3,863**	**n.s.**
Total non-managed assets	**2,840**	**4,462**	**(1,622)**	**-36**
including: Securities	*2,432*	*2,984*	*(552)*	*-18*
Total net inflows	**8,520**	**6,279**	**2,241**	**36**

n.s.: not significant

Trend Net inflows (*)

(€m)



(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Customer segmentation

CLIENT ASSETS at 30 June 2021

- Fideuram: €113,6 bn
- Sanpaolo Invest: €29 bn
- Intesa Sanpaolo Private Banking: €143.9 bn
- IW Bank: €12,9 bn
- Siref Fiduciaria: €4,5 bn (*)
- Foreign Network: €23 bn

(*) The figure does not include the fiduciary mandates regarding Group client assets. The total number of fiduciary mandates is 61,290, with total client assets of €12.7 bn.

CUSTOMERS at 30 June 2021

- Fideuram: no. 622,470
- Sanpaolo Invest: no. 164,772
- Intesa Sanpaolo Private Banking: no. 50,143 (**)
- IW Bank: no. 142,917
- Siref Fiduciaria: no. fiduciary mandates 1,807 (*)
- Foreign Network: no. 4,247

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

Analysis of the Group's customer base shows that it is concentrated in the Private Banking and High Net Worth Individual (HNWI) segments.
This focus on high-end customers (about 78% of client assets, corresponding to about 14% of customers, come from Private Banking and HNWI customers) enables our Personal Financial Advisers to target a segment with high growth prospects in the Italian Market. The Group supports its customers with a dedicated service model using ad hoc organisational management (Private Banking and HNWI branches) and customised products and services. The table and graphs below analyse client assets by type of customer.

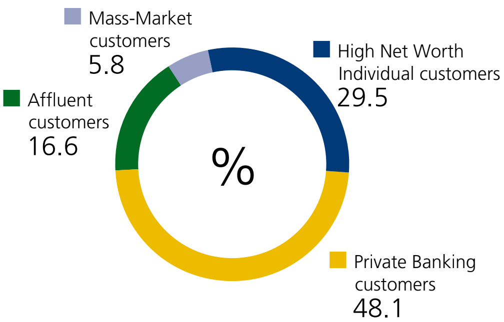
Client assets by customer type (***)

(€m)

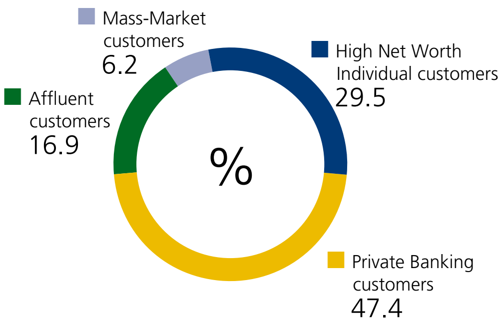
	30.6.2021	31.12.2020 (****)	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	96,416	89,561	6,855	8
Private Banking customers	157,406	143,766	13,640	9
Affluent customers	54,200	51,348	2,852	6
Mass-Market customers	18,921	18,739	182	1
Total	**326,943**	**303,414**	**23,529**	**8**

Percentage analysis of client assets by type of customer

30.6.2021



31.12.2020 (****)



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

(****) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Advanced Advisory Services

The Fideuram Group is a leading Italian banking group in the provision of financial advisory services and in the distribution, development and management of financial services and products for private individuals. The Group's principal distinctive strengths, emblematic of its market leadership, are founded on a business model that anchors the distribution of products and services in the professional relationships between our Personal Financial Advisers and their customers. This is supported by the strength of a banking group with renowned brands – Fideuram, Intesa Sanpaolo Private Banking, Sanpaolo Invest and IW Bank – and a network of 277 bank branches and 371 Personal Financial Advisers' offices, which make a decisive contribution to customer loyalty. Our guided open-architecture model offers third-party products to complement our Group products. The professional relationship between each Personal Financial Adviser and customer is based on a financial advisory service model governed by a specific contract. The services under this model are delivered in two ways:

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

In particular, the Group offers its customers the following fee-paying Advanced Advisory Services:

- **SEI Advanced Advisory Service:** advisory service offered by Fideuram and Sanpaolo Invest. Sei provides customers with a highly personalised advisory service, able to support them in achieving their investment objectives and in realising their plans, including through value-added ancillary services dedicated to responding to particular asset needs. Sei puts the customer and their needs centre stage and supports Personal Financial Advisers in identifying optimal customised solutions to meet those needs and in monitoring their progress over time. All this while keeping a constant eye on the risk level and diversification of the customer's overall assets. Personal Financial Advisers are supported by the Advisory Platform at all stages of providing the Sei service. This technologically advanced application provides Personal Financial Advisers with all the features and reporting necessary to provide the customer with the Advanced Advisory Service.
- **VIEW** (Value Investment Evolution Wealth) **Advanced Advisory Service:** an advisory service offered by Intesa Sanpaolo Private Banking. VIEW takes all assets into consideration and supports the Personal Financial Advisers in their work of identifying each customer's specific requirements, categorised by area of need, including with the assistance of guideline customer "archetype" profiles. VIEW provides a complete advisory service, which, in addition, benefits from incorporating the Bank's Active Advisory Service, the real estate tool and the asset protection tool. VIEW also allows the customer and their Personal Financial Adviser to identify investment strategies and solutions for each individual area of need in accordance with their risk/return profile and to monitor their wealth from a global standpoint over time.
- **Private Banking Advanced Advisory Service:** a personalised advisory service offered by Intesa Sanpaolo Private Banking, 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.
- **IW Pro Advice**: wealth advisory service offered by IW Bank as fee-only and fee-on-top. The service consists of a financial component and non-financial modules, such as real estate and inheritance analysis. This service model, under which a dedicated product catalogue has been developed which, in addition to CIUs, also includes ETFs and bonds, is provided to customers through the support of an application platform called Licya, featuring diagnostic tools, those for constant customer portfolio monitoring and for advanced accounting and reporting.

Over 64,000 customers were subscribed to our Advanced Advisory Services at the end of June 2021, accounting for €45.3bn of client assets.
The customer and client assets data for our Advanced Advisory Services are shown below.

Customers subscribed to Advanced Advisory Services (*)

(number)

	30.6.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	1,037	1,016	21	2
Private Banking customers	19,133	17,516	1,617	9
Affluent customers	30,529	30,724	(195)	-1
Mass-Market customers	13,974	15,107	(1,133)	-7
Total	**64,673**	**64,363**	**310**	**-**

Advanced Advisory Service client assets (*)

(€m)

	30.6.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
High Net Worth Individual customers	7,933	7,695	238	3
Private Banking customers	28,593	27,440	1,153	4
Affluent customers	7,984	7,961	23	-
Mass-Market customers	799	863	(64)	-7
Total	**45,309**	**43,959**	**1,350**	**3**

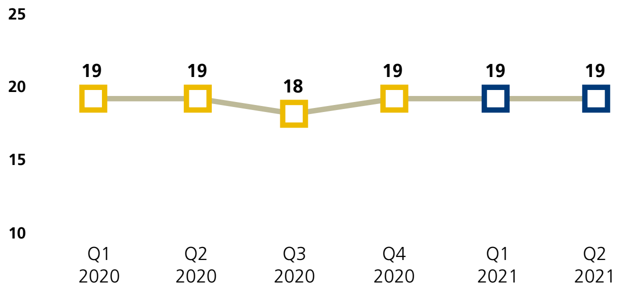
Advanced Advisory Service fee and commission income (*)

(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE AMOUNT	CHANGE %
Fee and commission income	60	60	-	-
Fee and commission expense	(22)	(22)	-	-
Net fee and commission income	**38**	**38**	**-**	**-**

Quarterly net fee and commission income from Advanced Advisory Services (*)

(€m)



(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Distribution of value

Creating value for our stakeholders is one of Fideuram's prime objectives. The Group considers it crucial to pursue this objective through constant interaction with all the stakeholders it encounters in the course of its business.
The table showing the Wealth created by the Group was prepared using the income statement figures from the Consolidated Financial Statements for the first six months of 2021, reclassified in accordance with the instructions of the Italian Banking Association (Associazione Bancaria Italiana – ABI), following the guidelines of the Global Reporting Initiative (GRI). The Wealth created is the economic value generated in the period, which is for the most part distributed to the stakeholders with whom the Group has relations as part of its daily operations. The Value retained is the difference between the Wealth created and the Value distributed, and it is used for productive investments with the aim of enabling economic growth and financial stability, as well as to ensure the creation of new wealth to the benefit of our stakeholders. The Wealth created by the global business of the Group totalled €2bn (+€412m on the first half of 2020).
This wealth was distributed to stakeholders as follows:

- Colleagues (employees and Personal Financial Advisers) received 34.9% of the Wealth created, amounting to a total of €697m. This included the remuneration paid to employees and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Our shareholder received 23.8% of the Wealth created, in the form of the proposed dividend pay-out totalling €476m.
- The government, public authorities, institutions and the community received €431m, principally in the form of direct and indirect taxes, amounting to 21.5% of the Wealth created.
- Suppliers received 6.8% of the Wealth created, totalling €136m paid for goods and services.
- The remainder, €259m, has been retained by the Group. This amount includes the following items in particular: deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

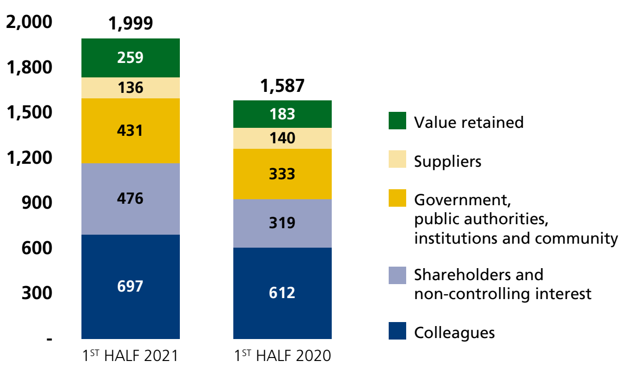
Economic value added (*)

(€m)

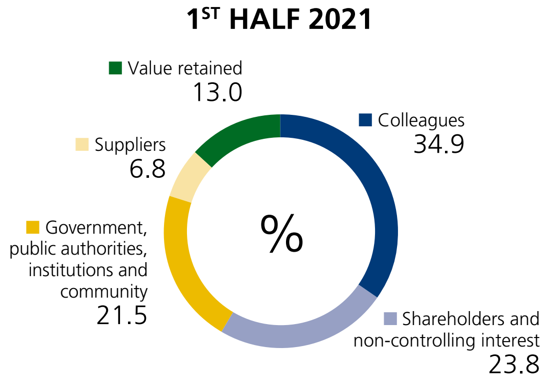
	1ST HALF 2021	1ST HALF 2020	CHANGE	
			AMOUNT	%
Wealth created	**1,999**	**1,587**	**412**	**26**
Value distributed	**(1,740)**	**(1,404)**	**(336)**	**24**
Colleagues	(697)	(612)	(85)	14
Shareholders and non-controlling interest	(476)	(319)	(157)	49
Government, public authorities, institutions and community	(431)	(333)	(98)	29
Suppliers	(136)	(140)	4	-3
Value retained	**259**	**183**	**76**	**42**

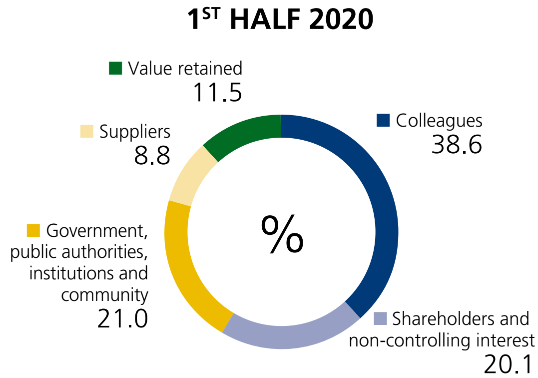
Wealth created (*)

(€m)



Distribution of wealth created (*)





(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Segment reporting

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

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

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

Segment reporting at 30 June 2021 (*)

(€m)

	MANAGED FINANCIAL ASSETS	LIFE INSURANCE ASSETS	BANKING SERVICES	TOTAL FOR FIDEURAM GROUP
Net interest income	-	-	106	106
Net profit (loss) on financial assets and liabilities	-	-	32	32
Net fee and commission income	711	293	36	1,040
Intermediation margin	**711**	**293**	**174**	**1,178**
Net operating expenses	(184)	(49)	(159)	(392)
Other	(12)	(5)	234	217
Gross income (loss)	**515**	**239**	**249**	**1,003**
Average client assets	**134,404**	**68,946**	**110,304**	**313,654**
Client assets	**140,206**	**70,769**	**115,968**	**326,943**
Key indicators				
Cost / Income Ratio	26%	17%	85%	33%
Annualised gross income (loss) / Average client assets	0.8%	0.7%	0.3%	0.6%
Annualised net fee and commission income / Average client assets	1.1%	0.8%	0.1%	0.7%

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

MANAGED FINANCIAL ASSETS

The Managed Financial Assets Segment covers the Group's discretionary account and mutual fund business, which totalled €140.2bn at 30 June 2021 (43% of total client assets), up €21.8bn on 30 June 2020. Total net inflows were a positive €4.5bn, having risen sharply (+€3.3bn) from the same period in the previous financial year. The segment's contribution to gross income (loss) totalled €515m, up €100m on the first six months of 2020, principally due to the increase in net fee and commission income. The ratio of net fee and commission income to client assets was 1.1%, while the ratio of gross income (loss) to client assets was 0.8%.

Managed financial assets (*)

(€m)

	1ST HALF 2021	1ST HALF 2020	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	711	610	17
Intermediation margin	**711**	**610**	**17**
Net operating expenses	(184)	(180)	2
Other	(12)	(15)	-20
Gross income (loss)	**515**	**415**	**24**
Average client assets	**134,404**	**116,175**	**16**
Client assets	**140,206**	**118,411**	**18**
Key indicators			
Cost / Income Ratio	26%	30%	
Annualised gross income (loss) / Average client assets	0.8%	0.7%	
Annualised net fee and commission income / Average client assets	1.1%	1.1%	

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

During the first half of 2021, the development of the range of products and services supporting the Group's service models was driven by the search for new investment opportunities, in a context with positive recovery expectations despite the ongoing health crisis, and by the implementation of distinctive solutions with a marked focus on environmental and social sustainability issues. As part of the general offer expansion, investments in the real economy are confirmed as key in the diversification of Private and HNWI customers portfolios, allowing for further space for solutions outside listed markets. Finally, it is worth noting the entry of UBI Top Private and IW Bank customers, a transaction that led to further integration of products in the range considered to be of quality, particularly in the area of à la carte funds. A number of changes have been introduced to the traditional investment fund scope, both by the company and third-party partners.
Six new strategies were proposed on **Fideuram Asset Management (Ireland) funds**, some through Fonditalia (FOI) and Willerfunds aimed at all Division clients, others through Ailis aimed at Intesa Sanpaolo Private Banking clients.

Specifically, this involved two bond sub-funds (Willer Flexible Financial Bond and Ailis Brandywine Global IM Bond Optimiser), two balanced sub-funds (FOI Carmignac Active Allocation and Ailis Blackrock Balanced ESG), one flexible sub-fund with a focus on China (FOI SLJ Flexible China) and finally one equity sub-fund with controlled volatility (FOI Fidelity Equity Low Volatility). Finally, the FOI Obiettivo 2022 sub-fund has been renamed as FOI Morgan Stanley Balanced Risk Allocation.
A selection of Fideuram Asset Management (Ireland) products identified from the Fonditalia, Ailis and Willerfunds sub-funds have been made available in the IW Bank offering.
The Group's solutions include new Eurizon Capital strategies aimed exclusively at Intesa Sanpaolo Private Banking clients with Eurizon Private Allocation Start, a fund characterised by flexible absolute return management which completes the "Private Allocation" range, Eurizon Thematic Opportunities ESG 50 July 2026, a global multi-asset fund with a growing and dynamic exposure to the equity component, which uses ESG filters to select companies operating in sectors which will benefit from megatrends linked to innovation and people's wellbeing.
Following the integration of the UBI Top Private Branch into Intesa Sanpaolo Private Banking, the range of Pramerica Sicav solutions dedicated to private clients diversified by asset class, geographical area, approach and investment theme for portfolio building were added.
With regard to **third-party funds and SICAVs** , the usual updating and maintenance of the sub-funds under placement continued. Some specific changes were made to the Intesa Sanpaolo Private Banking range, to which four new investment companies were introduced: Axa Investment Managers, Raiffeisen Capital Management, Columbia Threadneedle Investments and Banor Capital Ltd. For alternative funds, the Fideuram Alternative Investments (FAI) platform activity continued.
The first part of the year saw the second closing of FAI Mercati Privati Opportunità Reali, the programme launched in 2020 and developed incollaboration with the Partners Group, which offers a global multi-strategy approach to private markets through Private Equity, Real Estate and Infrastructure with a focus on the secondary market. From April, the Fideuram and Sanpaolo Invest Networks have offered FAI Progetto Italia 2021, the first alternative PIR of Fideuram Asset Management SGR set up in collaboration with Eurizon Capital Real Asset in compliance with regulatory constraints (Law Decree No. 34/2020 "Relaunch Decree") to invest in the Italian system with a focus on the unlisted real assets segment and with the advantage of the tax benefits characteristic of individual savings plans.
In addition, the Group offers three funds classified under art. 8 under the SFDR for a total of €1.3bn in assets (about 2% of total assets under management).

With regard to **discretionary accounts**, the first half of 2021 saw the introduction of new management lines. For Fideuram and Sanpaolo Invest, the offer, managed by Fideuram Asset Management SGR, included the China Equity Folio and China Bond Folio, Equity Japan Folio and Real Asset Folio. The offer of progressive investment products also continued with the proposal of a series of Step in Dynamic and Step in Dynamic Plus solutions for building, over a defined period of time, a portfolio on global equity markets with the Global Equity Sheet or on companies belonging to the technology, health and new consumption models

sectors that are more involved in the economic recovery following the health crisis with the Smart Trends Folio. A new edition of the Bridge Folio has also been produced, allowing the gradual building of a balanced portfolio over time. Finally, since January, the Step up service has been available to customers, an additional option that allows customers greater customisation in building a progressive investment plan on the markets according to their own risk propensity and by combining one or more target folios.
Omnia Asset Management added the new multi-asset line Omnia Ego China in collaboration with UBS, which offers exposure to the Chinese market and its growth themes.
Following the transfer of wealth management from Intesa Sanpaolo Private Banking to Fideuram Asset Management SGR, the service was renamed to "Wealth Collection" with the launch of the following new management lines.

- Private Diversified 20/30/50 and Mix Diversified 20/30/50 which invest in funds and securities and aim to offer a balanced and diversified exposure, by asset class and geographic allocation, to the main reference markets.
- Mix Multitrend that presents a global equity portfolio, invested in global equity funds, stocks and ETFs that invest with a particular focus on themes related to structural change in the economy and with exposure to trends that, especially in a post-Covid-19 scenario, may benefit from the acceleration in ongoing trends. The main thematic areas from which the names in the portfolio will be selected are technology, lifestyle and healthcare.
- Mix China Balanced is characterised by a balanced and diversified strategy on equity and bond markets, through funds and securities. The strategy invests in onshore (mainland China) and offshore (Hong Kong and ADR) shares. The bond component takes exposure to both government and corporate debt.
- Mix Real Asset is characterised by a diversified portfolio invested in equity and bond financial instruments, giving exposure to asset classes benefiting from rising inflation. The Portfolio favours investments in asset classes and sectors linked to global economic growth and/or capable of mitigating the negative effects of higher inflation.
- Themes: Agribusiness, Automation, Biotechnology, Blockchain and Big Data, Infrastructure, Renewable Energy, Ecology and Water.
- As well as: High Yield Bond and Corporate Bond.

As regards the discretionary accounts offered by Eurizon, the asset management company continued performing its ordinary maintenance and evolutionary adjustments to the product line.

LIFE INSURANCE ASSETS SEGMENT

This segment covers the Group's life insurance and pension fund business, which totalled €70.8bn at 30 June 2021 (22% of total client assets), up €6.9bn compared to 30 June 2020, principally due to strong life insurance performance (+€6.4bn). Net inflows were positive at €1.2bn, up €544m compared to the first six months of 2020. The contribution to gross income amounted to €239m, an increase of €29m compared to the same period last year. The ratio of net fee and commission income to client assets was 0.8%, while the ratio of gross income (loss) to client assets was 0.7%.

Life insurance assets (*)

(€m)

	1ST HALF 2021	1ST HALF 2020	% CHANGE
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net fee and commission income	293	265	11
Intermediation margin	**293**	**265**	**11**
Net operating expenses	(49)	(49)	-
Other	(5)	(6)	-17
Gross income (loss)	**239**	**210**	**14**
Average client assets	**68,946**	**62,936**	**10**
Client assets	**70,769**	**63,844**	**11**
Key indicators			
Cost / Income Ratio	0.7%	18%	
Annualised gross income (loss) / Average client assets	0.7%	0.7%	
Annualised net fee and commission income / Average client assets	0.8%	0.8%	

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

In the area of **insurance products** aimed at Fideuram and Sanpaolo Invest, some new investment solutions were introduced in the opportunity set of the class III policy family Fideuram Vita Insieme, also with changes to underwriting fees. In addition, the relaunch of the Class I offer continued, also accompanied by a review of the fee structure.

For IW Bank, the offer was integrated with the Class III Eurovita In Persona and Eurovita in Prima Persona policies, two single-premium unit-linked products with the possibility of additional payments over time, and the Fideuram Open Pension Fund, consisting of six investment sub-funds with different risk and return profiles and specific management policies that adopt sustainable and responsible investment criteria.
For Intesa Sanpaolo Private Banking, changes concerned both the inclusion of Patrimonio PerGiovani Insurance by Intesa Sanpaolo Vita, aimed at customers who want to help a young person (child, grandchild or loved one) to realize a future project by allocating them a certain capital established at the subscription to be used on the expiry date with the guarantee of the capital, the returns of which are linked to the results of the "FondoBase Sicura" Separate Account, and the reactivation within the Intesa Sanpaolo Life Unit Linked Private Selection product of the "Percorso Tattico", which allows the customer to invest the premium in the new internal fund of the Company called Selezione Private Trend 2021 and eventually, upon completion, to invest in from a minimum of five to a maximum of twenty external funds from third-party companies. Finally, as part of the collaboration agreement with the broker First Advisory, the development of the multi-branch SOGE Partners Personal Investimento of the Luxembourg company Sogelife continued with the inclusion of the new FIC Crescendo Progressive Protection 95 Class III Collective Internal Fund, intended for policyholders who are legal persons classified as professional clients.

BANKING SERVICES

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 €116.bn at 30 June 2021 (35% of total client assets), up €16.4bn compared with the figure at 30 June 2020. Net inflows amounted to €2.8bn, compared to net inflows of €4.5bn in the first half of 2020, largely due to the repositioning of client assets towards managed asset products.
The contribution of this segment to gross income was €249m. The increase in gross income compared to the same period last year (+€201m) is attributable for €219m to the profit realised on the sale of the Custodian and Fund Administration Branch of Fideuram Bank (Luxembourg) to State Street Bank. The ratio of net fee and commission income to client assets was 0.1%, while the ratio of gross income (loss) to client assets was 0.3%.

Banking Services (*)

(€m)

	1ST HALF 2021	1ST HALF 2020	% CHANGE
Net interest income	106	129	-18
Net profit (loss) on financial assets and liabilities	32	27	19
Net fee and commission income	36	68	-47
Intermediation margin	**174**	**224**	**-22**
Net operating expenses	(159)	(160)	-1
Other	234	(16)	n.s.
Gross income (loss)	**249**	**48**	**n.s.**
Average client assets	**110,304**	**98,349**	**12**
Client assets	**115,968**	**99,583**	**16**
Key indicators			
Cost / Income Ratio	85%	71%	
Annualised gross income (loss) / Average client assets	0.3%	0.1%	
Annualised net fee and commission income / Average client assets	0.1%	0.1%	

n.s.: not significant

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

For **banking services**, initiatives to support banking and the acquisition of new customers continued and various regulatory adjustments were implemented.
For Fideuram, the offer of current accounts at a subsidised rate (Plus IV and Plus Corporate current accounts) was renewed and a commercial initiative was promoted for repurchase agreements combined with asset management.
For Intesa Sanpaolo Private Banking, there were promotions for individual customers and family holding companies by means of savings vouchers with remuneration at favourable rates for a defined duration with restricted access. In addition, lending initiatives continued, including the Group's participation in the TLTRO III auctions and the consequent granting of new loans on favourable terms.
During the first half of the year, a number of features were released, particularly in the area of e-money. As of 1 January 2021, the adaptation to 3D Secure, a security protocol that provides a double level of protection for online card purchases, was completed and the Cashback service was launched, which allows customers with qualified cards to request a cash amount, up to a maximum of €50, from merchants participating in the service, at the same time as making a payment transaction with the card for an amount of more than €1.
In compliance with the provisions of European legislation on "strong authentication" of payment services, the renewal in advance at 30 June 2021 of credit cards still in circulation and their replacement with new credit cards equipped with CHIP&PIN technology also took place. This is in order to comply with the legal requirement that the authorisation of transactions is based on PIN entry. Again during the first half of the year, customers were informed about the possibility of paying transport fares (including tolls) and parking fees without entering a PIN with debit, credit and prepaid cards.
For digital payment services, contactless payments can be activated on Swatch watches from the SwatchPAY! collection by associating enabled Fideuram and Intesa Sanpaolo Private Banking cards (debit, credit or prepaid) online on the Swatch.com website at the time of purchase or in a Swatch store. Finally, in June 2021, the provisions of EU Regulation 2019/518 on the disclosure to be provided to the customer for foreign currency transactions were implemented. This legislation provides for a free electronic message to be sent to consumer customers who make a POS payment (physical and online) or an ATM withdrawal by card (credit, debit, prepaid) in the national currency of another EU country that is different from the currency of the payer's account. From 23 June 2021, the bank will therefore send the customer an SMS (at the bank's own cost), immediately after a payment or withdrawal made in a currency other than that of the payer's account, indicating the percentage mark-up on the latest available euro reference rates published by the ECB that corresponds to the total of the currency conversion charges and exchange rate applicable to the transaction.
For **non-managed assets**, the offering of placement solutions to customers who are more sensitive to capital protection issues was augmented by new issues of Investment Certificates by Intesa Sanpaolo on equity indices and baskets of equity indices, with protection of the total capital or in any event not less than 95% of the amount invested and full participation in the performance of the various underlying securities. In addition, for Intesa Sanpaolo Private Banking and IW Bank, Intesa also created Investment Certificates on individual equities.
The first half of the year also saw the participation in the BTP Futura offer and in the offer, solely for professional clients, of Revo S.p.A. an SPAC which aims to become a primary player in the insurance sector, particularly in the area of specialty lines and parametric risks, mainly aimed at the world of small and medium-sized enterprises.

Human capital

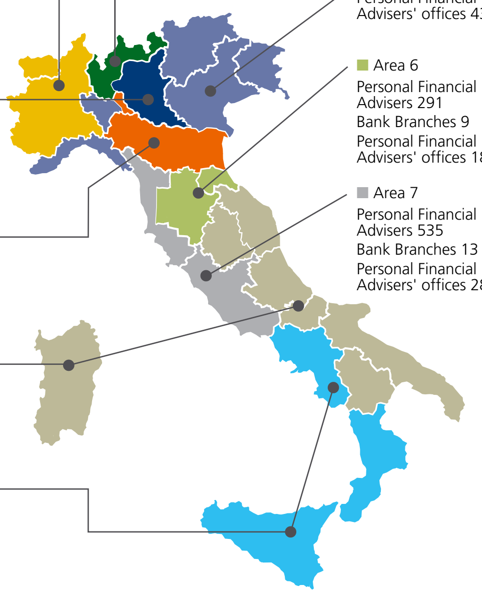
DISTRIBUTION NETWORKS

At 30 June 2021, the Group's distribution networks (Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking, IW Bank and Foreign Networks) totalled 6,630 Personal Financial Advisers compared with 6,463 at the beginning of 2021.

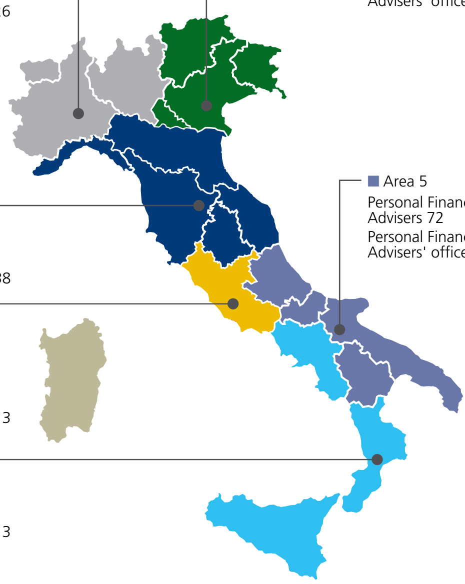
	BEGINNING OF PERIOD 1.1.2021	IN	OUT	NET	END OF PERIOD 30.6.2021
Fideuram Network	3,579	130	88	42	3,621
Sanpaolo Invest Network	1,220	39	46	(7)	1,213
Intesa Sanpaolo Private Banking Network	889	210	31	179	1,068
IW Bank Network	698	16	61	(45)	653
Foreign Network	77	1	3	(2)	75
Total	**6,463**	**396**	**229**	**167**	**6,630**

	BEGINNING OF PERIOD 1.7.2020	IN	OUT	NET	END OF PERIOD 30.6.2021
Fideuram Network	3,603	179	161	18	3,621
Sanpaolo Invest Network	1,242	60	89	(29)	1,213
Intesa Sanpaolo Private Banking Network	901	223	56	167	1,068
IW Bank Network	716	35	98	(63)	653
Foreign Network	77	3	5	(2)	75
Total	**6,539**	**500**	**409**	**91**	**6,630**

Fideuram Network: 9 areas



Sanpaolo Invest Network: 6 areas



Intesa Sanpaolo Private Banking Network: 13 areas

The Fideuram and Sanpaolo Invest Networks' recruitment programmes brought in 169 new professionals in the first half of 2021 (compared with 70 new Personal Financial Advisers recruited in the corresponding period of 2020) and 239 over the past 12 months, compared with 172 in the previous twelve-month period. 134 Personal Financial Advisers left the Group in the first half of the year, only 25% of whom, however, moved to competitor networks.

Personal Financial Advisers of the Fideuram Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2021 - 30.6.2021	3,579	130	88	42	3,621
1.1.2020 - 30.6.2020	3,614	53	64	(11)	3,603
TWELVE-MONTH PERIOD					
1.7.2020 - 30.6.2021	3,603	179	161	18	3,621
1.7.2019 - 30.6.2020	3,643	136	176	(40)	3,603

Personal Financial Advisers of the Sanpaolo Invest Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2021 - 30.6.2021	1,220	39	46	(7)	1,213
1.1.2020 - 30.6.2020	1,254	17	29	(12)	1,242
TWELVE-MONTH PERIOD					
1.7.2020 - 30.6.2021	1,242	60	89	(29)	1,213
1.7.2019 - 30.6.2020	1,311	36	105	(69)	1,242

The Intesa Sanpaolo Private Banking Network currently numbers 990 Personal Financial Advisers who are salaried employees registered in Italy's Unified Register of Financial Advisers and 78 freelance professionals on agency contracts.

Personal Financial Advisers of the Intesa Sanpaolo Private Banking Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2021 - 30.6.2021	889	210	31	179	1,068
1.1.2020 - 30.6.2020	912	22	33	(11)	901
TWELVE-MONTH PERIOD					
1.7.2020 - 30.6.2021	901	223	56	167	1,068
1.7.2019 - 30.6.2020	925	37	61	(24)	901

The IW Bank network is made up of 653 self-employed Personal Financial Advisers with agency contracts who are registered in Italy's Unified Register of Financial Advisers.

Personal Financial Advisers of the IW Bank Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2021 - 30.6.2021	698	16	61	(45)	653
1.1.2020 - 30.6.2020	688	34	6	28	716
TWELVE-MONTH PERIOD					
1.7.2020 - 30.6.2021	716	35	98	(63)	653
1.7.2019 - 30.6.2020	687	61	32	29	716

As at 30 June 2021, the foreign network consisted of 38 Personal Financial Advisers from the REYL Group and 37 Personal Financial Advisers from Intesa Sanpaolo Private Bank (Suisse) Morval.

Personal Financial Advisers of the Foreign Network

	BEGINNING OF PERIOD	IN	OUT	NET	END OF PERIOD
1ST HALF					
1.1.2021 - 30.6.2021	77	1	3	(2)	75
1.1.2020 - 30.6.2020	76	5	4	1	77
TWELVE-MONTH PERIOD					
1.7.2020 - 30.6.2021	77	3	5	(2)	75
1.7.2019 - 30.6.2020	75	13	11	2	77

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

Moreover, we continued to see steady growth in the Personal Financial Advisers who have joined our Team project, conceived to promote collaboration between Personal Financial Advisers with a view to developing and providing enhanced support for their customers. At the end of June 2021, 1,750 Personal Financial Advisers had joined together in teams, collectively managing a total of around €19.3bn assets for over 127,000 customers.

EMPLOYEES

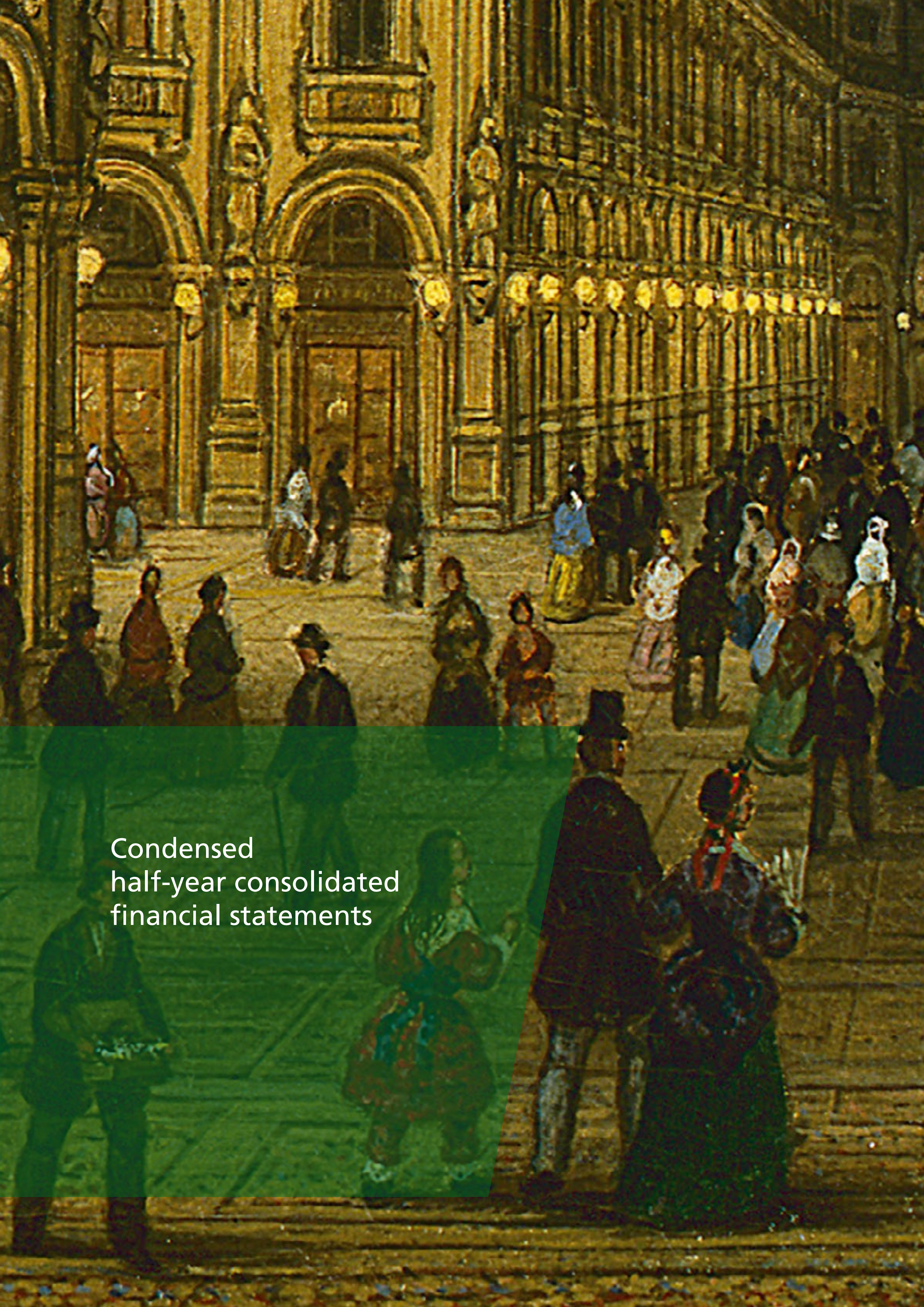
Total Group staff, including secondments to and from other companies in the Intesa Sanpaolo Group not included in the scope of consolidation of the Fideuram Group and atypical staff, came to 4,048 at 30 June 2021, compared with 4,024 at 31 December 2020.

Employees

(number)

	30.6.2021	31.12.2020 (*)	30.6.2020 (*)
Private Banking	**3,735**	**3,713**	**3,739**
Fideuram - Intesa Sanpaolo Private Banking	1,367	1,332	1,325
Intesa Sanpaolo Private Banking	1,592	1,644	1,694
IW Bank Private Investments	272	281	281
Sanpaolo Invest SIM	15	15	15
Fideuram Bank (Luxembourg)	37	38	38
REYL Group	296	234	212
Intesa Sanpaolo Private Bank (Suisse) Morval	135	142	147
Morval Bank & Trust Cayman in liquidation	7	10	10
Intesa Sanpaolo Private Argentina	6	6	6
Morval Vonwiller Advisors	8	11	11
Asset Management	**234**	**227**	**229**
Fideuram Asset Management (Ireland)	66	65	68
Fideuram Asset Management SGR	165	159	158
Intesa Sanpaolo Private Bank Monaco in liquidation	3	3	3
Fiduciary and treasury services	**79**	**84**	**85**
Financière Fideuram	3	4	4
Siref Fiduciaria	76	80	81
Total	**4,048**	**4,024**	**4,053**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.



Condensed half-year consolidated financial statements

Notes

Analysis of the income statement

The Fideuram - Intesa Sanpaolo Private Banking Group ended the first six months of 2021 with consolidated net profit of €646m, up €227m on the same period in the previous year (+54%). This increase includes, for €164m the net capital gain realised on the sale of the Custodian and Fund Administration Branch of Fideuram Bank (Luxembourg).

Consolidated income statement

(reclassified - €m)

	1ST HALF 2021 (*)	1ST HALF 2020 (*)	CHANGE	
			AMOUNT	%
Net interest income	106	129	(23)	-18
Net profit (loss) on financial assets and liabilities	32	27	5	19
Net fee and commission income	1,040	943	97	10
INTERMEDIATION MARGIN	**1,178**	**1,099**	**79**	**7**
Profit on equity investments and other income (expense)	14	1	13	n.s.
NET OPERATING INCOME	**1,192**	**1,100**	**92**	**8**
Personnel expenses	(223)	(223)	-	-
Other administrative expenses	(133)	(132)	(1)	1
Depreciation and amortisation	(36)	(34)	(2)	6
NET OPERATING EXPENSES	**(392)**	**(389)**	**(3)**	**1**
OPERATING MARGIN	**800**	**711**	**89**	**13**
Net impairment of loans	1	(22)	23	n.s.
Net provisions for risks and charges and net impairment of other assets	(17)	(23)	6	-26
Net non-recurring income (expenses)	219	7	212	n.s.
GROSS INCOME (LOSS)	**1,003**	**673**	**330**	**49**
Income taxes for the period on continuing operations	(299)	(209)	(90)	43
Integration and voluntary redundancy expenses (net of tax)	(10)	(7)	(3)	43
Effects of purchase price allocation (net of tax)	(11)	(1)	(10)	n.s.
Expenses regarding the banking system (net of tax)	(13)	(9)	(4)	44
Net profit (loss) attributable to non-controlling interests	(24)	(28)	4	-14
NET PROFIT	**646**	**419**	**227**	**54**

n.s.: not significant

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Quarterly consolidated income statements

(reclassified - €m)

	2021		2020			
	Q2 (*)	Q1 (*)	Q4 (*)	Q3 (*)	Q2 (*)	Q1 (*)
Net interest income	54	52	56	66	67	62
Net profit (loss) on financial assets and liabilities	11	21	12	9	14	13
Net fee and commission income	518	522	513	465	461	482
INTERMEDIATION MARGIN	**583**	**595**	**581**	**540**	**542**	**557**
Profit on equity investments and other income (expense)	7	7	(2)	4	1	-
NET OPERATING INCOME	**590**	**602**	**579**	**544**	**543**	**557**
Personnel expenses	(113)	(110)	(123)	(118)	(116)	(107)
Other administrative expenses	(67)	(66)	(75)	(67)	(63)	(69)
Depreciation and amortisation	(18)	(18)	(17)	(17)	(17)	(17)
NET OPERATING EXPENSES	**(198)**	**(194)**	**(215)**	**(202)**	**(196)**	**(193)**
OPERATING MARGIN	**392**	**408**	**364**	**342**	**347**	**364**
Net impairment of loans	(1)	2	4	2	(18)	(4)
Net provisions for risks and charges and net impairment of other assets	(10)	(7)	(10)	(13)	(17)	(6)
Net non-recurring income (expenses)	(1)	220	(1)	(1)	3	4
GROSS INCOME (LOSS)	**380**	**623**	**357**	**330**	**315**	**358**
Income taxes for the period on continuing operations	(113)	(186)	(91)	(101)	(98)	(111)
Integration and voluntary redundancy expenses (net of tax)	(6)	(4)	(59)	(4)	(3)	(4)
Effects of purchase price allocation (net of tax)	(6)	(5)	(8)	(39)	(1)	-
Expenses regarding the banking system (net of tax)	(4)	(9)	1	(15)	(3)	(6)
Net profit (loss) attributable to non-controlling interests	(10)	(14)	(6)	33	(13)	(15)
NET PROFIT	**241**	**405**	**194**	**204**	**197**	**222**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Net operating income totalled €1.2bn, up €92m (+8%) compared with the first six months of 2020. This result is attributable to:

- the reduction net interest income (-€23m);
- the increased net profit on financial assets at fair value (+€5m);
- the growth in net fee and commission income (+€97m);
- the growth in equity investments and other income (+€13m).

Net interest income

(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE	
			AMOUNT	%
Interest expense on due to customers	(26)	(19)	(7)	37
Interest expense on due to banks	(8)	(7)	(1)	14
Interest income on debt securities	111	128	(17)	-13
Interest income on loans	81	80	1	1
Net interest on hedging derivatives	(44)	(45)	1	-2
Other net interest income	(8)	(8)	-	-
Total	**106**	**129**	**(23)**	**-18**

3 months Euribor rate

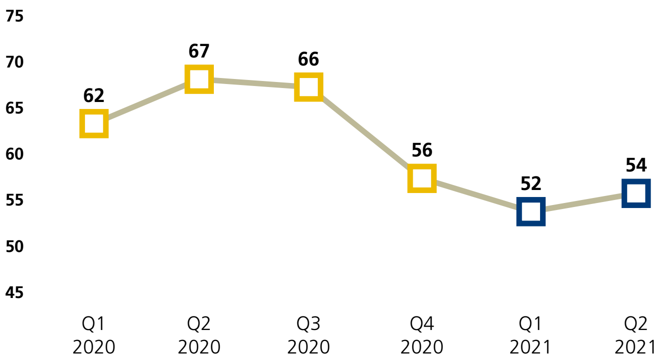
(bps)

Source: Bloomberg

Net interest income amounted to €106m, down €23m compared to the first half of last year, due to both the lower profitability of loans resulting from the drop in market yields and the increase in the average cost of customer deposits.
An analysis of the quarterly trend shows that the margin held up in the first half of the year after the drop in short-term interest rates from the second half of 2020.

Quarterly net interest income

(€m)



Net profit (loss) on financial assets and liabilities

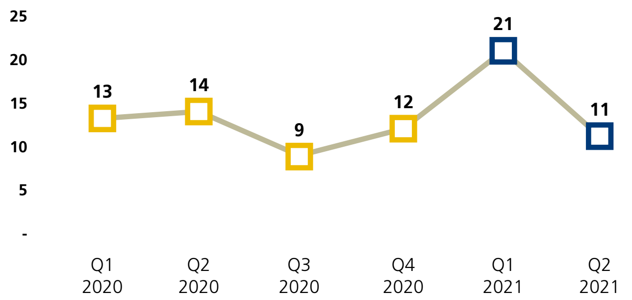
(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE AMOUNT	CHANGE %
Net profit (loss) on sale of financial assets	6	11	(5)	-45
Net profit (loss) of financial assets measured at fair value through profit or loss	25	15	10	67
Net profit (loss) on hedging derivatives	1	1	-	-
Total	**32**	**27**	**5**	**19**

Net profit (loss) on financial assets and liabilities amounted to €32m, up €5m compared with the same period last year, mainly due to capital gains on financial instruments held to service the incentive plans of risk takers and distribution networks (+€10m), only partly offset by lower gains realised on the sale of debt securities (-€5m).

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Net fee and commission income

(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE AMOUNT	CHANGE %
Fee and commission income	1,532	1,377	155	11
Fee and commission expense	(492)	(434)	(58)	13
Net fee and commission income	**1,040**	**943**	**97**	**10**

Net fee and commission income totalled €1bn, up €97m from the figure for the first six months of 2020 (+10%).

Net recurring fees

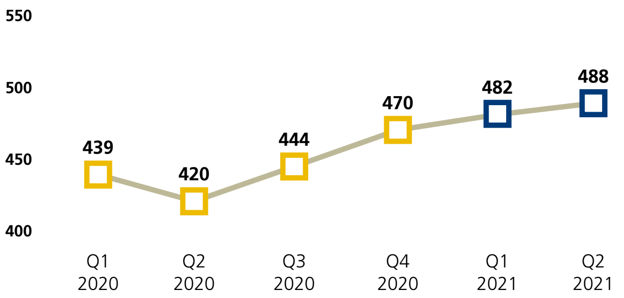
(€m)

	Q1	Q2	TOTAL
2021	482	488	970
2020	439	420	859
Change	**43**	**68**	**111**

Net recurring fees amounted to €970m, up (+€111m, +13%) from the same period last year. This development is attributable to the growth in average managed assets, which rose from €179.1bn as at 30 June 2020 to €203.3bn at the end of June 2021 (+€24.2bn, +14%). An analysis of quarterly trends shows an upward trend in recurring fees since the second quarter of 2020, in line with the gradual recovery of managed assets after the sharp drop recorded following the Covid-19 health emergency.

Quarterly net recurring fees

(€m)



Performance fees amounted to €2m, compared to a zero balance for the first six months of 2020. The Fideuram Group charges the performance fees on individual discretionary accounts annually, except when the customer decides to close the account early. The Group calculates the performance fees on its internal insurance funds on a daily accrual basis in relation to the performance of the fund, applying a High Water Mark clause that means performance fees are only charged when the value of the fund rises above the highest value reached on the previous dates when performance fees were charged. The performance fees on the Group's mutual funds are charged annually, with the exception of two funds for which performance fees are charged half-yearly (applying a High Water Mark clause).

Net front-end fees

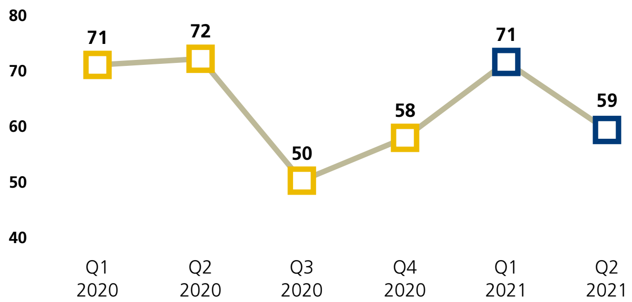
(€m)

	Q1	Q2	TOTAL
2021	71	59	130
2020	71	72	143
Change	**-**	**(13)**	**(13)**

Net front-end fees of €130m decreased by €13m compared to the same period last year (-9%), largely due to lower securities placement fees. It should be noted that in the first half of 2021, the Group's sales networks distributed bond loans and certificates, largely issued by Intesa Sanpaolo Group companies, that brought in approximately €1.3bn in gross inflows, compared with approximately €2.8bn placed in the first half of 2020.

Quarterly net front-end fees

(€m)



Other fee and commission expense

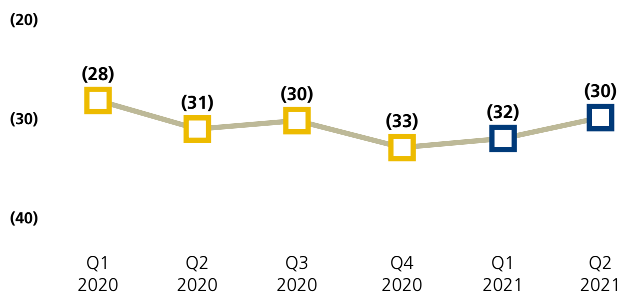
(€m)

	Q1	Q2	TOTAL
2021	(32)	(30)	(62)
2020	(28)	(31)	(59)
Change	**(4)**	**1**	**(3)**

The **other fee and commission expense** totalled €62m, up €3m compared to the first half of 2020 due to higher incentives set aside for distribution networks.

Quarterly other fee and commission expense

(€m)



Profit on equity investments and other income (expense) increased by €13m compared to the same period last year, largely due to higher revenues from services, the collection of insurance reimbursements and penalties on non-competition agreements with former Personal Financial Advisers and higher profits on investments consolidated using the equity method.

Net operating expenses

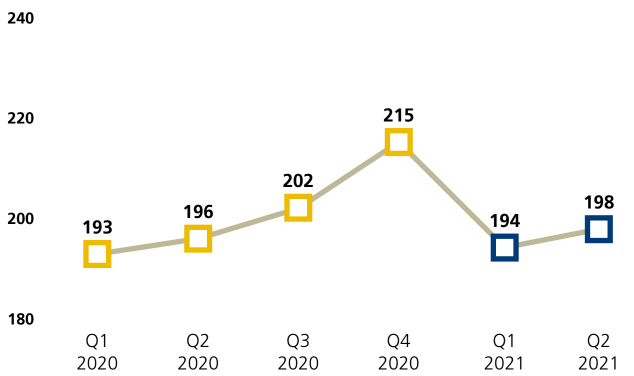
(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE AMOUNT	%
Personnel expenses	223	223	-	-
Other administrative expenses	133	132	1	1
Depreciation and amortisation	36	34	2	6
Total	**392**	**389**	**3**	**1**

Net operating expenses, totalling €392m, rose by €3m (+1%) from the same period last year. A detailed analysis shows that personnel expenses remained unchanged while other administrative expenses increased by €1m, largely due to higher costs for services rendered by third parties. Depreciation and amortisation increased by €2m, mainly due to higher amortisation of software.

Quarterly net operating expenses

(€m)



Net impairment of loans recorded a positive balance of €1m, mainly consisting of impairments on exposures to Intesa Sanpaolo due to the improvement in the ECL percentage applied to these relationships. The negative balance of €22m in the first half of last year was affected by the increased credit risk resulting from the spread of the Covid-19 health emergency.

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

(€m)

	1ST HALF 2021	1ST HALF 2020	CHANGE AMOUNT	%
Personal Financial Advisers' termination indemnities and incentives	16	15	1	7
Litigation and complaints	2	4	(2)	-50
Network Loyalty Schemes	2	3	(1)	-33
Net impairment of (recoveries on) debt securities	(3)	1	(4)	n.s.
Total	**17**	**23**	**(6)**	**-26**

Net provisions for risks and charges and net impairment of other assets, at €17m, decreased by €6m compared to the same period last year. A detailed analysis shows that provisions for Personal Financial Advisers' termination indemnities increased by €1m, attributable mainly to higher indemnities set aside for the distribution networks. The provisions set aside to cover contingent liabilities from lawsuits, litigation, claims from receivers and customer complaints decreased by €2m due to the lower overall risk of new disputes arising in the period. Provisions for Network Loyalty Schemes decreased by €1m due to the discounting component of the fund. Net impairment on debt securities recorded a positive balance of €3m, largely attributable to impairments on bonds due to the updated macroeconomic scenario that led to a decrease in the probability of default for large corporate and bank models.

Net non-recurring income (expenses) include income and expenses that are not attributable to ordinary operations. In the first six months of 2021, this item, amounting to €219m, refers to the gain realised on the sale of the Custodian and Fund Administration Branch of Fideuram Bank (Luxembourg) to State Street Bank. The balance for the first half of 2020, amounting to €7m, included €1m in profit realised on the sale of a property belonging to Intesa Sanpaolo Private Bank (Suisse) Morval and €6m in profits from the sale of investments in the REYL Group.

Income taxes of €299m increased by €90m compared to the first six months of last year due to higher gross profit for the period. The tax rate was 30% (31% in the first half of 2020). Income taxes include a benefit of €7m from the freeing up of goodwill of Intesa Sanpaolo Private Banking and Fideuram Asset Management SGR provided for by the 2021 Budget Law.

Integration and voluntary redundancy expenses (net of tax) recorded a balance of €10m (+€3m compared to the first half of 2020) and refer to non-recurring integration transactions involving Group companies.

The **effects of purchase price allocation (net of tax)**, amounting to €11m, refer to amounts attributable to the revaluation of loans, securities and the recognition of intangible assets recognised in the financial statements following the acquisition of the Morval Group, the UBI Top Private Branch and IW Bank.

The item **expenses regarding the banking system (net of tax)**, includes the expenses related to maintaining the stability of the banking system, recognised in the income statement in accordance with current regulations. In the first six months of 2021, this item totalled €13m, up €4m on the same period of last year due to higher charges set aside for the contribution to the to the Single Resolution Fund introduced by Directive (EU) no. 2014/59.

Asset and liability management

The tables below show the main balance sheet items compared with the corresponding figures at 31 December 2020.

Consolidated balance sheet

(reclassified - €m)

	30.6.2021	31.12.2020 (*)	CHANGE	
			AMOUNT	%
ASSETS				
Financial assets measured at fair value through profit or loss	491	433	58	13
Financial assets measured at fair value through other comprehensive income	2,969	2,812	157	6
Debt securities measured at amortised cost	19,800	20,144	(344)	-2
Loans to banks	23,536	21,071	2,465	12
Loans to customers	12,933	12,138	795	7
Hedging derivatives	15	16	(1)	-6
Equity investments	207	192	15	8
Property and equipment and intangible assets	1,051	783	268	34
Tax assets	191	226	(35)	-15
Non-current assets held for sale and discontinued operations	-	1,065	(1,065)	-100
Other assets	2,196	2,058	138	7
TOTAL ASSETS	**63,389**	**60,938**	**2,451**	**4**
LIABILITIES				
Due to banks	6,271	3,752	2,519	67
Due to customers	50,028	49,948	80	-
Financial liabilities held for trading	63	64	(1)	-2
Hedging derivatives	833	954	(121)	-13
Tax liabilities	202	146	56	38
Liabilities associated with non-current assets held for sale and discontinued operations	-	1,065	(1,065)	-100
Other liabilities	1,960	1,209	751	62
Provisions for risks and charges	602	620	(18)	-3
Share capital, reserves and equity instruments	2,692	2,330	362	16
Equity attributable to non-controlling interests	92	33	59	n.s.
Net profit	646	817	(171)	-21
TOTAL LIABILITIES	**63,389**	**60,938**	**2,451**	**4**

n.s.: not significant

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

Quarterly consolidated balance sheets

(reclassified - €m)

	30.6.2021	31.3.2021 (*)	31.12.2020 (*)	30.9.2020 (*)	30.6.2020 (*)	31.3.2020 (*)
ASSETS						
Financial assets measured at fair value through profit or loss	491	478	433	370	358	357
Financial assets measured at fair value through other comprehensive income	2,969	2,991	2,812	3,074	3,032	2,969
Debt securities measured at amortised cost	19,800	19,957	20,144	19,608	19,413	19,363
Loans to banks	23,536	22,697	21,071	21,669	21,342	20,787
Loans to customers	12,933	12,761	12,138	11,720	11,352	11,213
Hedging derivatives	15	14	16	14	12	10
Equity investments	207	198	192	186	184	180
Property and equipment and intangible assets	1,051	772	783	792	845	869
Tax assets	191	218	226	202	207	252
Non-current assets held for sale and discontinued operations	-	-	1,065	-	-	-
Other assets	2,196	1,952	2,058	1,830	1,749	1,602
TOTAL ASSETS	**63,389**	**62,038**	**60,938**	**59,465**	**58,494**	**57,602**
LIABILITIES						
Due to banks	6,271	5,279	3,752	3,426	4,933	2,990
Due to customers	50,028	49,968	49,948	49,496	47,137	48,379
Financial liabilities held for trading	63	70	64	50	52	79
Hedging derivatives	833	865	954	1,032	1,025	989
Tax liabilities	202	205	146	102	68	107
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	1,065	-	-	-
Other liabilities	1,960	1,464	1,209	1,238	1,370	1,383
Provisions for risks and charges	602	621	620	521	497	507
Share capital, reserves and equity instruments	2,692	3,141	2,330	2,964	2,939	2,895
Equity attributable to non-controlling interests	92	20	33	13	54	51
Net profit	646	405	817	623	419	222
TOTAL LIABILITIES	**63,389**	**62,038**	**60,938**	**59,465**	**58,494**	**57,602**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

The Group's **financial assets** totalled €23.3bn, down €130m (-1%) compared to the figure at the end of 2020.

Financial assets

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	491	433	58	13
Financial assets measured at fair value through other comprehensive income	2,969	2,812	157	6
Debt securities measured at amortised cost	19,800	20,144	(344)	-2
Hedging derivatives	15	16	(1)	-6
Total	**23,275**	**23,405**	**(130)**	**-1**

This trend is mainly attributable to the decrease in debt securities measured at amortised cost (-€344m) due to redemptions during the period, partly offset by the increase in financial assets measured at fair value through comprehensive income (+€157m).

Financial liabilities

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial liabilities held for trading	63	64	(1)	-2
Hedging derivatives	833	954	(121)	-13
Total	**896**	**1,018**	**(122)**	**-12**

Financial liabilities totalled €896m, consisting entirely of derivatives. This item was down €122m (-12%) compared to the figure at 31 December 2020, mainly due to fair value changes on the derivatives used to hedge the interest rate risk of certain fixed-rate bonds in the portfolio.

Loans to banks

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Due from Central Banks	129	107	22	21
Current account	3,073	3,290	(217)	-7
Term deposits	19,885	17,449	2,436	14
Other	449	225	224	100
Total	**23,536**	**21,071**	**2,465**	**12**

Loans to banks amounted to €23.5bn, an increase of €2.5bn compared to 31 December 2020 (+12%), mainly due to the growth in term deposits with Intesa Sanpaolo (+€2.4bn), only partly offset by the decline in current accounts (-€217m).

Due to banks

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Current accounts	1,240	577	663	115
Term deposits	1,405	756	649	86
Repurchase agreements	2,501	2,259	242	11
Debts for leases	31	31	-	-
Other	1,094	129	965	n.s.
Total	**6,271**	**3,752**	**2,519**	**67**

n.s.: not significant

Due to banks, amounting to €6.3bn, increased by €2.5bn compared with the end of 2020 (+67%) due to the recognition under other payables of the liabilities transferred to State Street Bank following the sale of the Custodian Bank and Fund Administration Branch of Fideuram Bank (Luxembourg) at the end of March 2021 (+€965m), the increase in current accounts (+€663m), term deposits (+€649m) and repurchase agreements (+€242m), which include €925m from securities lending transactions with Intesa Sanpaolo (€916m at the end of 2020) and €1.1bn in liquidity obtained from Intesa Sanpaolo under the TLTRO long-term refinancing programme (€650m at the end of 2020).

The Group continued to be a **net lender on the interbank market**, with net interbank deposits of €17.2bn, to which contribute €23.5bn in loans receivable (of which €22.2bn to Intesa Sanpaolo Group companies) and €6.3bn in loans payable (of which €4.2bn to Intesa Sanpaolo Group companies).

Loans to customers

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Current accounts	8,908	8,181	727	9
Loans	1,880	1,769	111	6
Other	2,103	2,147	(44)	-2
Non-performing assets	42	41	1	2
Total	**12,933**	**12,138**	**795**	**7**

Loans to customers totalled €12.9bn and mainly comprised short-term loans (repayable within 12 months or revocable loans without a specified term). The increase of €795m compared to 31 December 2020 is mainly attributable to the growth in current account overdrafts (+€727m) and mortgages (+€111m), only partly offset by the decrease in other loans (-€44m).
Net problem loans, representing a minimal amount in the portfolio, totalled €42m, up €1m on the figure at the end of 2020. In detail: doubtful loans totalled €4m, in line with the figure at the end of 2020. Unlikely to pay loans totalled €18m, down €5m on 31 December 2020, past due or overdue loans amounted to €20m, an increase of €6m compared to the end of 2020.

Due to customers

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Current accounts	44,468	43,135	1,333	3
Term deposits	4,853	6,193	(1,340)	-22
Repurchase agreements	166	47	119	n.s.
Debts for leases	273	284	(11)	-4
Other	268	289	(21)	-7
Total	**50,028**	**49,948**	**80**	**-**

At €50bn, **due to customers** remained broadly in line with the balance at the end of 2020. A detailed analysis shows a sharp reduction in term deposits of € 1.3bn, which was more than offset by an increase in current account deposits (+€1.3bn) and repurchase agreements (+€119m).

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

(€m)

	LOANS (*)	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	TOTAL
Italy	2,110	145	2,255
Spain	-	315	315
United States	-	269	269
Ireland	-	66	66
Belgium	-	54	54
Luxembourg	-	20	20
France	-	11	11
Iceland	-	11	11
Switzerland	-	2	2
Total	**2,110**	**893**	**3,003**

(*) Italian government bonds, with a face value of €200m, are covered by financial-guarantee contracts

Fair value of assets and liabilities measured at cost

(€m)

	30.6.2021		31.12.2020	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Debt securities measured at amortised cost	19,800	19,945	20,144	20,286
Loans to banks	23,536	23,536	21,071	21,071
Loans to customers	12,933	12,933	12,138	12,138
Total	**56,269**	**56,414**	**53,353**	**53,495**
Due to banks	6,271	6,271	3,752	3,752
Due to customers	50,028	50,028	49,948	49,948
Total	**56,299**	**56,299**	**53,700**	**53,700**

Property and equipment and intangible assets

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Owned real estate	59	60	(1)	-2
Rights of use of leased assets	312	320	(8)	-3
Other property and equipment	16	16	-	-
Property and equipment	**387**	**396**	**(9)**	**-2**
Goodwill	427	140	287	n.s.
Other intangible assets	237	247	(10)	-4
Intangible assets	**664**	**387**	**277**	**72**
Total property and equipment and intangible assets	**1,051**	**783**	**268**	**34**

Property, plant and equipment and intangible assets, amounting to €1.1bn, increased by €268m compared to 31 December 2020 and consisted of €427m of goodwill, of which €140m related to Private Banking divisions acquired by the subsidiary Intesa Sanpaolo Private Banking in the period 2009-2013 and €287m attributable to the acquisition of the Swiss banking group REYL in the second quarter of 2021. The latter value has been provisionally recognised as goodwill on 100% of REYL by virtue of the put&call mechanisms underlying the minority interest, pending the allocation of the purchase price by the end of the year in accordance with IFRS3 (Business Combinations).
Other intangible assets also include €177m of intangible assets relating to the valuation of client assets, recognised in the financial statements following the acquisition of the UBI Top Private Branch (€82m), IW Bank (€68m) and the Morval Vonwiller Group (€27m) and amortised in the income statement on the basis of the estimated life cycle of the assets acquired.

The **provisions for risks and charges** at 30 June 2021 were down €18m from the figure at the end of 2020, illustrated as follows:

Provisions for risks and charges

(€m)

	30.6.2021	31.12.2020	CHANGE	
			AMOUNT	%
Litigation, securities in default and complaints	83	88	(5)	-6
Personnel expenses	136	167	(31)	-19
Personal Financial Advisers' termination indemnities	270	265	5	2
Network Loyalty Schemes	92	78	14	18
Provision for integration costs	16	18	(2)	-11
Other	5	4	1	25
Total	**602**	**620**	**(18)**	**-3**

The provision for litigation, disputes, securities in default and complaints was down €5m, as a result of utilisation during the period. The provisions for personnel expenses fell by €31m, due to the payment of variable components of remuneration and the use of the redundancy fund. The provision for Personal Financial Advisers' termination indemnities increased by €5m mainly due to provisions for the period and the provision for Network Loyalty Schemes increased by €14m mainly due to the increase in the fair value of insurance policies taken out for the benefit of Personal Financial Advisers. The provision for integration costs, amounting to €16m, includes €12m in provisions for integration costs of the UBI Top Private Branch and IW Bank and €4m in provisions for restructuring costs of Intesa Sanpaolo Private Bank (Suisse) Morval and Fideuram Bank (Luxembourg).

Shareholders' equity

Group shareholders' equity including net profit for the period totalled €3.3bn at 30 June 2021, having changed as follows:

Group shareholders' equity

(€m)

Shareholders' equity at 31 December 2020	**3,147**
Dividend distribution	(678)
Extraordinary operations	202
Change in equity instruments	23
Change in valuation reserves	(4)
Other changes	2
Net profit	646
Shareholders' equity at 30 June 2021	**3,338**

The effect of extraordinary transactions mainly relates to the increase in reserves as a result of the acquisition of IW Bank. The change in equity instruments relates to AT1 subordinated securities recognised in the balance sheet following the acquisition of the REYL Group. The negative change of €4m in valuation reserves includes, for €5m, the worsening of the valuation reserve on financial assets with an impact on overall profitability due to fair value changes recorded in the securities portfolio during the period. At 30 June 2021, the valuation reserve for financial assets at fair value through comprehensive income was positive at €19m (€24m at the end of 2020).
The Group did not hold any treasury shares at 30 June 2021.

Fideuram S.p.A.'s own funds and main capital ratios at 30 June 2021 are shown below.

Fideuram S.p.A. Capital Ratios

(€m)

	30.6.2021	**31.12.2020**
CET1	1,290	1,276
Tier 1	1,290	1,276
Own funds	1,290	1,276
Total risk-weighted assets	7,492	6,383
CET1 Ratio	**17.2%**	**20.0%**
Tier 1 Ratio	**17.2%**	**20.0%**
Total Capital Ratio	**17.2%**	**20.0%**

As a member of the Intesa Sanpaolo Banking Group, Fideuram is subject to the laws and regulations regarding capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. In order to provide comprehensive information, the Group voluntarily estimates its consolidated capital requirements, taking its membership of the Intesa Sanpaolo Banking Group into account. At 30 June 2021, this calculation showed a Common Equity Tier 1 Ratio of 16.9% (21.9% at 31 December 2020) and a Total Capital Ratio of 17.1% (21.9% at 31 December 2020).

Risk management and control

CREDIT RISK

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

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

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

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

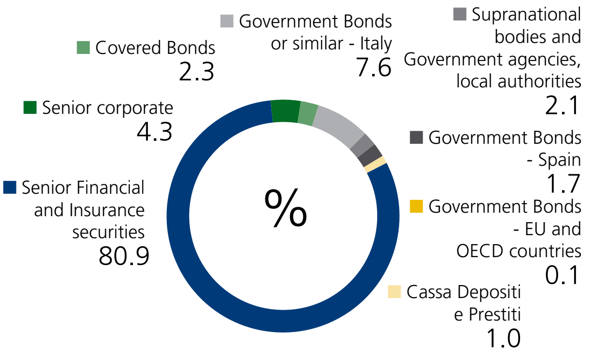
In order to mitigate the credit risk of loans and advances to customers, the Group normally obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. The types of collateral obtained are principally products distributed by the Fideuram Group (funds and discretionary accounts) or financial instruments listed on major regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by leading rating agencies).

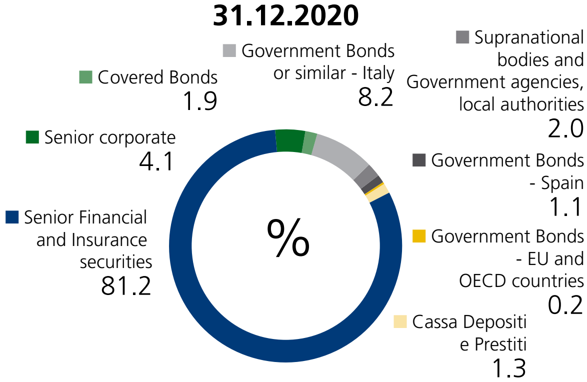
The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form concerned, as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value. The concentration of collateral in issuers is very low, except for mutual funds and other products distributed by the Fideuram Group. At present, there are no encumbrances capable of undermining the legal validity of any collateral, which is moreover subject to periodic verification.

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

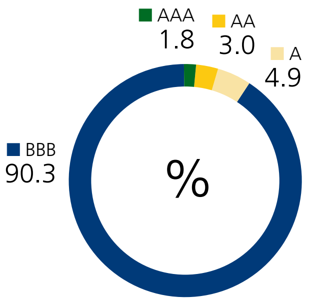
At 30 June 2021, the Group portfolio was broken down as follows by product type and rating class.

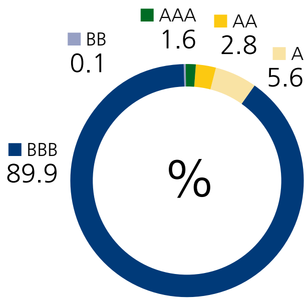
Analysis by product type





Analysis by rating class





The potential impairment of assets undergoes detailed ongoing monitoring, examining overdue/past due positions and carefully analysing all the other indicators available. Loans assessed as high risk, confirmed over time, are identified and allocated to other categories appropriate to their risk profile.
Exposures to insolvent parties (even if insolvency has not been declared by court order) or parties in substantially equivalent situations are classified as doubtful loans, regardless of any loss estimates prepared by the intermediary.
Exposures where the borrower is assessed as being unlikely to meet their payment obligations in full (principal and/or interest) are classified as unlikely to pay loans.

Lastly, loans that are past due and/or overdue which have exceeded the objective overdue payment conditions specified by the Bank of Italy are also considered problem loans. The Group's internal lending regulations govern the procedures for transferring performing positions to non-performing assets, and specify the different types of problem loans, their management and the company bodies empowered to authorise the transfer of positions between different classes of loans.

Doubtful loans, net of adjustments, accounted for a very small percentage of total loans (0.03% of loans to customers). Loss forecasts are formulated analytically for each individual loan based on all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any significant new elements emerge.

Forbearance measures represent the forbearance offered to a debtor who is facing, or is about to face difficulties in satisfying his own payment obligations (troubled debt). The term "forbearance" means the contractual amendments that are accorded to the debtor in financial difficulty (modification), and the disbursement of a new loan so that the pre-existing obligation can be satisfied (refinancing). Forbearance also refers the contractual modifications which the debtor may freely request in the ambit of a contract that has already been signed, but only if the creditor believes that the debtor is in financial difficulty "embedded forbearance clauses". Therefore, the notion of "forborne" has to exclude renegotiation of contracts for commercial reasons/practice that are made irrespective of the debtor's financial difficulties.

The exposures subject to forbearance measures ("forborne assets" or "forborne exposures") are necessarily identified on the basis of a "by transaction" approach, in accordance with the provisions of EBA regulations. In this context, "exposure" refers to the renegotiated contract and not to all of the exposures to the same debtor.

Unlike the forbearance measures, which concern the outstanding loans to counterparties in financial difficulty, renegotiations for commercial reasons involve debtors who are not in financial difficulty and include all the transactions aimed at adjusting the cost of the debt to market conditions.
These commercial renegotiations of loans involve a change in the original conditions of the contract, usually requested by the borrower and generally relating to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.

Under specific conditions, these transactions are similar in accounting terms to the premature repayment of the original debt and the opening of a new loan.

Loans to customers: credit quality

(€m)

	30.6.2021		31.12.2020 (*)		CHANGE
	NET EXPOSURE	%	NET EXPOSURE	%	NET EXPOSURE
Doubtful loans	4	-	4	-	-
Unlikely to pay	18	-	23	-	(5)
Past due or overdue loans	20	-	14	-	6
Non-performing assets	**42**	**-**	**41**	**-**	**1**
Performing loans	12,891	85	12,097	83	794
Debt instruments	2,310	15	2,378	17	(68)
Loans to customers	**15,243**	**100**	**14,516**	**100**	**727**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

As at 30 June 2021, €12.9bn of performing loans are classified as Stage 1 (€11.1bn) and Stage 2 (€1.8bn).

MARKET RISK

The Fideuram Group complies with Intesa Sanpaolo's directives on market risks and extends its role of governance and supervision by exercising centralisation and monitoring functions to the entire Fideuram Group. This governance and control role is based, among other things, on the extension to the entire Group of the Policies adopted by the Board of Directors and on the functional coordination exercised by the relevant Group functions.
The composition of the securities portfolio is subject to limits in terms of asset allocation, rating, currency area, geographical area, sector concentration and counterparty. Market risk limits are also defined.
With regard to securities lending, the Financial Portfolio Policy provides for the division of the proprietary portfolio into a liquidity portfolio, a stable investment portfolio and a service portfolio.
The liquidity portfolio is defined as the portfolio containing positions in financial assets and liabilities held for the purpose of:

- providing a liquidity buffer through securities that are either eligible for central bank repos or can be readily liquidated;
- meeting/optimising regulatory liquidity ratios;
- investing any surplus liquidity in anticipation of future investments with a short-term horizon or moderate risk profile;
- optimising the risk profile through the use of trading and/or hedging derivatives.

This portfolio has a minimum limit of assets eligible for the Central Bank set on a prudential basis.
The stable investment portfolio, which has a size resulting from the Group's funding, lending and equity structure, is defined as the portfolio containing positions in financial assets with an expected holding period of at least 30 days, unless exceptional market events make it necessary to dispose of them. In particular, it includes financial investments acquired in the presence of structural excess liquidity and contains low-risk positions acquired with the aim of benefiting from the corresponding coupon flow, whose expected holding horizon is, at the time of purchase, medium to long term. Derivative instruments may be used to optimise the risk profile of this portfolio. Given the nature of this portfolio, the business model associated with the relevant securities is Hold to Collect.
The service portfolio is mainly customer-facing and includes:

- positions related to the offering of products and/or services to customers, such as bonds to be offered in repurchase agreements, currency and foreign exchange derivatives transactions, for intermediation purposes;
- a component deriving from market trading transactions aimed at meeting the needs of the Group's asset management companies.

For the measurement of financial instruments, the Group has prepared a pricing method that strictly complies with the provisions of the IAS/IFRS international accounting standards. The definition of fair value is fundamental to this measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in a regular transaction between market participants at the measurement date.
In addition, the fair value measurement must incorporate a counterparty risk premium, i.e. a Credit Value Adjustment (CVA) for assets and a Debit Value Adjustment (DVA) for liabilities.
For the determination of fair value, direct reference is made to market values. The existence of official prices in an active market is hierarchically preceded by measurements emerging from pricing models structured on measurements of comparable securities and market parameters. However, in the absence of regular market functioning, i.e. in cases where the market does not have a sufficient number of transactions on a continuous basis and where bid/ask spreads and volatilities are not sufficiently contained, it is necessary to abandon direct reference to market prices and to apply models which, mostly making use of market parameters, can determine an appropriate fair value of financial instruments. The following factors are considered in the assessment of the regularity of the market functioning:

- the availability of price contributions;
- the reliability of price contributions;
- the comprehensiveness 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 Approach).

The choice between these methods is not arbitrary, since they have to be applied in hierarchical order and presented in the financial statements by level. Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective Market Quotes) or of similar assets and liabilities (Level 2 - Comparable Approach), and the lowest priority to unobservable inputs, which are accordingly more subjective (Level 3 - Mark-to-Model Approach).
The priority of market prices is put into practice through a process based on market-maker prices. The valuation price is calculated as the average of the prices available, selected using objectively identified criteria. The number of contributions, the bid/ask spread and the reliability of the contributors are monitored regularly, enabling the Group to keep market prices as the appropriate prime parameter for the determination of fair value.

The entire portfolio of financial assets measured at fair value through other comprehensive income was valued at market bid prices (mark to market) to ensure the maximum transparency of the values in the financial statements. This ensures the overall holdings meet the ready liquidity criteria for items in the financial statements.

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

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

(€m)

	30.6.2021			31.12.2020 (*)		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets measured at fair value through profit or loss	37	454	-	37	396	-
Financial assets measured at fair value through other comprehensive income	2,963	6	-	2,807	5	-
Hedging derivatives	-	15	-	-	16	-
Property and equipment	-	-	60	-	-	61
Total	**3,000**	**475**	**60**	**2,844**	**417**	**61**
Financial liabilities held for trading	-	63	-	-	64	-
Hedging derivatives	-	833	-	-	954	-
Total	**-**	**896**	**-**	**-**	**1,018**	**-**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

The derivatives in the banking book consisted principally of Interest Rate Swaps. As a rule, the Fideuram Group uses fair value hedge derivatives to reduce its exposure to adverse fair value movements due to interest rate risk. The Chief Risk Officer is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use prospective tests when the hedges are taken out, followed by retrospective tests at monthly intervals.
The Group uses derivatives (mainly Interest Rate Swaps) to hedge interest rate risk following a strategy that involves buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy has made the Group's long-term securities holdings less sensitive to interest rate risk. Where risk concentration is concerned, the securities holdings are highly diversified as a result of the stringent limits specified by the Financial Portfolio Policy, which limits the maximum exposure to any single corporate Group to 5% of the total holdings, with the sole exception of Intesa Sanpaolo.

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

The banking book comprises long-term investment securities, interest rate hedging derivatives and loans.
The banking book totalled €59.3bn at 30 June 2021.

Banking book

(€m)

	30.6.2021	31.12.2020 (*)	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	2,969	2,812	157	6
Debt securities classified as loans to banks	17,490	17,766	(276)	-2
Debt securities classified as loans to customers	2,310	2,378	(68)	-3
Hedging derivatives	15	16	(1)	-6
Total securities and derivatives	**22,784**	**22,972**	**(188)**	**-1**
Loans to banks	23,536	21,071	2,465	12
Loans to customers	12,933	12,138	795	7
Total loans	**36,469**	**33,209**	**3,260**	**10**
Total banking book	**59,253**	**56,181**	**3,072**	**5**

(*) Figures restated on a consistent basis to take account of changes in the scope of consolidation.

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

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

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

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

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

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

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

Present Value is determined using a multi-curve system with different discount and forwarding curves depending on the type of instrument and the tenor of its indexation. For the determination of shift sensitivity the standard shock to which all curves are subjected is defined as a uniform parallel shift of +100 basis points of the curves. In addition to the standard +100 scenario, the economic value of equity (EVE) calculation is also calculated on the basis of the 6 scenarios prescribed by the BCBS document and on the basis of historical stress simulations to identify worst and best cases.

The shift sensitivity of net interest income quantifies the impact on short-term net interest income of a parallel, instantaneous and permanent shock in the interest rate curve. The sensitivity of the margin is measured using a method that allows the expected change in the interest margin to be estimated, following a shock of the curves produced by the items susceptible to a revision of the rate within a gapping period fixed at 12 months from the date of analysis.
This measure shows the effect of changes in market rates on the net interest income generated by the portfolio being measured from a constant balance sheet perspective, excluding potential effects from new business and future changes in the mix of assets and liabilities and therefore cannot be considered a forward-looking indicator of the future level of net interest income.

For the determination of changes in net interest income (ΔNII), standard scenarios of parallel rate shocks of +/- 50 basis points are applied, based on a time horizon of twelve months. Dynamic net interest income simulation analyses are also conducted, combining shifts in yield curves with changes in basis and liquidity spreads, as well as changes in customer behaviour under different market scenarios.

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

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

For a parallel upward movement in the rate curve by 100 bps, the sensitivity value at 30 June 2021 was a negative -€37.7m; the net interest income sensitivity was negative -€141.8m in the event of a -50 bps shock.

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

At 30 June 2021, the VaR, calculated over a one-day time horizon, taking into account the interest rate, credit spread and volatility components, was €1.9m, while the stressed var value, a risk indicator calculated on particularly severe static scenarios (including the pandemic situation), was €17.7m.

The Fideuram Group engages in hedging to immunise its banking book from changes in the fair value of investments caused by movements in the interest rate curve (interest rate risk). The principal types of derivatives used are represented by Interest Rate Swaps (IRS) that are plain bullet or have an accreting or amortizing notional, inflation linked, Overnight Index Swaps (OIS), Cross Currency Swaps (CCS) realised with independent counterparties or with other Group companies which, in turn, hedge the risk on the market.
Derivatives are not listed on regulated markets but traded on OTC circuits. OTC contracts also include those brokered through Clearing Houses.

The Group adopts both specific hedges (Micro Fair Value Hedge) and generic hedges (Macro Fair Value Hedge). The Micro Fair Value Hedge area mainly covers bonds purchased and on-demand liability items subject to behavioural modelling. Macro Fair Value Hedges of fixed rate loans were introduced. The hedges are characterised by the missing identification of the individual underlying assets that are hedged. This choice, determined by the natural fractioning (both in terms of number and amount) of the mortgage exposures, entails periodic checks that the sensitivity and fair value of the hedging derivative (or derivatives) are sufficient to cover the same measures calculated on the hedged assets. The type of hedge in question is implemented by purchasing amortizing Interest Rate Swaps with a long maturity date (usually 30 years), which require quarterly amortisation of the same amount for both the pay fixed and receive floating legs, with the latter being indexed to the 3-month Euribor benchmark. At 30 June 2021, the overall size of these hedges was about €242m in original notional value.
All the Macro Fair Value Hedges that were (subsequently) completed are fully effective and efficient both in terms of sensitivity, fair value, in situations of both capital gains and losses on the derivatives.

The Group also adopted a type of hedge to mitigate the risk of exposure to changes in future cash flows attributable to movements of the interest rate curve (so-called Cash Flow Hedge). Specifically, the hedged flows are those associated to the coupons of a floating-rate Intesa Sanpaolo bond with a residual maturity of four years. The hedge was sized with reference to a notional amount of €1.3bn by means of five plain vanilla IRSs where variable is paid and fixed is received. The methods of performing effectiveness tests are similar to those relating to the hedging of Micro Fair Value Hedges, with some differences linked to the fact that the subject of the hedge are the cash flows and not the value of the hedged asset.

As of June 2021, the Group put in place metadeposit hedging, a representation of customer current accounts modelled on the basis of a behavioural model, aimed at identifying the stable component over time, to which a fixed rate and a periodically renewable maturity must be attributed. These hedges were completed by signing plain vanilla IRS derivative contracts, where variable is paid and fixed is received (1-month Euribor). From the point of view of the accounting treatment of the effects of the hedge, these transactions are considered macro fair value hedges, as the management is linked to the application of a model that assembles individual customer current accounts, transforming them into macro metadeposits.

EXCHANGE RATE RISK

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

- purchases of securities and other financial instruments in foreign currencies;
- buying and selling of foreign currencies;
- collection and/or payment of interest, commission, dividends or administrative expenses in foreign currencies.

Spot and forward transactions on foreign exchange markets were mainly entered into with the aim of optimising proprietary risk arising in relation to the buying and selling of foreign currencies to and from customers.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will fail to satisfy its own payment commitments due to its inability both to obtain funds on the market (funding liquidity risk) and to sell its own assets (market liquidity risk).
The internal system for control and management of liquidity risk is developed within the Group Risk Appetite Framework and in compliance with the maximum limits of tolerance of liquidity risk approved in that Framework, which require that the Group has to maintain adequate liquidity so as to deal with periods of tension, even prolonged, on different funding markets, inter alia through the formation of adequate liquidity reserves represented by marketable securities that can be refinanced at central banks. Accordingly, a balanced relationship has to be maintained between inflows and outflows in both the short and medium-to-long term. This objective is developed by the "Group Guidelines for Governance of Liquidity Risk" approved by the Corporate Bodies of Intesa Sanpaolo.
The guidelines incorporate the latest regulatory provisions covering liquidity risk and illustrate the duties of the various corporate functions, the rules and set of control and management processes designed to assure prudent monitoring of that risk, by preventing crisis situations from arising. In particular, from the organisational point of view, the duties assigned to the Board of Directors have been defined in detail, and top management is delegated with several important compliance measures, such as approval of the measurement methods, definition of the principal assumptions underlying the stress scenarios, and the composition of the attention indicators used to activate emergency plans.
In regard to measurement metrics and tools to attenuate liquidity risk, aside from defining the methodological framework used to measure the short-term and structural liquidity indicators, the maximum tolerance limit for liquidity risk (risk appetite), the methods used to define the Liquidity Reserves, and the rules and parameters for performing the stress tests are formalised.
The short-term liquidity indicators aim to assure an adequate and balanced level between negative and positive cash flows having a certain or estimated due date falling within a 12-month time horizon, with the aim of confronting periods of tension, including extended ones, on the different funding markets, including through the establishment of adequate liquidity reserves represented by liquid assets on private markets or eligible for Central Bank refinancing. Accordingly and consistently with the maximum limit on tolerance for liquidity risk, the system of limits is defined by envisaging two short-term indicators of one week (cumulative forecast imbalance of wholesale transactions) and one month (Liquidity Coverage Ratio - LCR).
The LCR indicator, whose minimum limit has been 100%, has the purpose of reinforcing the short-term liquidity risk profile, assuring that it holds sufficient, unrestricted High-Quality Liquid Assets (HQLA) that may be easily and immediately converted into cash on private markets to satisfy liquidity requirements at 30 days in a liquidity stress scenario as defined in the Delegated Regulation (EU) no. 2015/61.
The structural Liquidity Policy requires adoption of the structural requirement mandated by the Basel III Net Stable Funding Ratio (NSFR) regulation. That indicator aims to promote greater use of stable inflows, preventing medium and long-term operations from causing excessive imbalances to be financed on a short-term basis. Accordingly, it sets a minimum acceptable amount of funding for more than one year according to the needs originating from the liquidity and residual duration characteristics of off-balance sheet assets and exposures.
In that context, the Contingency Funding Plan (CFP) has been implemented. This contains different lines of action that can be activated to deal with potential stress situations, indicating the dimension of the mitigating effects that could be pursued over a short-term time horizon. Moreover, it is required that governance procedures be in place to govern a possible liquidity crisis, defined as a situation of difficulty or incapacity to meet one's own cash commitments as they fall due, unless procedures are activated and/or tools are used in a way that cannot be associated with ordinary administration in terms of their intensity or procedures.
The Contingency Liquidity Plan (CLP), with the objectives of safeguarding the Group's assets and, at the same time, guaranteeing operational continuity in conditions of serious emergency on the liquidity front, ensures the identification of early warning signals, their continuous monitoring, the definition of the procedures to be launched in the event of liquidity stress, the immediate lines of action and the intervention tools to resolve the emergency.
Adequate and timely information on the evolution of market conditions and of the Group's position has been issued to Corporate Bodies and internal committees, in order to ensure full knowledge and governance of the various risk factors.
The Fideuram Group manages liquidity in compliance with the Guidelines on liquidity risk management adopted by Intesa Sanpaolo; These rules ensure the prompt transposition of regulatory developments at both supranational and national level. The key principles of said regulatory changes introduce prudential rules regarding both short-term liquidity risk management and long-term liquidity risk management (structural liquidity).
The Group's solidity is based on balance sheet liabilities that are mainly centred on retail customer deposits. These are deposits that benefit from considerable stability over time, meaning that the Group does not need to depend on the interbank market and can thus avoid exposure to the risk of a liquidity crisis in that market. In addition to the stability of customer deposits, where interest-bearing assets are concerned, the Group has an investment portfolio that is

governed by stringent liquidity limits for securities (readily-negotiable and eligible for Central Bank refinancing) in accordance with the provisions of the Financial Portfolio Policy based on highly-prudential criteria suitable for ensuring high and stable liquidity.
The introduction of said Policy also involved setting up an operational limit monitoring and reporting unit in line with the revised Group regulations. Liquidity risk exposure is monitored constantly to ensure that the operational limits and relevant regulations are respected. The methods adopted to measure the Group's exposure to liquidity risk follow the cardinal principles of the European Banking Authority (EBA) and the provisions of the Supervisory Regulations, and ensure that the asset and liability items are calculated in a wholly suitable manner for providing an appropriate representation of expected cash flows.

OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or ineffective internal processes, human resources or systems, or from external events. Operational risk also includes legal and compliance risk, model risk, information technology risk and financial disclosure risk; instead, strategic and reputational risks are not included.
The Group implements an operational risk assumption and management strategy based on the principles of prudent management and aimed at guaranteeing its long-term soundness and business continuity. Moreover, the Group devotes special attention to striking an optimal balance between growth and earnings targets and the consequent risks.
To that end, the Group drew up a framework for the management of operational risks some time ago, establishing rules and organisational processes for measuring, managing and monitoring operational risk.
The Group calculates its capital requirement using the Advanced Measurement Approach (hereinafter AMA or internal model) in partial use with the standardised approach (TSA) and basic indicator approach (BIA) to meet its supervisory requirements.

An effective and efficient operational risk management framework assumes that it is closely integrated into the decision-making processes and management of corporate operations. For this reason, Intesa Sanpaolo has chosen to involve the Organisational Units (business units, central/support structures) of the Parent Company, the banks and the Group companies with direct responsibility in the Operational Risk Management process.
The operational risk governance model is developed with a view to:

- optimising and enhancing organisational controls, interrelationships and information flows between existing Organisational Units and integrating the operational risk management approach with other corporate models developed for specific risks (e.g. Operational Continuity, Information Security, etc.);
- transparency and dissemination of the models, methodologies and criteria of analysis, evaluation and measurement used, in order to facilitate the process of cultural dissemination and understanding of the rationale behind the choices made.

In line with the methodological framework defined for the governance of operational risks, the ICT risk governance model is developed with a view to integrating and coordinating the specific skills of the structures involved.
ICT (Information and Communication Technology) Risk means the risk of incurring economic, reputational and market share losses in connection with the use of information and communication technology. In the integrated representation of corporate risks for prudential purposes, this type of risk is considered, according to specific aspects, among operational, reputational and strategic risks.
ICT risk includes:

Cyber risk: the risk of economic, reputational and market share losses due to:

- any unauthorised access or attempted access to the Group's IT system or the digital data and information contained therein:
  - any event (intentional or unintentional) facilitated or caused by or related to the use of technology that has or could have a negative impact on the integrity, availability, confidentiality and/or authenticity of company data and information, or on the continuity of company processes;
  - improper use and/or dissemination of digital data and information, even if not directly produced and managed by the Group.

  Cyber risk includes cybersecurity risk.
- IT risk: the risk of incurring economic, reputational and market share losses in connection with the use of the company's IT system and related to hardware, software and network malfunctions.

The Group considers the IT system a tool of primary importance in achieving its strategic, business and social responsibility objectives, also in view of the criticality of the corporate processes that depend on it. Consequently, it is committed to creating a resilient environment and investing in activities and infrastructure to minimise the potential impact of ICT events and protect the business, its image, customers and employees.
The Group has therefore adopted a system of principles and rules aimed at identifying and measuring the ICT risk to which corporate assets are exposed, assessing existing safeguards and identifying appropriate ways of handling such risks, consistent with the operational risk management process.

The identification phase involves the activities of collecting and classifying qualitative and quantitative information that allows potential areas of operational risk to be identified and described.
Specifically, it provides for:

- the collection and updating of data on operational events (Loss Data Collection), decentralised to the Organisational Units;
- the identification of business processes and components of the IT system with the highest potential risk;
- the determination of the applicability and relevance of the defined operational risk factors;
- the identification of projects that will involve major changes to the IT system or changes to major components of the IT system;

- the identification of relevant risk scenarios, also depending on the external context (e.g. external loss data, regulatory evolution, emerging trends, strategic and threat intelligence);
- the identification and analysis of critical issues affecting the Group's areas of operation.

The Fideuram Group, in accordance with the framework of Intesa Sanpaolo, is responsible for identifying, assessing, managing and mitigating risks. It has clearly identified internal units coordinated by Operational Risk Management which are responsible for the Operational Risk Management of Fideuram - Intesa Sanpaolo Private Banking processes (collection and structured recording of information on operational loss events, scenario analyses and the evaluation of risks associated with the operating context).
The Fideuram Group 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 Chief Executive Officer, who is responsible for the adequacy and effectiveness of the risk management and control systems over time and for the way in which the capital requirement is determined;
- the Internal Audit Department is responsible for periodically auditing the operational risk management system, and for reporting on it to the Company Bodies;
- the Audit Coordination Committee, a technical body set up to strengthen coordination and inter-functional cooperation mechanisms between control functions;
- 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 of Fideuram - Intesa Sanpaolo Private Banking, is responsible for organising and maintaining the set of activities provided for by the operational risk management system.

The measurement and assessment phase includes activities to determine the qualitative and quantitative exposure to the Group's operational risks. It provides for:

- at least annually, carrying out the process of assessing exposure to operational and ICT risk (Self-Diagnosis: set of Operational and ICT Risk Assessment processes);
- performing preventive analysis of operational and ICT risks arising from agreements with third parties (e.g. outsourcing of activities), business operations or project initiatives, the introduction or revision of new products and services, start-up of new activities and entry into new markets;
- defining the relevance of the identified criticalities;
- transforming collected assessments (e.g. internal and external operational loss data, levels of control of risk factors, probability and impact if risk scenarios are realised) into synthetic risk measures;
- determining economic and regulatory capital using the internal model and simplified methods defined by current regulations.

The objective of the monitoring phase is to continuously analyse and control the evolution of the exposure to operational risks, based on the structured organisation of the results obtained from the identification, assessment and measurement activities and on the monitoring of indicators which represent a good approximation of the exposure to operational risks (e.g. limits, early warnings and indicators defined within the RAF).

The mitigation phase involves activities aimed at limiting exposure to operational risks, defined on the basis of the findings of identification, assessment, measurement and monitoring. It provides for:

- the identification, definition and implementation of the corrective actions (so-called mitigation actions) necessary to remedy the identified control deficiencies or to reduce the relevance of the identified criticalities within the defined tolerance;
- the promotion of initiatives aimed at disseminating the culture of operational risk within the Group;
- the definition of operational risk transfer strategies, in terms of optimising insurance cover and any other forms of risk transfer adopted by the Group from time to time.

In this regard, in addition to a traditional insurance programme (to protect against offences such as employee disloyalty, theft and damage, transport of valuables, computer fraud, forgery, cyber, fire and earthquake as well as third party liability), the Group has taken out, in compliance with the requirements of the regulations and in order to benefit from the financial benefits provided by the regulations, an insurance policy called the Operational Risk Insurance Programme, which offers ad hoc coverage, significantly increasing the limits covered, with transfer to the insurance market of the risk deriving from significant operational losses.
In addition, with regard to risks related to real estate and infrastructure and in order to contain the impact of phenomena such as catastrophic environmental events, international crisis situations and social protest demonstrations, the Group can launch its business continuity solutions.

The reporting phase includes the preparation of appropriate information flows related to operational risk management, aimed at providing useful information, for example, to:

- analyse and understand the possible dynamics underlying the evolution of the level of exposure to operational risks;
- analyse and understand the main critical issues identified;
- define mitigation actions and priorities for action.

Self-diagnosis is the annual process by which Organisational Units identify their level of exposure to operational and ICT risk. It involves the Operational Risk Assessment and the ICT Risk Assessment, which in turn consist of:

- Assessments of the Operating Context (AOC): activity through which relevant risk factors are identified and their level of control is assessed[1].
- Scenario Analysis (SA): a method of forward-looking analysis that takes the form of a systematic process, typically repeated on a predefined basis but which may also be conducted on an ad hoc basis, and which consists in hypothesising the occurrence of particular situations (or scenarios) and forecasting their consequences. Once identified and appropriately characterised, the scenarios need to be assessed: i.e. the probability of occurrence (frequency) and potential impact (average and worst-case impact), if it happens, of the situation described by the scenario must be determined.

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

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

At the Division level, losses amounted to €5.3m, of which €3.2m related to provisions, indemnities, legal expenses and the use of provisions for unlawful acts committed by the Personal Financial Advisers, €0.8m to external fraud (cyber fraud, ATM thefts and card cloning), €0.5m to charges resulting from disputes on commercial relations with customers and €0.8m due to anomalies in IT flows and errors in the execution and management of processes.

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

LEGAL AND TAX RISK

The Group is involved in civil and tax lawsuits as well as in criminal proceedings against third parties as part of its normal business operations.
The Group monitors pending cases constantly in consultation with external legal advisers, examining them in the light of the relevant contractual documents, the conduct concerned, internal investigations and any critical aspects highlighted by the aforesaid legal advisers during lawsuits. The Group has set aside provisions for legal disputes to cover, among other things, the liabilities that could, according to internal and external legal advice, be incurred as a result of pending legal and other disputes.
At 30 June 2021, these provisions totalled €83m. The total provisions and the amount of the individual provisions set aside are calculated based on external and internal legal advisers' estimations of the proceedings having negative outcomes. At 30 June 2021, the number and value of pending proceedings were not sufficient to have any potential significant impact on the business, assets or financial position of the Group.
The situation regarding legal and tax risk at 30 June 2021 had changed as follows with respect to the situation described in the consolidated financial statements at 31 December 2020.

Cases regarding alleged unlawful and/or improper conduct by former Personal Financial Advisers authorised to offer products and services outside Group premises
In relation to the serious improper conduct by a Sanpaolo Invest Personal Financial Advisor, at the end of June 2021, the subsidiary had received a total of 278 claims (including complaints, mediation and lawsuits), for an amount of approximately €63m, mostly based on alleged misappropriation of funds, losses deriving from disallowed transactions in financial instruments, false reporting and charging of fees relating to the advisory service. At the end of June 2021, 46 claims were pending, for a current value of approximately €21m, following the settlement of 232 positions (51 settled, 28 defined as a result of commercial agreements, 127 not followed up by customers and 26 rejected in mediation). A total amount of €4.5m was recovered from wrongly credited customers (already returned to aggrieved customers), and seizures of approximately €4m are pending.
A precautionary seizure was ordered against the Personal Financial Advisor, equal to the amount found on accounts and deposits with credit institutions and on the social security position with Enasarco. In the ensuing lawsuit, the former Personal Financial Advisor filed a counterclaim for a total of €0.6m for non-payment of termination benefits.
In addition, a further lawsuit was filed against the former Personal Financial Advisor for the recovery of claims arising from their termination of the agency contract, for a total of €1.6m, plus interest for indemnity for lack of notice, penalties relating to a loan agreement and repayment of bonus advances.
To cover the risks related to the aforementioned offence, the company has made an adequate provision considering the foreseeable outlays without taking into account the coverage provided by the specific insurance policy.

Tax disputes
With regard to Intesa Sanpaolo Private Banking, there is an ongoing dispute, following an audit carried out in 2012, concerning the deductibility of goodwill arising from the contribution of business units by group companies. Given the multi-year nature of the item, the adjustment itself covered all the years from 2011 to 2015, with the request for taxes totalling €20.7m, plus penalties and interest.

1. The assessment of the applicability and relevance of the Risk Factors is carried out by the technical functions, cybersecurity functions and business continuity functions in relation to ICT risk, and by the Decentralised Operational Risk Management functions in relation to operational risk.

On 29 April 2021, notices of assessment were served concerning the same dispute as the previous ones for the year 2016 for a total of €4m, plus penalties and interest, which have already been appealed by the company before the Provincial Tax Court.
To date, the outcomes in the courts of first and second instance of the proceedings already initiated by the company with appeals against the notices of assessment have all been positive, with one exception. The various cases are currently awaiting the outcome of the hearing in the Regional Tax Court or in the Court of Cassation. Since the tax office's claim is groundless, no amount has been set aside in the provision for risks and charges.
Lastly, IW Bank is currently involved in two disputes with the Revenue Agency concerning the notification of payment notices with the application of penalties totalling €0.7m, attributable to failure to pay or late payment of withholding taxes on current account interest for 2007. The dispute is now awaiting a hearing in the Court of Cassation after the favourable results in second instance. Since the tax office's claim is groundless, no amount has been set aside in the provision for risks and charges.

Transactions with related parties

Fideuram – Intesa Sanpaolo Private Banking S.p.A. is wholly owned and controlled directly by Intesa Sanpaolo S.p.A..
In accordance with the law and the internal procedures issued by Intesa Sanpaolo and by Fideuram, all transactions with related parties between 1 January and 30 June 2021 were conducted under arms-length conditions as for unrelated parties of corresponding nature and risk, or - in the absence of any reference - under mutually-beneficial conditions, verified taking all the related circumstances, the distinctive characteristics of the transaction and Group interests into account. The bank did not in any case engage in any atypical or unusual transactions and/or transactions under non-standard financial and contractual conditions for the types of related parties concerned.
In line with the Private Banking Division's development initiatives envisaged in the 2018-2021 Business Plan and as part of the Division's reorganisation process, the following corporate transactions were carried out in the first half of 2021:

- in January and February 2021, Fideuram and its subsidiaries Intesa Sanpaolo Private Banking, Sanpaolo Invest, Fideuram Asset Management SGR and Fideuram Asset Management (Ireland) subscribed to the agreement entered into by Intesa Sanpaolo with BlackRock Financial Management Inc. for the adoption of a single platform as an end-to-end solution to support the entire chain of asset management, wealth management and related risk management by all parties involved, including the aforementioned companies. The Framework Agreement, which covers the "Aladdin suite" platform, has the following advantages: (i) It allows for a single Group risk model and potentially a single adequacy model; (ii) it enables the rationalisation of Asset and Wealth Management systems (with associated cost reductions) and (iii) enables new functionalities (RoboAdvisory and Robo4Advisory). The project aims to release the entire scope of the Aladdin Enterprise and Aladdin Wealth modules, the Risk engine for those modules and the eFront module for real asset management from August 2022, with gradual releases in line with internal constraints.
- As part of the process of integrating UBI Banca into the Intesa Sanpaolo Group, the following transactions became effective on 12 April 2021:
  - the demerger in favour of Fideuram of the UBI Banca business unit consisting of the units dedicated to service activities for IW Bank, known as the "IWB Service Branch";
  - the acquisition by Fideuram of 100% of the capital of IW Bank, as part of the assets of the UBI Banca compendium that was demerged to Fideuram;
  - the demerger in favour of Intesa Sanpaolo Private Banking of the UBI "TOP Private Banking" business unit, which is organised for activities and services for customers and companies with large assets.

The IWB Service Branch was assigned to Fideuram with all the assets and liabilities that make it up as an economically organised unit and all the assets and liabilities in any way connected with its business, with a valuation of €2m. The assignment took place on a going concern basis and without the issue of new shares. The Private Banking Branch was assigned to Intesa Sanpaolo Private Banking with all the assets and liabilities that make it up as an economically organised unit and all the assets and liabilities connected with its business, with a valuation of €21m. The net value of the Private Banking Branch assigned to Intesa Sanpaolo Private Banking was allocated in the beneficiary company for €12m to share capital, with the issue of 3 million ordinary shares of Intesa Sanpaolo Private Banking with no face value assigned to Intesa Sanpaolo, and for €9m to reserves. The newly issued shares will subsequently be purchased by Fideuram at a price equal to the economic value of the branch. No cash adjustment was made.

- On 3 May 2021, the Board of Directors of IW Bank resolved to sell its 4.314% stake in UBI Sistemi e Servizi S.C.p.A. to Intesa Sanpaolo. This transaction is functional to the integration of UBISS into Intesa Sanpaolo and is part of the Intesa Sanpaolo Group's corporate simplification initiatives. The sale was completed on 29 June 2021 and was settled at a price of €0.717 per share, in line with the shareholders' equity of UBISS as at 31 December 2020.
- On 20 May 2021, Fideuram completed the acquisition of the interests held in Intesa Sanpaolo Private Bank (Suisse) Morval by Massimo Zanon di Valgiurata and Siref S.p.A., equal to 1.3% and 0.5% respectively, for a total price of CHF 3.6m against a total of 3,929 shares involved in the transaction. The transaction became effective on 28 May 2021, i.e. on the date of the closing of the Next Project, consisting of the following transactions:
  - acquisition by Fideuram of a 69% stake in REYL, at a price of CHF 240.3m;
  - transfer to REYL of the entire stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval (98.68%), at a value of approximately CHF 155.6m;

- the Boards of Directors of Fideuram and Fideuram Bank (Luxembourg), on 5 and 8 March 2021 respectively, approved, to the extent of their respective remits and subject to the approval of the relevant supervisory authorities, the acquisition by Fideuram Bank (Luxembourg) of UBI Trustee S.A., a company of the former UBI Group based in Luxembourg and specialised in trust services for HNWI and UHNWI clients. The fair value of the company to be transferred, on the basis of which the relative price is defined, was estimated at approximately €260,000, consistent with the company's asset value estimated at the date of transfer;
- following the merger by incorporation of UBI into Intesa Sanpaolo, the process of enhancing the value of and integrating Fideuram and IW Bank was started, as part of which various possible options for the corporate and distribution structure of IW Bank and for its efficient and effective integration within the Private Banking Division were assessed, also minimising the time and investment required as a result of the disposal of the former UBI/UBISS IT system, aimed at preserving the continuity of IW Bank's business and service model, its distinctiveness and the relationship with customers and the network of financial advisors. As a result of these assessments, on 23 March, 31 March and 2 April 2021 respectively, the Boards of Directors of Intesa Sanpaolo, Fideuram and IW Bank approved, to the extent of their respective remits, the transactions of:
  - partial demerger of IW Bank in favour of Fideuram of a Business Unit consisting of banking relationships and assets, non-performing loans (not sold to the market prior to the demerger), advanced trading activities, finance activities and management of the owned securities portfolio;
  - the partial demerger of Fideuram in favour of Intesa Sanpaolo of a compendium substantially made up of performing loans and related funding and personnel;
  - the transformation of IW from a Bank into a SIM under the terms described above. The identified solution is considered the best balance between, on one hand, the need to preserve the loyalty of the distribution network of financial advisors and their customers and, on the other, the adoption of a streamlined operating model with the outsourcing of banking, administrative and control activities to Fideuram and Intesa Sanpaolo structures.

The Fideuram Board of Directors meeting of 18 June 2021 approved the renewal of the service contract in place with Intesa Sanpaolo, as amended with the provision of new policymaking, monitoring and support services.
There was a similar update of the service contracts in place between Intesa Sanpaolo and the following Fideuram subsidiaries: Sanpaolo Invest, Siref, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR and Fideuram Asset Management (Ireland). In April 2021, the new subsidiary IW Bank also entered into a service agreement with Intesa Sanpaolo to formalise its takeover of the framework agreement for the provision of the services already provided by UBI Banca S.p.A., except for certain activities which were brought in-house at IW Bank as from 12 April 2021. Fideuram's new service contract with Intesa Sanpaolo, signed at the end of June 2021, envisages the payment of an estimated annual fee of approximately €48m, a slight increase compared to the end of 2020, also due to the introduction of new services. Overall, the service contracts in place between Intesa Sanpaolo and the above-mentioned companies of the Fideuram Group will entail, subject to year-end adjustment, the payment of an estimated fee for 2021 of approximately €87m, also an increase compared to the amount recorded at the end of 2020.
All of Fideuram's other relations with other Intesa Sanpaolo Group companies may be considered to form part of the Bank's ordinary operations. Fideuram uses the brokerage services of Intesa Sanpaolo for buying and selling securities. These transactions have been settled on an arm's-length basis.

All amounts receivable and payable and all income and expenses at 30 June 2021 regarding companies in the Intesa Sanpaolo Group are summarised below:

Assets 30.6.2021

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Debt and equity securities	17,932	77
Loans to banks	22,179	94
Loans to customers	217	2
Financial derivatives	39	39
Property and equipment	31	8
Other	35	2

Liabilities 30.6.2021

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Due to banks	4,189	67
Due to customers	325	1
Financial derivatives	553	62
Other	187	10
Guarantees and commitments	571	9

Income statement 1st HALF 2021

(€m)

	TRANSACTIONS WITH INTESA SANPAOLO GROUP	
	AMOUNT	%
Interest income	66	50
Interest expense	(20)	41
Fee and commission income	437	30
Fee and commission expense	(14)	3
Net profit (loss) on financial assets	105	n.s.
Administrative expenses	(55)	12
Depreciation of property and equipment	(4)	16

n.s.: not significant

Events after 30 June 2021 and outlook

There were no significant events after the reporting period requiring any changes to be made to the consolidated financial statements at 30 June 2021.

On 30 July 2021, the Board of Directors of Fideuram approved, to the extent of its remit, the purchase of a minority stake by REYL & Cie S.A. in 1875 Finance Holding AG, a leading Swiss company of independent asset managers similar to financial advisors, as well as the launch of a partnership between 1875 Finance Holding AG and its Swiss subsidiary. The finalisation of the sale and purchase transaction and the launch of the aforementioned partnership are expected to take place at the end of 2021, once the relevant authorities have given their approval.

The Board of Directors
30 July 2021

The main factors of uncertainty surrounding growth prospects remain related to the evolution of the pandemic and the effectiveness of support policies. In the current year, infection trends may indeed affect confidence and consumption and investment decisions.
The policies for development of managed asset inflows, growing both inside and outside Italy, the amount of client assets, which continue to generate recurring fees, together with cost controls and constant focus on risk management, will allow the Group end the current year with a net profit, higher than in the previous year.

Consolidated financial statements

Consolidated balance sheet

(€m)

ASSETS	30.6.2021	31.12.2020
10. Cash and cash equivalents	585	288
20. Financial assets measured at fair value through profit or loss	491	422
a) financial assets held for trading	87	47
b) financial assets measured at fair value	-	-
c) other financial assets mandatorily measured at fair value	404	375
30. Financial assets measured at fair value through other comprehensive income	2,969	2,805
40. Financial assets measured at amortised cost	56,269	45,182
a) loans and advances to banks	41,026	32,949
b) loans and advances to customers	15,243	12,233
50. Hedging derivatives	15	16
60. Adjustments to financial assets subject to macro-hedging (+/-)	14	24
70. Equity investments	207	184
80. Reinsurers' share of technical reserves	-	-
90. Property and equipment	387	354
100. Intangible assets	664	229
of which: goodwill	427	140
110. Tax assets	191	163
a) current	10	21
b) deferred	181	142
120. Non-current assets held for sale and discontinued operations	-	1,065
130. Other assets	1,597	1,295
TOTAL ASSETS	**63,389**	**52,027**

Chairman of the
Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated balance sheet

(€m)

LIABILITIES AND SHAREHOLDERS' EQUITY	30.6.2021	31.12.2020
10. Financial liabilities measured at amortised cost	56,299	45,025
a) due to banks	6,271	3,615
b) due to customers	50,028	41,410
c) debt on issue	-	-
20. Financial liabilities held for trading	63	53
30. Financial liabilities measured at fair value	-	-
40. Hedging derivatives	833	954
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-
60. Tax liabilities	202	74
a) current	69	5
b) deferred	133	69
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	1,065
80. Other liabilities	1,913	1,098
90. Provision for employment termination indemnities	47	43
100. Provisions for risks and charges:	602	568
a) commitments and guarantees	4	3
b) pensions and other commitments	45	30
c) other provisions for risks and charges	553	535
110. Technical reserves	-	-
120. Valuation reserves	37	41
130. Redeemable shares	-	-
140. Equity instruments	23	-
150. Reserves	2,126	1,783
160. Share premium reserve	206	206
170. Share capital	300	300
180. Treasury shares (-)	-	-
190. Equity attributable to non-controlling interests (+/-)	92	-
200. Net profit (loss) for the period (+/-)	646	817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**63,389**	**52,027**

Chairman of the
Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated income statement

(€m)

		1ST HALF 2021	1ST HALF 2020
10.	Interest income and similar income	132	138
	of which: interest income calculated with the effective interest method	*168*	*179*
20.	Interest expense and similar expense	(48)	(36)
30.	**Net interest income**	**84**	**102**
40.	Fee and commission income	1,444	1,237
50.	Fee and commission expense	(468)	(393)
60.	**Net fee and commission income**	**976**	**844**
70.	Dividends and similar income	-	-
80.	Net profit (loss) on trading activities	9	9
90.	Net profit (loss) on hedging derivatives	1	1
100.	Profit (loss) on sale or repurchase of:	6	11
	a) financial assets measured at amortised cost	-	6
	b) financial assets measured at fair value through other comprehensive income	6	5
	c) financial liabilities	-	-
110.	Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	29	(11)
	a) financial assets and liabilities measured at fair value	-	-
	b) other financial assets mandatorily measured at fair value	29	(11)
120.	**Total net interest and trading income**	**1,105**	**956**
130.	Net impairment for credit risk related to:	-	(19)
	a) financial assets measured at amortised cost	(1)	(16)
	b) financial assets measured at fair value through other comprehensive income	1	(3)
140.	Gains/losses on contractual changes without cancellation	-	-
150.	**Operating income**	**1,105**	**937**
160.	Net insurance premiums	-	-
170.	Other income/expense from insurance activities	-	-
180.	**Operating income from financing and insurance activities**	**1,105**	**937**
190.	Administrative expenses:	(474)	(409)
	a) personnel expenses	(191)	(165)
	b) other administrative expenses	(283)	(244)
200.	Net provisions for risks and charges	(35)	(14)
	a) commitments and guarantees	-	(1)
	b) other net provisions	(35)	(13)
210.	Depreciation of property and equipment	(25)	(24)
220.	Amortisation of intangible assets	(15)	(12)
230.	Other income/expense	151	124
240.	**Operating expenses**	**(398)**	**(335)**
250.	Profit (loss) on equity investments	6	4
260.	Net fair value gains (losses) on property and equipment and intangible assets	-	-
270.	Goodwill impairment	-	-
280.	Gain (loss) on disposal of investments	219	1
290.	**Profit (loss) before tax from continuing operations**	**932**	**607**
300.	Income taxes for the period on continuing operations	(277)	(188)
310.	**Profit (loss) after tax from continuing operations**	**655**	**419**
320.	Profit (loss) after tax from discontinued operations	-	-
330.	**Net profit (Loss) for the period**	**655**	**419**
340.	Net profit (loss) for the period attributable to non-controlling interests	(9)	-
350.	**Parent company interest in net profit (loss) for the period**	**646**	**419**

Chairman of the Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Consolidated statement of comprehensive income

(€m)

	1ST HALF 2021	1ST HALF 2020
10. Net profit (Loss) for the period	**655**	**419**
Other comprehensive income after tax not transferred to the income statement	**8**	**(3)**
20. Equity instruments measured at fair value through other comprehensive income	-	-
30. Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-
40. Hedging of equity instruments measured at fair value through other comprehensive income	-	-
50. Property and equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	8	(3)
80. Non-current assets held for sale and discontinued operations	-	-
90. Valuation reserves related to investments carried at equity	-	-
Other comprehensive income after tax that may be transferred to the income statement	**(12)**	**(24)**
100. Hedging of net investments in foreign operations	-	-
110. Exchange rate differences	(2)	3
120. Cash flow hedges	(4)	3
130. Hedging instruments (undesignated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(5)	(30)
150. Non-current assets held for sale and discontinued operations	-	-
160. Valuation reserves related to investments carried at equity	(1)	-
170. Total other comprehensive income after tax	**(4)**	**(27)**
180. Total comprehensive income	**651**	**392**
190. Total comprehensive income attributable to non-controlling interests	9	-
200. Total comprehensive income attributable to parent company	642	392

Chairman of the
Board of Directors
Paolo Molesini

Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of changes in consolidated shareholders' equity

(€m)

				ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD											
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
	BALANCE AT 31.12.2020	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2021	RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME 1ST HALF 2021	SHAREHOLDERS' EQUITY AT 30.6.2021	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.6.2021	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.6.2021
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**315**	**300**	**15**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	15	-	315	300	15
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**219**	**206**	**13**
Reserves:	**1,784**	**-**	**1,784**	**315**	**-**	**207**	**-**	**-**	**(177)**	**-**	**-**	**-**	**53**	**-**	**2,182**	**2,126**	**56**
- from net income	1,680	-	1,680	315	-	-	-	-	(177)	-	-	-	53	-	1,871	1,815	56
- other	104	-	104	-	-	207	-	-	-	-	-	-	-	-	311	311	-
Valuation reserves	**41**	**-**	**41**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(4)**	**36**	**37**	**(1)**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23**	**-**	**-**	**-**	**-**	**23**	**23**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**816**	**-**	**816**	**(315)**	**(501)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**655**	**655**	**646**	**9**
Shareholders' equity	**3,147**	**-**	**3,147**	**-**	**(501)**	**207**	**-**	**-**	**(177)**	**23**	**-**	**-**	**80**	**651**	**3,430**	**3,338**	**92**
Equity attributable to owners of the parent company	**3,147**	**-**	**3,147**	**-**	**(501)**	**204**	**-**	**-**	**(177)**	**23**	**-**	**-**	**-**	**642**	**3,338**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**80**	**9**	**92**		

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Managing Director
Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of changes in consolidated shareholders' equity

(€m)

	BALANCE AT 31.12.2019	CHANGE IN OPENING BALANCES	BALANCE AT 1.1.2020	ALLOCATION OF INCOME FOR THE PREVIOUS YEAR		CHANGES IN THE PERIOD									SHAREHOLDERS' EQUITY AT 30.6.2020	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AT 30.6.2020	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS AT 30.6.2020
							TRANSACTIONS INVOLVING SHAREHOLDERS' EQUITY										
				RESERVES	DIVIDENDS AND OTHER	CHANGES IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES BASED ON TREASURY SHARES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	TOTAL COMPREHENSIVE INCOME 1ST HALF 2020			
Share capital:	**300**	**-**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**300**	**-**
- ordinary shares	300	-	300	-	-	-	-	-	-	-	-	-	-	-	300	300	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**206**	**-**	**206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**206**	**-**
Reserves:	**1,516**	**-**	**1,516**	**905**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,427**	**2,427**	**-**
- from net income	1,425	-	1,425	905	-	-	-	-	-	-	-	-	-	-	2,330	2,330	-
- other	91	-	91	-	-	6	-	-	-	-	-	-	-	-	97	97	-
Valuation reserves	**33**	**-**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27)**	**6**	**6**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit (loss) for the period	**905**	**-**	**905**	**(905)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**419**	**419**	**419**	**-**
Shareholders' equity	**2,960**	**-**	**2,960**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**392**	**3,358**	**3,358**	**-**
Equity attributable to owners of the parent company	**2,960**	**-**	**2,960**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**392**	**3,358**		
Equity attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

Chairman of the Board of Directors
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Tommaso Corcos

Chief Financial Officer
Domenico Sfalanga

Statement of consolidated cash flows

(Indirect method)

(€m)

	1ST HALF 2021	1ST HALF 2020
A. OPERATING ACTIVITIES		
1. Operations	**689**	**652**
- profit (loss) for the period (+/-)	646	419
- net profit (loss) on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	(36)	2
- net profit (loss) on hedging activities (-/+)	(1)	(1)
- net impairment for credit risk (+/-)	-	19
- net depreciation and amortisation (+/-)	40	36
- net provisions for risks and charges and other expense/income (+/-)	76	15
- uncollected net insurance premiums (-)	-	-
- uncollected other insurance income/expense (-/+)	-	-
- unpaid taxes and tax credits (+/-)	277	188
- net impairment of discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	(313)	(26)
2. Cash from/used in financing activities	**(2,065)**	**(2,285)**
- financial assets held for trading	(19)	(5)
- financial assets measured at fair value	-	-
- other assets mandatorily measured at fair value	-	1
- financial assets measured at fair value through other comprehensive income	(162)	131
- financial assets measured at amortised cost	(2,593)	(2,386)
- other assets	709	(26)
3. Cash from/used in financial liabilities	**2,285**	**1,500**
- financial liabilities measured at amortised cost	2,599	1,649
- financial liabilities held for trading	(4)	14
- financial liabilities measured at fair value	-	-
- other liabilities	(310)	(163)
Net cash from/used in operating activities	**909**	**(133)**
B. INVESTING ACTIVITIES		
1. Cash from	**220**	**-**
- disposal of equity investments	-	-
- dividend income from equity investments	-	-
- sale of property and equipment	-	-
- sale of intangible assets	-	-
- sale of subsidiaries and company divisions	220	-
2. Cash used in	**(177)**	**(5)**
- acquisition of equity investments	-	-
- acquisition of property and equipment	-	(1)
- purchase of intangible assets	(2)	(4)
- acquisition of subsidiaries and company divisions	(175)	-
Net cash from/used in operating activities	**43**	**(5)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	23	-
- distribution of dividends and other	(678)	-
- sale/purchase of control of others	-	-
Net cash from/used in funding activities	**(655)**	**-**
NET CASH GENERATED/USED IN THE PERIOD	**297**	**(138)**

Reconciliation

	1ST HALF 2021	1ST HALF 2020
Cash and cash equivalents at the beginning of the period	288	335
Total net cash generated/used in the period	297	(138)
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	585	197

(*) In relation to the disclosure prescribed in paragraph 44B of IAS7, we note that the changes in liabilities resulting from financing activities totalled €2,285m (generated liquidity) and reflect the net amount of +€2,599m in cash flows, +€10m in changes in fair value, and -€324m in other changes.

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Accounting policies

BASIS OF PREPARATION

The Condensed Half-year Consolidated Financial Statements at 30 June 2021 were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. The Condensed Half-year Consolidated Financial Statements were in particular prepared in accordance with IAS34 on interim financial reporting.

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

With reference to the evolution of accounting regulations, it should be noted that from 2021 onwards, Regulation No. 25/2021 of 13 January 2021 is applicable, which implements the "Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16" document, published by the IASB on 27 August 2020, concerning the issues related to the second phase of the project on the revision of interest rates (Interest Rate Benchmark Reform - IBOR Reform). The main changes introduced concern the possible accounting impacts of the application of the new rates (so-called replacement issue), in particular the accounting of changes to existing contracts and accounting hedges. With regard to the first aspect, it is clarified that the changes following the IBOR Reform relating to the replacement of the existing IBOR rate with the new Risk Free Rate should not constitute a derecognition event, but should be accounted for as a change. In this respect, a practical expedient is introduced to represent such changes, if made as a direct consequence of the IBOR Reform and on equivalent economic bases, with a forward adjustment of the effective interest rate, with impacts on the interest margin of future periods. In the area of hedge accounting, certain exceptions to IAS39 (and to IFRS9 for those who have adopted it also for hedges) have been introduced that allow discontinuing following the updating of the documentation of the hedging relationship (for the modification of the hedged risk, of the underlying hedged item or of the hedging derivative or of the method of verifying the effectiveness of the hedge) in the case of changes necessary as a direct consequence of IBOR Reform and carried out on an equivalent economic basis.
No impact on the Group is foreseen for the amendments that have the characteristics foreseen by the standard, in line with the objective of the amendments introduced by the IASB, which aim to avoid distorting effects on the financial statements as a result of the reform.

On 12 April 2021, the following transactions took place:

- the demerger in favour of Intesa Sanpaolo Private Banking of the UBI "TOP Private Banking" business unit, which is organised for activities and services for customers and companies with large assets;
- the demerger in favour of Fideuram of the UBI Banca business unit consisting of the units dedicated to service activities for IW Bank, known as the "IWB Service Branch";
- the acquisition by Fideuram of 100% of the capital of IW Bank, as part of the assets of the UBI Banca compendium that was demerged to Fideuram.

These transactions are not specifically governed by IAS/IFRS because IFRS3, which governs business combinations, excludes business combinations between companies under common control from its scope of application. From an accounting point of view, these transactions qualify as business combinations between companies "under common control", carried out to better configure the Group's structure and accounted for in continuity of values with respect to Intesa Sanpaolo's consolidated financial statements because:

- the transactions are directly related to a previous business combination carried out with third parties;
- were carried out in close temporal proximity to the main business combination;
- involve subsidiaries without significant minority interests or publicly traded debt securities.

For more details, please refer to the section "Asset and liability management".

On 28 May 2021, the acquisition by Fideuram of 69% of the share capital of REYL & Cie, a Swiss bank with an international presence, was finalised. The transaction was carried out through the following steps:

- acquisition of 100% of the holding company RB Participations, which holds 30% of REYL & Cie;
- direct acquisition of 39% in REYL & Cie from REYL Holding.

The settlement of the price took place partly in cash and partly through the contribution to REYL of the stake held in Intesa Sanpaolo Private Bank (Suisse) Morval. The sale and purchase agreement also provides for a price adjustment mechanism and a fair market value put/call option on the minority interest held by REYL & Cie Holding and the manager shareholders.
From an accounting point of view, the transaction is a business combination governed by IFRS3. Put/call options on the 31% minority interest held by REYL & Cie Holding and the manager shareholders were taken into account in determin-

ing the acquisition cost. The comparison between the acquisition cost and shareholders' equity resulted in a difference of €287m, which was provisionally recognised as goodwill in the condensed consolidated interim financial statements, based on the IFRS3 option that allows the acquiring entity 12 months to complete the process. The acquisition cost allocation activities will be finally completed by the end of the 2021 Financial Statements.

These Condensed Half-year Consolidated Financial Statements comprise the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows, accompanied by explanatory notes on the Group's performance. The financial statements are published in the format mandated in the 6th update to Bank of Italy Circular 262/2005, in force from 1 January 2019. These Financial Statements use the euro as their presentation currency, and all the figures herein are stated in millions of euro unless specified otherwise.
The Interim directors' report and the Condensed half-year consolidated financial statements contain certain information - such as, for example, data on quarterly trends and other alternative performance indicators - that is not directly attributable to the financial statements.
As required by IAS34, the income statement for the first six months of 2021 was compared with the income statement for the same period in 2020, while the balance sheet at 30 June 2021 was compared with the balance sheet at 31 December 2020. The balance sheet and income statement as at and for the period ended 30 June 2021 referred to in the explanatory notes have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the Group's financial position and results.
These statements were prepared using appropriate groupings of the items in the official financial statements. Detailed information on the reclassifications is presented in specific reconciliation statements provided in the schedules accompanying these Financial Statements.

The comparative analysis of the accounting balances and operating data of the first half of 2021 compared to those of the corresponding comparison periods of 2020 is affected by the impact of the transactions that took place in the half-year. In the notes to the financial statements, to allow for a like-for-like comparison and to adequately represent the effects of changes in the scope of consolidation, the operating data and accounting balances presented in the balance sheet and income statement have been restated, where necessary. In preparing the restated financial statements, appropriate adjustments have been made to the historical data to reflect retrospectively, assuming that the corporate transactions took place on or after 1 January 2020, the changes in the scope of consolidation that took place in 2021, without changing the result for the year and shareholders' equity compared to the official financial statements published in previous periods. The net effects of the adjustments were recognised in minority interests in the restated income statement and in minority interests in the restated balance sheet.
The Condensed Half-year Consolidated Financial Statements have been reviewed by E&Y S.p.A..

SCOPE AND METHODS OF CONSOLIDATION

The companies consolidated by Fideuram at 30 June 2021 are listed below.

Equity investments at 30 June 2021

COMPANY NAME	OPERATIONAL HEAD OFFIC	REGISTERED OFFICE	TYPE OF OWNERSHIP (*)	OWNERSHIP ASSOCIATE COMPANY	OWNERSHIP % OWNED	% VOTES (**)
1. Sanpaolo Invest SIM S.p.A. Share capital: EUR 15,264,760 in shares of EUR 140 each	Turin	Turin	1	Fideuram	100.000%	
2. Intesa Sanpaolo Private Banking S.p.A. Share capital: EUR 117,497,424 in shares without par value	Milan	Milan	1	Fideuram	89.787%	
3. Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR S.p.A. Share capital: EUR 25,870,000 in shares without par value	Milan	Milan	1	Fideuram	99.517%	
4. Siref Fiduciaria S.p.A. Share capital: EUR 2,600,000 in shares of EUR 0.52	Milan	Milan	1	Fideuram	100.000%	
5. IW Bank Private Investments S.p.A. Share capital: EUR 67,950,000 in shares of EUR 3 each	Milan	Milan	1	Fideuram	100.000%	
6. Fideuram Asset Management (Ireland) dac Share capital: EUR 1,000,000 in shares of EUR 1,000 each	Dublin	Dublin	1	Fideuram	100.000%	
7. Fideuram Bank (Luxembourg) S.A. Share capital: EUR 40,000,000 in shares without par value	Luxembourg	Luxembourg	1	Fideuram	100.000%	
8. Financière Fideuram S.A. Share capital: EUR 346,761,600 in shares of EUR 25 each	Paris	Paris	1	Fideuram	100.000%	
9. RB Participations S.A. Share capital: CHF 100,000 in shares of CHF 1	Geneva	Geneva	1	Fideuram	100.000%	
10. REYL & Cie S.A. Share capital: CHF 31,500,001 in share of CHF 1	Geneva	Geneva	1	Fideuram RB Participations	39.000% 30.000%	
11. Intesa Sanpaolo Private Bank (Suisse) Morval S.A. Share capital: CHF 22,217,000 in share of CHF 100	Geneva	Geneva	1	REYL & Cie	98.679%	
12. Intesa Sanpaolo Private Argentina S.A. Share capital: ARS 13,404,506 in share of ARS 1	Buenos Aires	Buenos Aires	1	Intesa Sanpaolo Private Bank (Suisse) Morval Fideuram	95.033% 4.967%	
13. Intesa Sanpaolo Private Monaco SAM in liquidation Share capital: EUR 1,200,000 in share of EUR 100	Monaco	Monaco	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
14. Morval Vonwiller Advisors S.A. Share capital: UYU 110,600,000 in share of UYU 1	Montevideo	Montevideo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
15. Morval Bank & Trust Cayman Ltd in liquidation Share capital: USD 7,850,000 in share of USD 1	George Town	George Town	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.000%	
16. REYL Overseas S.A. Share capital: CHF 500,000 in share of CHF 1,000	Zurich	Zurich	1	REYL & Cie	100.000%	
17. REYL Prime Solutions S.A. in liquidation Share capital: CHF 100,000 in share of CHF 500	Geneva	Geneva	1	REYL & Cie	100.000%	
18. Gap ManCo Sàrl Share capital: EUR 12,500 in share of EUR 125	Luxembourg	Luxembourg	1	REYL & Cie	100.000%	
19. REYL Singapore Holding PTE Ltd Share capital: SGD 1,201 in share of SGD 0.010	Singapore	Singapore	1	REYL & Cie	75.000%	
20. REYL Singapore PTE Ltd Share capital: SGD 500,000 in share of SGD 1	Singapore	Singapore	1	REYL & Cie REYL Singapore Holding PTE	76.000% 24.000%	
21. REYL & Co. (Holdings) Ltd Share capital: GBP 2,900,000 in share of GBP 1	London	London	1	REYL & Cie	100.000%	
22. REYL & Co. (UK) LLP Share capital: GBP 3,000,000 in share of GBP 1	London	London	1	REYL & Co. (Holdings)	100.000%	
23. REYL & Cie (Malta) Holding Ltd Share capital: EUR 730,000 in share of EUR 1	Valletta	Valletta	1	REYL & Cie	100.000%	
24. REYL & Cie (Malta) Ltd Share capital: EUR 730,000 in share of EUR 1	Valletta	Valletta	1	REYL & Cie (Malta) Holding	100.000%	
25. REYL Finance (MEA) Ltd Share capital: USD 2,875,000 in share of USD 28,750	Dubai	Dubai	1	REYL & Cie	100.000%	
26. Portugal Real Estate Opportunities Manager SARL Share capital: EUR 12,500 in share of EUR 125	Luxembourg	Luxembourg	1	REYL Finance (MEA)	100.000%	
27. Iberia Distressed Assets Manager SARL Share capital: EUR 12,500 in share of EUR 125	Luxembourg	Luxembourg	1	REYL Finance (MEA)	100.000%	
28. REYL Private Office Sàrl Share capital: EUR 50,000 in share of EUR 100	Luxembourg	Luxembourg	1	REYL & Cie	100.000%	
29. Inveniam S.A. Share capital: CHF 50,000 in share of CHF 1,000	Geneva	Geneva	1	REYL Private Office Sàrl	100.000%	
30. ASTERIA Investment Managers S.A. Share capital: CHF 14,000,000 in share of CHF 10	Geneva	Geneva	1	REYL & Cie	80.000%	
31. IIF SME Manager Ltd Share capital: USD 1,000 in share of USD 0.01	George Town	George Town	1	ASTERIA Investment Managers	100.000%	
32. Obviam AG Share capital: CHF 500,000 in share of CHF 10	Bern	Bern	1	ASTERIA Investment Managers	100.000%	

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

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

The Condensed Half-year Consolidated Financial Statements include Fideuram and its direct and indirect subsidiaries and the companies over which it exercises significant influence.
The subsidiaries were consolidated line-by-line, except the entities which, due to their limited significance (less than €10m in total assets carried on the books), are consolidated with the equity method, in accordance with Group accounting policies. Fideuram Vita S.p.A., in which Fideuram holds a 19.99% equity interest, is consolidated using the equity method.

The financial statements used for the consolidation were those at 30 June 2021, as approved by the competent bodies of the subsidiaries, adjusted where necessary to align them with Group accounting policies. The financial statement data of companies operating outside the European Monetary Union are translated to euro applying the period-end exchange rates to balance sheet items and the average exchange rates for the period to income statement items. Any exchange rate differences arising from translations at said exchange rates are recognised in the valuation reserve.

Compared to 31 December 2020, the Group's scope of consolidation has changed as follows:

- the entry of IW Bank in the second quarter of the year due to the transfer of the shareholding by Intesa Sanpaolo;
- the entry of the REYL Group in the second quarter of the year following the acquisition of a 69% controlling interest in the Swiss bank REYL & Cie S.A..

Independent auditors' report

Attachments

Basis of preparation of the restated financial statements

The comparative analysis of the balance sheet and income statement figures for the first six months of 2021 compared to the corresponding balances for 2020 is affected by:

- the partial demerger in favour of Intesa Sanpaolo Private Banking of the UBI Banca "TOP Private Banking" business unit, which is organised for activities and services for customers and companies with large assets;
- the partial demerger in favour of Fideuram of the entire interest held in IW Bank and of the UBI Banca business unit consisting of the units dedicated to service activities for IW Bank, known as the "IWB Service Branch";
- the acquisition by Fideuram of a 69% stake in the share capital of REYL & Cie and the simultaneous contribution to REYL of the entire stake held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval.

In order to allow for a like-for-like comparison and to adequately represent the effects of the aforementioned transactions, the reconciliation of the official balance sheet and income statement and the corresponding restated statements are shown below, obtained by making appropriate adjustments to the historical data to retroactively reflect the changes that occurred during the first half of 2021, without however changing the result for the year and shareholders' equity compared to the official financial statements published in previous periods. The net effects of the adjustments were recognised in minority interests in the restated income statement and in minority interests in the restated balance sheet.
Specifically:

- the balance sheet as at 31 December 2020 has been restated to include, for comparative purposes, the contribution of transactions carried out in the first half of the year;
- the income statement has been restated to include the contribution of these transactions in the consolidated results for both the first three months of 2021 and the first six months of 2020.

Reconciliation statements of the official and restated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2020 and the restated consolidated balance sheet as at 31 December 2020

(€m)

	2020 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	2020 RESTATED
ASSETS			
10. Cash and cash equivalents	288	368	656
20. Financial assets measured at fair value through profit or loss	422	11	433
a) financial assets held for trading	47	9	56
b) financial assets measured at fair value	-	-	-
c) other financial assets mandatorily measured at fair value	375	2	377
30. Financial assets measured at fair value through other comprehensive income	2,805	7	2,812
40. Financial assets measured at amortised cost	45,182	8,171	53,353
a) loans and advances to banks	32,949	5,888	38,837
b) loans and advances to customers	12,233	2,283	14,516
50. Hedging derivatives	16	-	16
60. Adjustments to financial assets subject to macro-hedging (+/-)	24	-	24
70. Equity investments	184	8	192
80. Reinsurers' share of technical reserves	-	-	-
90. Property and equipment	354	42	396
100. Intangible assets	229	158	387
of which: goodwill	140	-	140
110. Tax assets	163	63	226
a) current	21	10	31
b) deferred	142	53	195
120. Non-current assets held for sale and discontinued operations	1,065	-	1,065
130. Other assets	1,295	83	1,378
TOTAL ASSETS	**52,027**	**8,911**	**60,938**
LIABILITIES AND SHAREHOLDERS' EQUITY			
10. Financial liabilities measured at amortised cost	45,025	8,675	53,700
a) due to banks	3,615	137	3,752
b) due to customers	41,410	8,538	49,948
c) debt on issue	-	-	-
20. Financial liabilities held for trading	53	11	64
30. Financial liabilities measured at fair value	-	-	-
40. Hedging derivatives	954	-	954
50. Adjustments to financial liabilities subject to macro-hedging (+/-)	-	-	-
60. Tax liabilities	74	72	146
a) current	5	2	7
b) deferred	69	70	139
70. Liabilities associated with non-current assets held for sale and discontinued operations	1,065	-	1,065
80. Other liabilities	1,098	61	1,159
90. Provision for employment termination indemnities	43	7	50
100. Provisions for risks and charges:	568	52	620
a) commitments and guarantees	3	1	4
b) pensions and other commitments	30	21	51
c) other provisions for risks and charges	535	30	565
110. Technical reserves	-	-	-
120. Valuation reserves	41	-	41
130. Redeemable shares	-	-	-
140. Equity instruments	-	-	-
150. Reserves	1,783	-	1,783
160. Share premium reserve	206	-	206
170. Share capital	300	-	300
180. Treasury shares (-)	-	-	-
190. Equity attributable to non-controlling interests (+/-)	-	33	33
200. Net profit (loss) for the year (+/-)	817	-	817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**52,027**	**8,911**	**60,938**

(*) Figures relating to the contribution of the UBI Top Private Branch, the IWB Service Branch, IW Bank and the REYL Group.

Reconciliation between the published consolidated income statement as at 30 June 2020 and the consolidated income statement at 30 June 2020 restated

(€m)

	1ST HALF 2020 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	1ST HALF 2020 RESTATED
10. Interest income and similar income	138	32	170
of which: interest income calculated with the effective interest method	*179*	*31*	*210*
20. Interest expense and similar expense	(36)	(4)	(40)
30. Net interest income	**102**	**28**	**130**
40. Fee and commission income	1,237	140	1,377
50. Fee and commission expense	(393)	(37)	(430)
60. Net fee and commission income	**844**	**103**	**947**
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	9	10	19
90. Net profit (loss) on hedging derivatives	1	-	1
100. Profit (loss) on sale or repurchase of:	11	-	11
a) financial assets measured at amortised cost	6	-	6
b) financial assets measured at fair value through other comprehensive income	5	-	5
c) financial liabilities	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	(11)	(1)	(12)
a) financial assets and liabilities measured at fair value	-	-	-
b) other financial assets mandatorily measured at fair value	(11)	(1)	(12)
120. Total net interest and trading income	**956**	**140**	**1,096**
130. Net impairment for credit risk related to:	(19)	(2)	(21)
a) financial assets measured at amortised cost	(16)	(2)	(18)
b) financial assets measured at fair value through other comprehensive income	(3)	-	(3)
140. Gains/losses on contractual changes without cancellation	-	-	-
150. Operating income	**937**	**138**	**1,075**
160. Net insurance premiums	-	-	-
170. Other income/expense from insurance activities	-	-	-
180. Operating income from financing and insurance activities	**937**	**138**	**1,075**
190. Administrative expenses:	(409)	(105)	(514)
a) personnel expenses	(165)	(57)	(222)
b) other administrative expenses	(244)	(48)	(292)
200. Net provisions for risks and charges	(14)	(2)	(16)
a) commitments and guarantees	(1)	-	(1)
b) other net provisions	(13)	(2)	(15)
210. Depreciation of property and equipment	(24)	(5)	(29)
220. Amortisation of intangible assets	(12)	(1)	(13)
230. Other income/expense	124	8	132
240. Operating expenses	**(335)**	**(105)**	**(440)**
250. Profit (loss) on equity investments	4	6	10
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-
270. Goodwill impairment	-	-	-
280. Gain (loss) on disposal of investments	1	-	1
290. Profit (loss) before tax from continuing operations	**607**	**39**	**646**
300. Income taxes for the period on continuing operations	(188)	(13)	(201)
310. Profit (loss) after tax from continuing operations	**419**	**26**	**445**
320. Profit (loss) after tax from discontinued operations	-	-	-
330. Net profit (loss) for the period	**419**	**26**	**445**
340. Net profit (loss) for the period attributable to non-controlling interests	-	(26)	(26)
350. Parent company interest in net profit (loss) for the period	**419**	**-**	**419**

(*) Figures relating to the contribution of the UBI Top Private Branch, the IWB Service Branch, IW Bank and the REYL Group.

Reconciliation between the published consolidated income statement as at 30 June 2021 and the consolidated income statement at 30 June 2021 restated

(€m)

	1ST HALF 2021 PUBLISHED	CHANGE IN SCOPE OF CONSOLIDATION (*)	1ST HALF 2021 RESTATED
10. Interest income and similar income	132	14	146
of which: interest income calculated with the effective interest method	*168*	*14*	*182*
20. Interest expense and similar expense	(48)	(3)	(51)
30. Net interest income	**84**	**11**	**95**
40. Fee and commission income	1,444	90	1,534
50. Fee and commission expense	(468)	(23)	(491)
60. Net fee and commission income	**976**	**67**	**1,043**
70. Dividends and similar income	-	-	-
80. Net profit (loss) on trading activities	9	7	16
90. Net profit (loss) on hedging derivatives	1	-	1
100. Profit (loss) on sale or repurchase of:	6	-	6
a) financial assets measured at amortised cost	-	-	-
b) financial assets measured at fair value through other comprehensive income	6	-	6
c) financial liabilities	-	-	-
110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	29	-	29
a) financial assets and liabilities measured at fair value	-	-	-
b) other financial assets mandatorily measured at fair value	29	-	29
120. Total net interest and trading income	**1,105**	**85**	**1,190**
130. Net impairment for credit risk related to:	-	3	3
a) financial assets measured at amortised cost	(1)	3	2
b) financial assets measured at fair value through other comprehensive income	1	-	1
140. Gains/losses on contractual changes without cancellation	-	-	-
150. Operating income	**1,105**	**88**	**1,193**
160. Net insurance premiums	-	-	-
170. Other income/expense from insurance activities	-	-	-
180. Operating income from financing and insurance activities	**1,105**	**88**	**1,193**
190. Administrative expenses:	(474)	(65)	(539)
a) personnel expenses	(191)	(40)	(231)
b) other administrative expenses	(283)	(25)	(308)
200. Net provisions for risks and charges	(35)	(1)	(36)
a) commitments and guarantees	-	-	-
b) other net provisions	(35)	(1)	(36)
210. Depreciation of property and equipment	(25)	(3)	(28)
220. Amortisation of intangible assets	(15)	(2)	(17)
230. Other income/expense	151	4	155
240. Operating expenses	**(398)**	**(67)**	**(465)**
250. Profit (loss) on equity investments	6	2	8
260. Net fair value gains (losses) on property and equipment and intangible assets	-	-	-
270. Goodwill impairment	-	-	-
280. Gain (loss) on disposal of investments	219	-	219
290. Profit (loss) before tax from continuing operations	**932**	**23**	**955**
300. Income taxes for the period on continuing operations	(277)	(8)	(285)
310. Profit (loss) after tax from continuing operations	**655**	**15**	**670**
320. Profit (loss) after tax from discontinued operations	-	-	-
330. Net profit (loss) for the period	**655**	**15**	**670**
340. Net profit (loss) for the period attributable to non-controlling interests	(9)	(15)	(24)
350. Parent company interest in net profit (loss) for the period	**646**	**-**	**646**

(*) Figures relating to the contribution of the UBI Top Private Branch, the IWB Service Branch, IW Bank and the REYL Group.

Basis of preparation of the reclassified financial statements

The balance sheet and income statement as at and for the period ended 30 June 2021 have been reclassified to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the financial position and results. These statements were prepared using appropriate groupings of the items in the official financial statements.
Moreover, the reclassified consolidated income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

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

Reconciliation statements of the restated and reclassified financial statements

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

(€m)

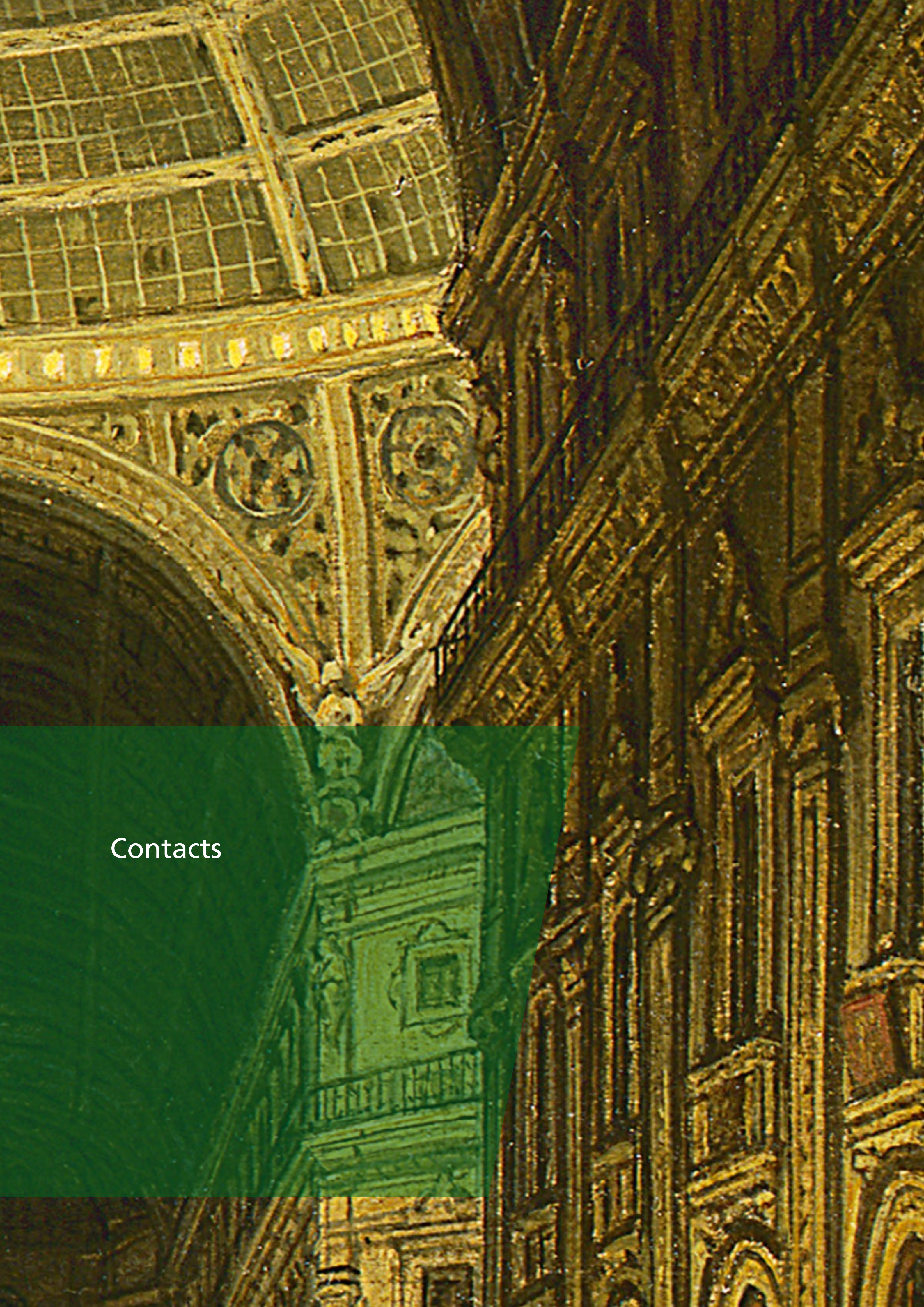
RECLASSIFIED BALANCE SHEET ITEMS – ASSETS	RESTATED CONSOLIDATED BALANCE SHEET ITEMS – ASSETS	30.6.2021	31.12.2020 RESTATED
Financial assets measured at fair value through profit or loss		491	433
	Item 20. Financial assets measured at fair value through profit or loss	*491*	*433*
Financial assets measured at fair value through other comprehensive income		2,969	2,812
	Item 30. Financial assets measured at fair value through other comprehensive income	*2,969*	*2,812*
Debt securities measured at amortised cost		19,800	20,144
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks - securities	*17,490*	*17,766*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers - securities	*2,310*	*2,378*
Loans to banks		23,536	21,071
	Item 40. a) Financial assets measured at amortised cost – Loans and advances to banks	*41,026*	*38,837*
	Item 40. a) (partial) Financial assets measured at amortised cost – Loans and advances to banks - securities	*(17,490)*	*(17,766)*
Loans to customers		12,933	12,138
	Item 40. b) Financial assets measured at amortised cost – Loans and advances to customers	*15,243*	*14,516*
	Item 40. b) (partial) Financial assets measured at amortised cost – Loans and advances to customers - securities	*(2,310)*	*(2,378)*
Hedging derivatives		15	16
	Item 50. Hedging derivatives	*15*	*16*
Equity investments		207	192
	Item 70. Equity investments	*207*	*192*
Property and equipment and intangible assets		1,051	783
	Item 90. Property and equipment	*387*	*396*
	Item 100. Intangible assets	*664*	*387*
Tax assets		191	226
	Item 110. Tax assets	*191*	*226*
Non-current assets held for sale and discontinued operations		-	1,065
	Item 120. Non-current assets held for sale and discontinued operations	*-*	*1,065*
Other assets		2,196	2,058
	Item 10. Cash and cash equivalents	*585*	*656*
	Item 60. Adjustments to financial assets subject to macro-hedging (+/-)	*14*	*24*
	Item 130. Other assets	*1,597*	*1,378*
Total assets	**Total assets**	**63,389**	**60,938**

RECLASSIFIED BALANCE SHEET ITEMS – LIABILITIES	RESTATED CONSOLIDATED BALANCE SHEET ITEMS – LIABILITIES	30.6.2021	31.12.2020 RESTATED
Due to banks		6,271	3,752
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	*6,271*	*3,752*
Due to customers		50,028	49,948
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	*50,028*	*49,948*
Financial liabilities held for trading		63	64
	Item 20. Financial liabilities held for trading	*63*	*64*
Hedging derivatives		833	954
	Item 40. Hedging derivatives	*833*	*954*
Tax liabilities		202	146
	Item 60. Tax liabilities	*202*	*146*
Liabilities associated with non-current assets held for sale and discontinued operations		-	1,065
	Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*1,065*
Other liabilities		1,960	1,209
	Item 80. Other liabilities	*1,913*	*1,159*
	Item 90. Provision for employment termination indemnities	*47*	*50*
Provisions for risks and charges		602	620
	Item 100. Provisions for risks and charges	*602*	*620*
Share capital, reserves and equity instruments		2,692	2,330
	Items 120., 140., 150., 160., 170. Equity attributable to owners of the parent company	*2,692*	*2,330*
Equity attributable to non-controlling interests		92	33
	Item 190. Equity attributable to non-controlling interests (+/-)	*92*	*33*
Net Profit		646	817
	Item 200. Profit (loss) for the period	*646*	*817*
Total liabilities	**Total liabilities and shareholders' equity**	**63,389**	**60,938**

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

(€m)

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ITEMS	RESTATED CONSOLIDATED INCOME STATEMENT ITEMS	1ST HALF 2021	1ST HALF 2020
Net interest income		106	129
	Item 30. Net interest income	*95*	*130*
	- Item 190. a) (partial) Time value component of employment termination indemnities	*-*	*(1)*
	- Item 30. (partial) Net interest income PPA IW Bank	*11*	*-*
Net profit (loss) on financial assets and liabilities		32	27
	Item 80. Net profit (loss) on trading activities	*16*	*19*
	Item 90. Net profit (loss) on hedging derivatives	*1*	*1*
	Item 100. Gains (losses) on disposal or repurchase of financial assets	*6*	*11*
	Item 110. Net profit (loss) on other financial assets and liabilities measured at fair value through profit or loss	*29*	*(12)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*(20)*	*8*
Net fee and commission income		1,040	943
	Item 60. Net fee and commission income	*1,043*	*947*
	- Item 60. (partial) Soft commission	*(1)*	*(1)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*3*	*(1)*
	- Item 190. a) (partial) Component of staff expenses relating to fee and commission income	*(2)*	*-*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*(3)*	*(2)*
Intermediation margin		**1,178**	**1,099**
Profit on equity investments and other income (expense)		14	1
	Item 230. Other income/expense	*155*	*132*
	Item 250. Profit (loss) on equity investments	*8*	*10*
	- Item 230. (partial) Recovery of indirect taxes	*(149)*	*(135)*
	- Item 250. (partial) Profit (loss) on equity investments	*-*	*(6)*
Net operating income		**1,192**	**1,100**
Personnel expenses		(223)	(223)
	Item 190. a) Personnel expenses	*(231)*	*(222)*
	- Item 190. a) (partial) Component of staff expenses relating to fee and commission income	*2*	*-*
	- Item 190. a) (partial) Recovery of staff expenses	*-*	*(2)*
	- Item 190. a) (partial) Integration costs	*6*	*-*
	- Item 190. a) (partial) Time value component of employment termination indemnities	*-*	*1*
Other administrative expenses		(133)	(132)
	Item 190. b) Other administrative expenses	*(308)*	*(292)*
	- Item 60. (partial) Soft commission	*1*	*1*
	- Item 190. b) (partial) Integration costs	*3*	*3*
	- Item 190. b) (partial) Costs related to banking system	*19*	*14*
	- Item 190. b) (partial) Component of administrative expenses relating to fee and commission income	*3*	*2*
	- Item 190. b) (partial) Recovery of other administrative expenses	*-*	*5*
	- Item 230. (partial) Recovery of indirect taxes	*149*	*135*
Depreciation and amortisation		(36)	(34)
	Item 210. Depreciation of property and equipment	*(28)*	*(29)*
	Item 220. Amortisation of intangible assets	*(17)*	*(13)*
	- Item 220. (partial) Integration costs	*5*	*7*
	- Item 220. (partial) Amortisation of client assets recognised in intangible assets following PPA Morval, IW Bank, UBI Top Private Branch	*4*	*1*
Net operating expenses		**(392)**	**(389)**
Operating margin		**800**	**711**
Net impairment of loans		1	(22)
	Item 130. Net impairment for credit risk	*3*	*(22)*
	Item 200. a) Net provisions for commitments and guarantees issued	*-*	*(1)*
	- Item 130. a) (partial) Net impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*(1)*	*(2)*
	- Item 130. b) (partial) Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities	*(1)*	*3*
Net provisions for risks and charges and net impairment of other assets		(17)	(23)
	Item 200. b) Other net provisions	*(36)*	*(15)*
	- Item 110. (partial) Component of the returns on insurance policies for the Networks	*17*	*(7)*
	- Item 130. a) (partial) Net impairment for credit risk related to financial assets measured at amortised cost - Debt securities	*1*	*2*
	- Item 130. b) (partial) Net impairment for credit risk related to financial assets measured at fair value through other comprehensive income - Debt securities	*1*	*(3)*
Net non-recurring income (expenses)		219	7
	Item 280. Profit (loss) on disposal of investments	*219*	*1*
	- Item 250. (partial) Profit (loss) on equity investments	*-*	*6*
Gross income (loss)		**1,003**	**673**
Income taxes for the period on continuing operations		(299)	(209)
	Item 300. Income taxes for the period on continuing operations	*(285)*	*(200)*
	- Item 300. (partial) Tax impact on integration costs	*(4)*	*(3)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*(6)*	*(5)*
	- Item 300. (partial) Tax impact on PPA Morval, IW Bank, UBI Top Private Branch	*(4)*	*-*
	- Item 300. (partial) Tax impact on central assets	*-*	*(1)*
Integration and voluntary redundancy expenses (net of tax)		(10)	(7)
	- Item 190. a) (partial) Integration costs	*(6)*	*-*
	- Item 190. b) (partial) Integration costs	*(3)*	*(3)*
	- Item 220. (partial) Integration costs	*(5)*	*(7)*
	- Item 300. (partial) Tax impact on integration costs	*4*	*3*
Effects of purchase price allocation (net of tax)		(11)	(1)
	- Item 220. (partial) Amortisation of client assets recognised in intangible assets following PPA Morval, IW Bank , UBI Top Private Branch	*(4)*	*(1)*
	- Item 30. (partial) Net interest income PPA IW Bank	*(11)*	*-*
	- Item 300. (partial) Tax impact on PPA Morval, IW Bank, UBI Top Private Branch	*4*	*-*
Expenses regarding the banking system (net of tax)		(13)	(9)
	- Item 190. b) (partial) Costs related to banking system	*(19)*	*(14)*
	- Item 300. (partial) Tax impact on costs related to the banking system	*6*	*5*
Net profit (loss) attributable to non-controlling interests		(24)	(28)
	Item 340. Net profit (loss) for the period attributable to non-controlling interests	*(24)*	*(26)*
	- Reclassification of central asset charges	*-*	*(2)*
Net profit	**Item 350. Parent company interest in net profit (loss) for the period**	**646**	**419**



Contacts

Branches and Personal Financial Advisers’ Offices

FIDEURAM BRANCHES

Abbiategrasso - 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 - Syracuse - Turin - Trento - Treviglio - Treviso - Trieste - Udine - Varese - Verbania - Verona - Vicenza

FIDEURAM PERSONAL FINANCIAL ADVISERS’ OFFICES

Acqui Terme - Adrano - Albenga - Aosta - Argenta - Aulla - Avellino - Aversa - Bassano Del Grappa - Bibbiena - Bra - Brunico - Campobasso - Carate Brianza - Carpi - Casale Monferrato - Casalgrande - Cascine Di Buti - Castel San Giovanni - Castelfranco Veneto - Castelnuovo Garfagnana - Cattolica - Cavalese - Cecina - Chiavari - Chieri - Città di Castello - Cittadella - Conegliano - Crema - Domodossola - Fabriano - Faenza - Feltre - Fermo - Foligno - Follonica - Fossano - Gaeta - Gallarate - Gatteo - Gavardo - Gorizia - Grosseto - Guastalla - Imola - Imperia - Isernia - Jesi - Lamezia Terme - Lanciano - L’Aquila - Lido di Camaiore - Lugo - Monselice - Montebelluna - Montevarchi - Novi Ligure - Oderzo - Omegna - Orbassano - Oristano - Ovada - Pesaro - Pinerolo - Piove Di Sacco - Pistoia - Poggibonsi - Pontedera - Portoferraio - Potenza - Rieti - Rivarolo Canavese - Rivoli - Rome - Rovereto - Saluzzo - San Benedetto del Tronto - San Daniele Del Friuli - San Giovanni In Persiceto - Santa Croce Sull’Arno - Saronno - Sarzana - Sassari - Sassuolo - Schio - Sinalunga - Sondrio - Taranto - Teramo - Terni - Thiene - Tolmezzo - Turin - Trapani - Valdagno - Valenza - Velletri - Venice - Vercelli - Vigevano - Viterbo - Voghera

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(updated 30 June 2021)

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GALLERIE D'ITALIA.
THREE MUSEUMS, A NATIONWIDE CULTURAL NETWORK.

Gallerie d'Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: 1,000 of its artworks are displayed in historic palazzos in three cities, creating a unique network of museums.

Housed in a palace of great architectural importance, **Gallerie d'Italia - Piazza Scala, Milan** has a selection of two hundred 19th-century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on Italian art of the 20th century.

Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza is home to art of the Veneto region from the 1700s as well as Attic and Magna Graecia pottery. It also holds one of the most important collections of Russian icons in the West.

Gallerie d'Italia - Palazzo Zevallos Stigliano, Naples hosts the *Martyrdom of Saint Ursula*, the last known painting by Caravaggio, alongside more than 120 examples of Neapolitan art dating from the early 17th to the early 20th century.

A fourth hub for **Gallerie d'Italia is currently under construction in Piazza San Carlo, Turin**, with a special focus on photography and the digital world.

Cover photo:

CARLO CANELLA
(Verona, 1800 - Milan, 1879)
The New Gallery in Milan with night-time passers-by, 1870
oil on canvas, 60.90 x 54.50 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Piazza Scala, Milan

The New Gallery in Milan with night-time passers-by was painted by the artist Carlo Canella, who specialised in perspective views of various Italian cities, particularly Milan and Verona, from the mid-1830s onwards.
His painting depicts the Galleria Vittorio Emanuele II a few years after it opened in 1867. The new Gallery found instant favour and acclaim among the people of Milan. The annals tell us that singers were the first to frequent the Gallery, trying out their voices in spontaneous singing contests beneath the great dome of the Octagon. Luxurious cafés, bookshops and numerous fashionable clothes stores flourished on the Gallery's ground floor.
The painting received instant praise for its novel subject matter and the artist's success in setting the scene in a gallery, which appears brightly lit despite the upper part being in shadow.

The piece is part of the collection on permanent display at **Gallerie d'Italia - Piazza Scala**, Intesa Sanpaolo's museum hub **in Milan**. Its 19th-century section begins with Neoclassicism and goes right through to the early 20th century, taking in a century of Italian art on the way, with historic paintings, Italian unification battles, *vedute* and landscapes, genre paintings and masterpieces of Symbolism.

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