INTESA SANPAOLO

Interim Statement as at 31 March 2022

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Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Italy Share Capital Euro 10,084,445,147.92 Torino Company Register and Fiscal Code No. 00799960158 "Intesa Sanpaolo" VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group "Intesa Sanpaolo" included in the National Register of Banking Groups

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THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

BANCA 5 LA BANCA A PORTATA DI MANO Gruppo INTESA SANPAOLO

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,095	Banca 5	1
	Fideuram	110

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
740	Fideuram	59

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
768	Fideuram	52

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
639	Fideuram	33

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
218	Fideuram	10

Figures as at 31 March 2022

Product Companies

CARGEAS ASSICURAZIONI · FIDEURAM VITA · INTESA SANPAOLO ASSICURA · INTESA SANPAOLO INSURANCE AGENCY · INTESA SANPAOLO RBM SALUTE · INTESA SANPAOLO VITA

Bancassurance and Pension Funds

PRESTITALIA · UBI Leasing

Leasing and Consumer Credit (*)

EURIZON ASSET MANAGEMENT

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

(*) Leasing and Consumer Credit activities are also carried out directly by Intesa Sanpaolo S.p.A., the Parent Company

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA INTESA
BANCA INTESA Beograd
CIB BANK
EXIMBANK
FIDEURAM BANK LUXEMBOURG
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANK
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
PRAVEX BANK
PRIVREDNA BANKA ZAGREB
REYL INTESA SANPAOLO
VÚB BANKA

AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

AUSTRALIA/OCEANIA

Direct Branches
Sydney

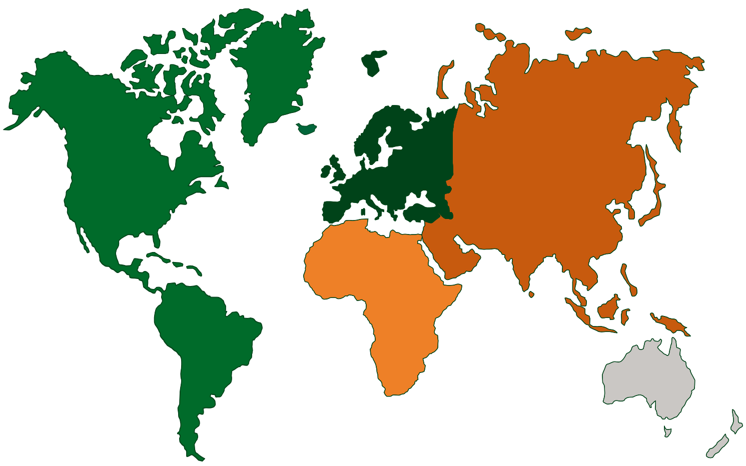
ASIA

Direct Branches	Representative Offices
Abu Dhabi	Beijing
Doha	Beirut
Dubai	Ho Chi Minh City
Hong Kong	Jakarta
Shanghai	Mumbai
Singapore	Seoul
Tokyo	

Country	Subsidiaries	Branches
UAE	Reyl Intesa Sanpaolo	1

EUROPE

Direct Branches	Representative Offices
Amsterdam	Brussels(1)
Frankfurt	Moscow
Istanbul	
London	
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	34
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	47
Croatia	Privredna Banka Zagreb	151
Czech Republic	VUB Banka	1
Hungary	CIB Bank	61
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram Bank Luxembourg	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	147
Slovakia	VUB Banka	163
Slovenia	Intesa Sanpaolo Bank	44
Switzerland	Reyl Intesa Sanpaolo	4
Ukraine	Pravex Bank	45

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	175

Figures as at 31 March 2022
(1) European Regulatory & Public Affairs

Product Companies

PBZ CARD

E-money and Payment Systems

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING

Leasing

EURIZON ASSET MANAGEMENT
FIDEURAM ASSET MANAGEMENT IRELAND
INTESA INVEST Beograd
INTESA SANPAOLO LIFE
意才 YI TSAI

Wealth Management

Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors

Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA [(a)]
Directors	Franco CERUTI Roberto FRANCHINI [(*)] Anna GATTI Liana LOGIURATO Maria MAZZARELLA Fabrizio MOSCA [(*)] Milena Teresa MOTTA [(*)] Luciano NEBBIA Bruno Maria PARIGI Bruno PICCA Alberto Maria PISANI [(**)] Livia POMODORO Maria Alessandra STEFANELLI Paola TAGLIAVINI Daniele ZAMBONI Maria Cristina ZOPPO [(*)]
Manager responsible for preparing the company's financial reports	Fabrizio DABBENE
Independent Auditors	EY S.p.A.

(a) General Manager
(*) Member of the Management Control Committee
(**) Chairman of the Management Control Committee

Introduction

As is known, Legislative Decree 25 of 15 February 2016, which implemented the Transparency Directive (2013/50/EU), eliminated the obligation to publish interim statements and gave Consob the option of establishing any additional disclosure obligations with respect to the annual and half-yearly reports. By Resolution 19770 dated 26 October 2016, Consob, pursuant to regulatory delegation provided for in said Decree, approved the changes to the Issuers' Regulation on periodic additional financial disclosure, which have applied since 2 January 2017.
Under this Regulation, listed companies have the right to select whether or not to publish periodic additional financial disclosure.
In announcing to the market the 2022 financial calendar, Intesa Sanpaolo confirmed, pursuant to Art. 65-bis and Art. 82-ter of the Issuers' Regulation, its choice to disclose – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly reports. This information consists of interim statements approved by the Board of Directors.
As illustrated in detail in the chapter "Criteria for the preparation of the Interim Statement", the Interim Statement as at 31 March 2022 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS - IC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Interim Statement contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Report on operations. It is also complemented by information on significant events which occurred during the period. The Interim Statement contains financial information taken from or attributable to the financial statements, as well as other information – for example, figures on quarterly trends, and other Alternative Performance Measures – not directly attributable to the financial statements. In this regard, see the chapter Alternative Performance Measures in the Report on operations accompanying the 2021 Consolidated Financial Statements for a detailed description, confirming that, with specific regard to the aftermath of the COVID-19 pandemic, in line with the ESMA guidance, no new measures have been added, nor have any changes been made to the measures used.
To support the comments on results for the period, the Interim Statement also presents and illustrates reclassified income statement and balance sheet schedules.
In the reclassified statements, the figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through "restated" figures, which include/exclude the values of the companies that entered or left the scope of consolidation.
In 2021, as a result of the acquisition of the UBI Banca Group, the restated figures have also been accompanied by the "redetermined" figures in order to align/supplement them through management figures.
Those presentation methods are confirmed in this Report, with regard to the 2021 comparative figures.
In particular, as discussed in more detail below in this Interim Statement, in order to provide a like-for-like comparison of the income statement figures, to take into account the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata in the first half of 2021, which was linked to the acquisition of the UBI Group, and the entry of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal, use has also been made of management figures, in relation to the nature of the necessary restatements. Accordingly, to present the figures for the first two quarters of 2021 "redetermined" on the basis of accounting and management records, reclassified income statement schedules have been prepared in addition to those prepared on the basis of the stated figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the "Redetermined figures". A reconciliation of these "Redetermined figures" and the accounting figures has been appended to this Interim Statement.
With regard to balance sheet figures, in order to obtain easily comparable quarterly figures with regard to the corporate transactions relating to the acquisition of the UBI Group, in 2021 the line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold during the first and second quarter of 2021 was carried out. In the reclassified balance sheet, those figures were by convention allocated to the caption Non-current assets held for sale and discontinued operations. That restatement was carried out based on the accounting records.
As concerns the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were restated as illustrated above, in 2021 it was not deemed necessary to "redetermine" the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability.
As a result of the above, since the restatements of the balance sheet data were - as normally happens - based on accounting records, no reclassified "redetermined" balance sheet schedules were prepared.
Also for the comparative balance sheet figures, the presentation used in 2021 is confirmed.
Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned "redeterminations" – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.
Finally, the consolidated financial statements are subject to a limited review by the Independent Auditors EY S.p.A. for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation 575/2013 and European Central Bank Decision 2015/656.

Overview of the first quarter of 2022

Income statement figures and Alternative Performance Measures(°)

Consolidated income statement figures (millions of euro)	31.03.2022	31.03.2021 Redetermined figures	**Changes** amount	**Changes** %
Net interest income	1,956	1,952	4	0.2
Net fee and commission income	2,286	2,313	-27	-1.2
Income from insurance business	402	398	4	1.0
Profits (Losses) on financial assets and liabilities designated at fair value	767	795	-28	-3.5
Operating income	5,414	5,490	-76	-1.4
Operating costs	-2,504	-2,587	-83	-3.2
Operating margin	2,910	2,903	7	0.2
Net adjustments to loans	-702	-402	300	74.6
Net income (loss)	1,024	1,516	-492	-32.5

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

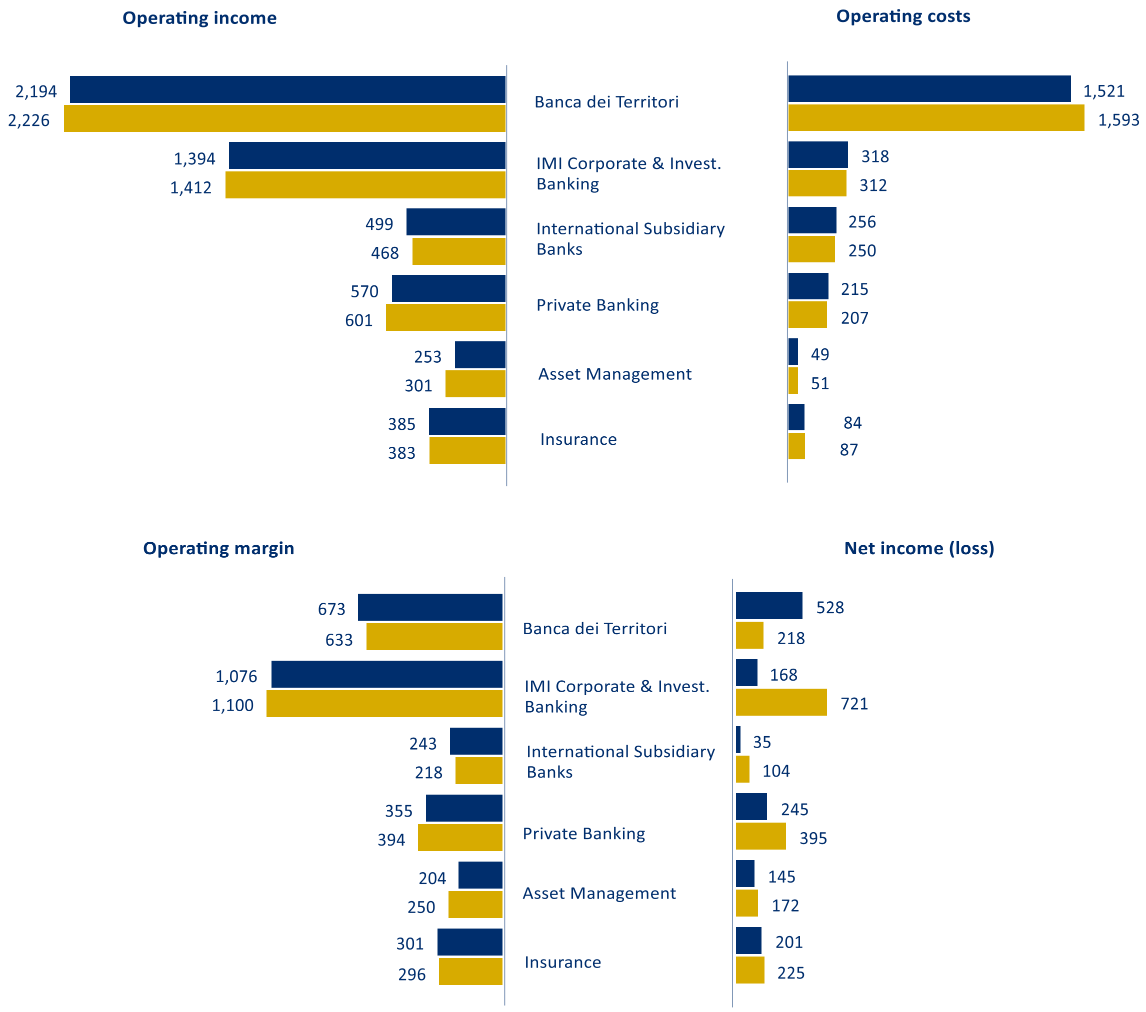
31.03.2022

31.03.2021

Redetermined figures

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the Annual Report 2021.

Main income statement figures by business area (*) (millions of euro)



(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. For more details, see the chapter "Breakdown of consolidated results by business area".

31.03.2022

31.03.2021
Redetermined figures

Balance sheet figures and Alternative Performance Measures(°)

Consolidated balance sheet figures (millions of euro)	31.03.2022	31.12.2021	Changes amount	Changes %
Financial assets	173,776	161,802	11,974	7.4
Financial assets pertaining to insurance companies measured pursuant to IAS 39	197,030	206,885	-9,855	-4.8
Loans to customers	468,366	465,254	3,112	0.7
Total assets	1,073,244	1,069,003	4,241	0.4
Direct deposits from banking business	549,325	555,565	-6,240	-1.1
Direct deposits from insurance business and technical reserves	195,093	204,479	-9,386	-4.6
Indirect deposits:	696,472	719,231	-22,759	-3.2
of which: Assets under management	*459,910*	*474,405*	*-14,495*	*-3.1*
Shareholders' equity	64,724	63,775	949	1.5
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	85.3%	83.7%		

Main balance sheet figures by business area (*) (millions of euro)

	Loans to customers 31.03.2022	Loans to customers 31.12.2021	Direct deposits from banking business 31.03.2022	Direct deposits from banking business 31.12.2021
Banca dei Territori	253,602	250,984	291,418	291,807
IMI Corporate & Invest. Banking	150,851	152,151	91,797	94,844
International Subsidiary Banks	38,706	38,970	51,361	51,529
Private Banking	13,700	13,833	56,706	54,212
Asset Management	430	783	17	21
Insurance	-	-	-	-

(*) Excluding Corporate Centre

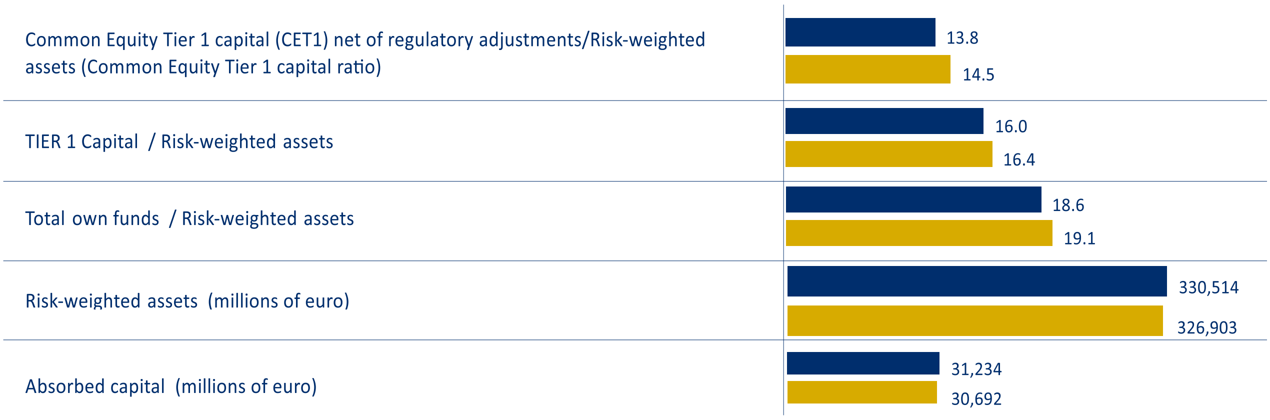
Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

31.03.2022
31.12.2021

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the Annual Report 2021.

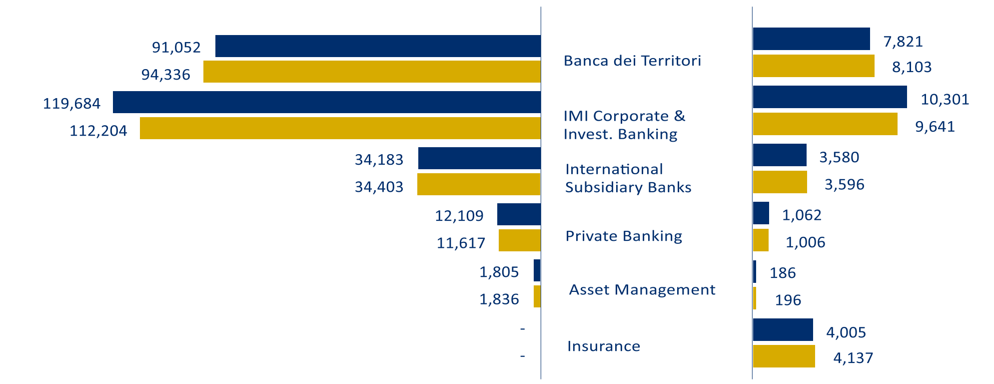
Alternative Performance Measures and other measures(°)

Consolidated capital ratios (%)



Risk-weighted assets by business area (*) (millions of euro)

Absorbed capital by business area (*) (millions of euro)

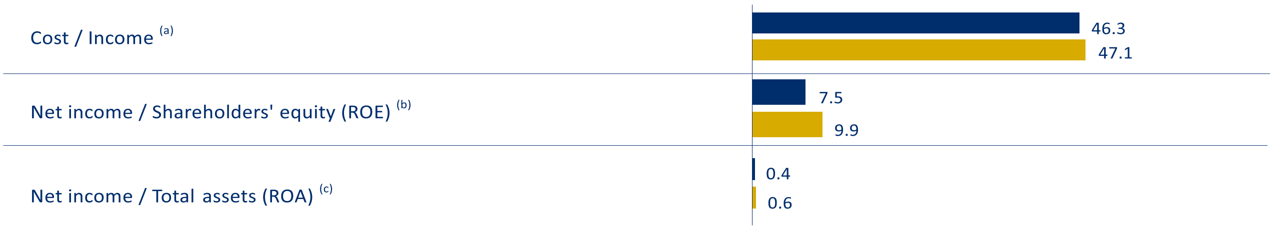


(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the Annual Report 2021.

Consolidated profitability ratios (%)



Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

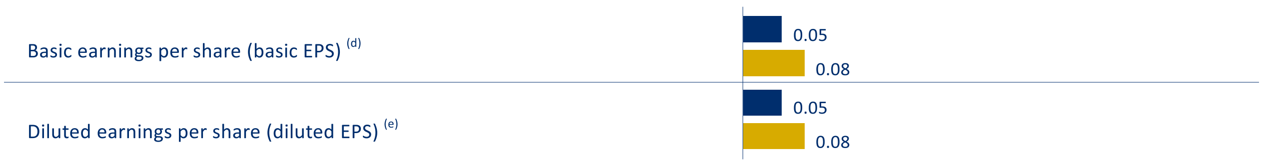
(a) For 2021, the measure is calculated on redetermined figures. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments, income for the period and dividend distributions in May. The figure for the period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line.

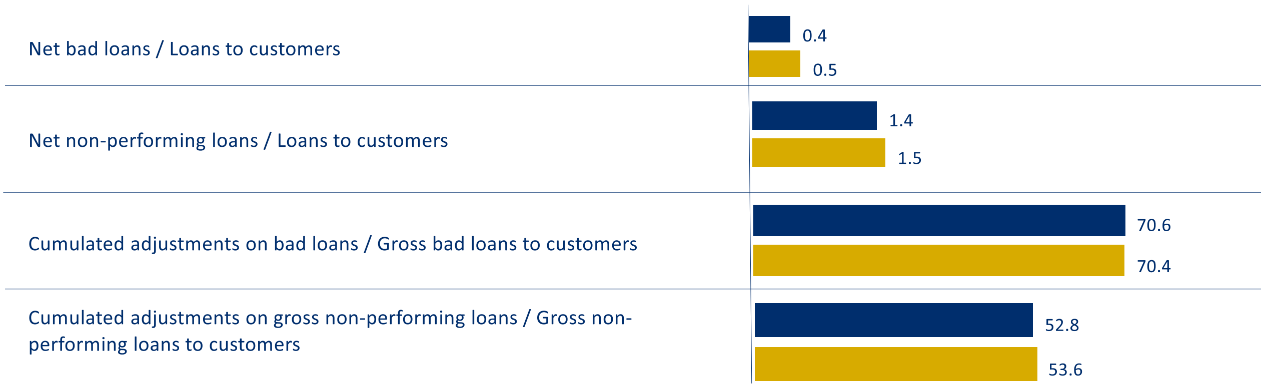
(c) Ratio between net income and total assets. The figure for the period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line.

31.03.2022
31.03.2021 (Income statement figures)
31.12.2021 (Balance sheet figures)

Earnings per share (euro)



Consolidated risk ratios (%)



Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(d) Net income (loss) attributable to shareholders compared to the average number of outstanding shares. Intesa Sanpaolo's share capital consists solely of ordinary shares.

(e) The diluted EPS is calculated taking into account the effects of any future issues of new ordinary shares.

Operating structure	31.03.2022	31.12.2021	Changes amount
Number of employees [f]	**96,681**	**97,698**	**-1,017**
Italy	74,336	75,300	-964
Abroad	22,345	22,398	-53
Number of financial advisors	**5,620**	**5,626**	**-6**
Number of branches [g]	**4,696**	**4,719**	**-23**
Italy	3,725	3,740	-15
Abroad	971	979	-8

Figures restated, where necessary and material, considering the changes in the scope of consolidation.

(f) The workforce indicated refers to the exact number of employees at the end of the period, counting part-time workers as equal to 1 unit.

(g) The figure includes Retail/Exclusive Branches, Non-Profit Sector Branches, Agribusiness Branches, SME Branches and Corporate Branches.

The first quarter of 2022

Economic trends and the geopolitical scenario

Global growth was less affected by the new wave of the pandemic than in the last two years, although the health situation was still occasionally a significant factor. Indeed, the signs of easing of the bottlenecks, which have plagued global supply chains, faded following the new containment measures implemented in China. In any event, at the beginning of 2022, a new shock quickly eclipsed the pandemic as a driver of the economy: the Russian invasion of Ukraine, which triggered a sharp rise in the prices of various commodities, especially in the energy component. The impact was particularly strong in the natural gas market, due to the greater significance of the infrastructure constraints and the European Union's high dependence on Russian gas imports to cover its energy needs. In addition, strategic considerations led many European countries to embark on an accelerated trajectory of reducing oil and gas imports from Russia, which heightened the pressures on the global energy market. Inflation, already on the rise since 2021, sped up sharply at global level, partly due to the indirect impacts on other goods and services. In Europe, the energy crisis also caused a weakening of final domestic demand and a sharp deterioration of the foreign trade balance.

In the Eurozone, the shift in demand from goods to services due to the decline of the pandemic emergency gained further momentum. The economic surveys indicate that the first quarter was characterised by a fall in activity in the manufacturing industry, against an increase in services. GDP growth slowed down, but still remained positive, while employment levels rose further. The Italian economy also followed a similar trend, although with a fall in GDP in the first quarter. However, according to ISTAT, the fall in Italy involved services and not industry as a whole.

The rapid rise of inflation to levels not seen in decades, and a faster-than-expected post-pandemic recovery, prompted central banks to withdraw part of the monetary stimulus. The turnaround was very rapid in the US, due to clear signs of overheating in the labour market and excess demand. The Federal Reserve has already stopped the net purchases of securities and implemented an initial 25 basis point hike in official rates in March. The senior management of the central bank then prepared the markets for an accelerated official rate hike in the coming months, which will also be accompanied by a plan to reduce the securities portfolio acquired in recent years. The European Central Bank has also started to remove the stimulus measures introduced during the pandemic crisis, but at a slower pace. Inflationary pressures are less widespread than in the US and the energy shock has proportionally greater negative effects on domestic demand. In the first quarter, net purchases related to the Pandemic Emergency Purchase Programme (PEPP) were gradually reduced, through to being suspended on 31 March. The central bank announced a temporary monthly increase in net purchases under the Asset Purchase Programme (APP) in April and May, but also anticipated that they would be suspended from the third quarter of 2022 and then followed, shortly after, by the start of a period of official rate hikes.

The shift in monetary policy caused a rapid increase in medium and long-term rates in European markets, with 5- and 10-year rates having risen by about 80 basis points since December 2021. The greater uncertainty in the international scenario, combined with the rise in interest rates and the reduction in official purchases led to a further widening of the Btp-Bund spread, which rose to around 170 basis points in April. The interest rate divergence between the US and Europe and the Eurozone's greater exposure to the Russian-Ukrainian conflict weakened the euro, which fell from 1.13 to 1.08 US dollars.

In a global scenario subject to the uncertainties arising from the conflict in Ukraine, the countries with ISP subsidiaries are also experiencing a slowdown in growth due to several concomitant factors. After two years of the Covid-19 pandemic, we are seeing an increase in inflationary pressures – more related to rising commodity prices and in particular the food and energy components – which are demanding fiscal and monetary responses. In March, the inflation statistics showed an average increase of more than 15 percentage points in the Eastern Europe (EE) countries, while Egypt, Central and Eastern Europe (CEE) and the South East Europe (SEE) countries averaged 8/10 percentage points. In this context – despite the downward revision of the forward-looking economic indicators – several central banks in the area raised policy rates.

The Italian banking industry is facing the second exogenous shock after the pandemic in a position of capital strength and high liquidity. The direct and indirect economic and financial implications of the inflationary environment and the international geopolitical crisis are not yet fully reflected in the sector's economic indicators. On the credit side, the first three months of 2022 saw modest growth in lending to non-financial companies, of around 1% yoy. Short-term corporate lending picked up again, presumably as a result of increased financial requirements for current operations related to higher production costs. At the same time, the slowdown in medium- to long-term lending resulted in a slight decline. The significant growth in the stock of loans to households for home purchases kept up, but disbursements for new mortgages continued the slowdown seen in the last quarter of 2021. The outlook for the residential property market became more cautious, even before the Russian-Ukrainian conflict. For bank funding from customers, the slowdown in current accounts seen until February, mainly due to the outflow of reserves from company accounts, was followed in March by an upturn in the growth rate for deposits, the first sign of a renewed preference for liquidity in the situation of great uncertainty generated by the Russian-Ukrainian conflict. High volatility in financial markets and a preference for liquidity are having a negative impact on subscriptions to asset management products. However, after the strong net inflows for mutual funds in January and February, which were higher than in the first two months of 2021, the inflows also recorded in March confirmed the resilience of the asset management sector. The new business for life insurance, on the other hand, was already declining before the conflict, a trend that continued in March. With regard to bank interest rates, in a situation where the cost of funding and rates on lending to businesses were essentially unchanged during the quarter, the clear rise in the fixed rate on loans to households for home purchases provided an initial signal consistent with the ongoing turnaround in monetary policy.

The impact for the ISP Group of the military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:
- Banca Intesa Russia, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International (Luxembourg). This is a Moscow-based Corporate Bank, part of the IMI Corporate & Investment Banking Division, which operates with 27 branches and around 980 staff. The Group's presence in Russia dates back 48 years (at the time as a Representative Office). The bank participates in the financing of large national and international Russian projects but also offers a full range of banking services for small and medium-sized enterprises, retail customers and companies. The branch network is present in 21 Russian regions from Kaliningrad to Vladivostok;
- Pravex Bank, 100% owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 45 branches mainly in the Kyiv region and employs around 780 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

Both entities are continuing to operate, albeit within the limits related to a situation of military conflict, particularly for Pravex, according to the guidelines issued by the Parent Company. At present, there have been no governmental acts or war events that could lead to the conclusion that Intesa Sanpaolo does not have control over the two entities, nor have any decisions been taken other than maintaining the Parent Company's investment in the two entities. The accounting impacts incorporated in the consolidated financial statements as at 31 March 2022 – described further below in this section – are therefore based on the going concern assumption for the two subsidiary banks.

Risk management

As soon as the conflict began on 24 February 2022, Intesa Sanpaolo, in accordance with the provisions of the "Crisis Management Model", activated its Emergency Unit to monitor the situation and assess the potential risks and consequent impacts on the Group.
The Emergency Unit, which has representatives from all the Governance Areas and Business Divisions, approved the creation of two Task Forces, with steering and monitoring powers, to address the immediate priorities, improve the effectiveness of the decision-making and escalation process and empower the operational teams:
- The Risk Management and Control Task Force with the objectives of:
  - monitoring, assessing and identifying the actions to mitigate the financial risks arising from the Ukraine-Russia emergency;
  - applying strict procedures for compliance with the sanctions imposed by the competent authorities;
- The Operational Resilience Task Force with the objectives of:
  - organising and maintaining continuous cross-function communications;
  - managing the security of employees and their families, the operating model, business continuity and cybersecurity.

Intesa Sanpaolo's top management also participates in the two Task Forces, which are chaired respectively by the Chief Risk Officer and the Head of the ISB Division.
On 7 March 2022, Intesa Sanpaolo also set up the Russia-Ukraine Conflict Crisis Unit, a technical unit with advisory functions, responsible for examining individual transactions through a cross-function approach, assessing the main credit, legal, operational, compliance and reputational risks and carefully identifying the remedial actions, in accordance with the general principle of maximum prudence and in line with the Group's ESG and impact values.
The Crisis Unit, chaired by the Chief Lending Officer, is composed of the Chief Compliance Officer and the Group General Counsel, as well as the Division Heads for the discussion of operations pertaining to their business unit.
The Task Forces and the Crisis Unit meet on a regular basis with the aim, among other things, of preparing reports for the top management, which are also provided to the ECB's Joint Supervisory Team (JST) as necessary.
The situation is being continuously monitored both at Parent Company level and in all the Group banks directly involved in the conflict or close to it, where direct and continuous contacts are being maintained.
Regular reports are provided to the board committees and the Board of Directors.

Risk Management and Control Task Force and Crisis Unit
One of the first actions was to block new operations that could lead to increased risk towards counterparties resident in Russia, Belarus and Ukraine. This also included initiating a review of the ratings of individual Russian companies.

With regard to credit risk monitoring in particular, the actions consisted of:
- a detailed assessment of the exposures to the two warring countries, to ensure better monitoring of future changes in the risk profile;
- the rapid provision of specific customisations of existing credit products to support energy-intensive small and medium-sized enterprises and those with revenues largely derived from exports to Russia and Ukraine;
- the temporary centralisation of the decision-making process for the following entities: (i) Russian/Belarusian; (ii) of any nationality controlled (directly or indirectly) by Russian/Belarusian counterparties; and (iii) of any nationality, with payments/transfers of funds to Russian/Belarusian counterparties or of other nationalities but related to those operations.

In addition, at the beginning of March, a new initiative designed to prevent flows into non-performing status was launched, under the Credit Action Plan, in order to carry out a diagnostic analysis of the counterparties that may be most affected by the current geopolitical crisis. The initiative concerned the performing counterparties of the Banca dei Territori and IMI Corporate & Investment Banking Divisions with significant operations with the Russia and Ukraine markets, i.e. counterparties with foreign movements to/from Russia and Ukraine above a particular threshold with respect to total outflows/receipts to/from abroad over the last 13 months. The aim of the initiative was to assess each counterparty for the need for any extraordinary credit measures to deal with the problems related to the current conflict. The results of the initiative, which ended at the end of March, showed that around 95% of the critical positions can be overcome without extraordinary credit measures and only a residual portion (0.02%) is being assessed for classification as non-performing loans. Additional follow-up initiatives are planned in the second quarter.
The conflict between Russia and Ukraine has led to the imposition of heavy sanctions on Russia, adopted on a progressive basis by the Western countries. To ensure regulatory compliance, Intesa Sanpaolo immediately launched initiatives, monitored through a specific dashboard at Group level, aimed at overseeing the changes in the lists of sanctioned persons and entities at European and international level, identifying sanctioned persons and entities for the purpose of blocking positions and payments, complying with the specific ban on accepting deposits above the threshold set by the European regulations, and identifying and blocking financial instruments subject to sanctions.
Russia reacted with counter-sanctions and, by presidential decree of 5 March 2022, it introduced restrictions on capital movements in hard currencies and the possibility of using local currency to repay loans taken out in foreign currencies, in order to mitigate the impact on exchange rate volatility and protect the remaining share of reserves. The combination of these measures clearly weakens Russia's ability to conduct cross-border transactions, including its ability to repay sovereign bonds. The situation is very complex and constantly evolving and the three main rating agencies Fitch, Moody's and Standard & Poor's have progressively downgraded Russia's credit rating to the point of withdrawing their ratings.
On 17 March 2022, Intesa Sanpaolo changed the internal sovereign and transfer ratings assigned to the country, applying a reduction of 7 notches, which led to Russia's downgrade to CCC (a level to which Ukraine and Belarus were also downgraded at the same time).
In general, it is worth noting that the Group is carefully monitoring the evolution of the fallout of the Russian-Ukrainian crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of profitability and capital adequacy. These analyses focus both on the direct effects, such as the deterioration of assets in the countries involved, and the indirect effects, including the effects on the Group's other customers deriving from the changes in the economic and financial environment. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are currently difficult to assess, these analyses have found that the Group would be able to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

The Operational Resilience Task Force
Contacts have been established and maintained with all the staff of Pravex Bank, supporting the employees and their families who have expatriated as a result of the conflict. The people have been taken in by the Group's other banks in countries bordering Ukraine (Romania, Moldova, Slovakia and Hungary) and then transferred, on a voluntary basis, to Italy, where they are housed in Group flats and assisted for all their needs[1]. Specific workstations for Ukrainian colleagues have been set up in one of the buildings where the Group operates in Bergamo.
With regard to business continuity in Ukraine, the systems are operational, a backup copy of the data was immediately set up at a data centre in Lviv and later, following regulatory changes by the National Bank of Ukraine, a backup copy of the data was also set up outside the country, at a cloud data centre in Poland. On average, around 28 of Pravex Bank's 45 branches were operating and there are no liquidity problems. Two branches in Kharkiv, one in Mariupol and one in Kyiv have been affected by the bombings.
In Russia, the systems are active and the branches are working without operational problems, and alternative solutions are being assessed for the services/products of Western providers who have announced their exit from the Russian market.
The operations of Eximbank, the Group's Moldovan subsidiary, are also being monitored.
With regard to cybersecurity, from the beginning of 2022, as the first signs of increased instability in the Ukrainian situation emerged, the Group began a specific threat intelligence exercise and strengthened its cybersecurity controls throughout the Intesa Sanpaolo Group.
Alert levels were also raised through specific analyses of indicators of compromise collected by the Group threat intelligence services and from external info-sharing sources, to detect any cyber threats and determine the appropriate countermeasures to be implemented.
Numerous security controls were already in place and standardised in all the Group companies, such as strict access control policies based on the principle of minimum privilege to carry out the activities requested, the controlled and monitored provision of access credentials to company infrastructures and tools, and the strong authentication required to access the corporate network. In response to the increase in the level of cyber risk, the control and surveillance structures have been strengthened. To reduce the exposure to cyber risks, connections with the Group's most at-risk banks have been reduced, through selective opening of only vital and critical services and continuous monitoring. E-mails with attachments and/or links to websites are also analysed as possible sources for spreading malicious attacks. After the initial blocking of e-mails containing attachments and originating from the Group's most at-risk banks, additional preventive control systems were implemented that allowed those e-mails to be sent to the Parent Company with a low level of risk.
Specific educational initiatives on cyber risks, with a focus on phishing, were implemented to further raise awareness among all the Group's staff. Other actions included publishing news on the intranet, sending information to staff, and adding an alert message when logging on to company computers and a warning message in all e-mails from outside the Group, in addition to planning a new compulsory staff training course on cybersecurity.
Only some of the actions described above and implemented to ensure the safety of colleagues and their families and the continuity of the Group's operations come under the scope of operational risk, and an analysis is currently being conducted to

[1] For more details see the information on "The Intesa Sanpaolo Group's initiatives for Ukraine" provided below in this section.

identify and quantify the additional costs to be considered, together with the physical damage directly caused to the above-mentioned branches located in the conflict zone.

The Intesa Sanpaolo Group's initiatives for Ukraine

Following the severe humanitarian crisis afflicting the entire population of Ukraine, Intesa Sanpaolo immediately took action by making 10 million euro available to support the measures to provide relief and shelter for the people and families affected.
The first collaboration agreements were signed with national and international humanitarian organisations such as UNHCR - UN Refugee Agency, Caritas, CESVI, Banco Farmaceutico and the Italian Council for Refugees, to support projects for humanitarian protection, accommodation, direct economic support, health and psychological assistance, distribution of basic necessities and integration of Ukrainian refugees in Italy. Specifically:

- UNHCR - UN Refugee Agency: the intervention involves the provision of essential goods including food, emergency shelter, blankets and hygiene products, as well as providing direct financial assistance to people, to meet their basic expenses. It supports the Ukrainian authorities in setting up reception centres and also performs activities to protect against exploitation and abuse. The support for UNHCR is further strengthened by the crowdfunding initiative on the digital platform ForFunding.it, a fundraising initiative that citizens and businesses can contribute to and where Intesa Sanpaolo has committed to doubling the amount donated for every donation made.
- Caritas Italiana: the "A.P.R.I. Accogliere Promuovere Proteggere Integrare i Profughi Ucraini in Italia" (Welcome, Promote, Protect, Integrate Ukrainian Refugees in Italy) project supports the Caritas diocesan network in welcoming refugees throughout Italy, with services ranging from initial hospitality to integration with the aim of promoting their social and economic inclusion.
- CESVI: the intervention supports refugees with a focus on families with children, disabled and elderly people in Ukraine, Romania and Hungary.
- Banco Farmaceutico: with the "Pharma4Ucraina" project, the aim is to support the free supply of emergency medicines and the costs for their transport and delivery to the Ukrainian population.
- CIR - Consiglio Italiano Rifugiati (Italian Refugee Council): the action supported focuses on legal and structured assistance for the protection of single children and single-parent families.

Assessments are underway to identify additional beneficiaries and projects to be supported.

The Group's International Subsidiary Banks Division is also particularly involved in several initiatives, both directly and through several of its subsidiaries in Eastern Europe, involving:

- a fundraiser in 5 countries for several local NGOs;
- initiatives to provide banking services on favourable terms (zero withdrawal, transfer and account management fees);
- the suspension of loan and mortgage payments for two months;
- the introduction of the Ukrainian language on digital platforms;
- direct economic support to the families of Pravex Bank staff.

Lastly, as mentioned above, Intesa Sanpaolo is offering hospitality in Italy to Pravex Bank employees and their families by providing 30 Group-owned flats and residential facilities in Bergamo.
These are mainly female bank staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law. The people are mostly from the eastern parts of Ukraine and the capital Kyiv.
210 colleagues and their families have accepted the invitation to come to Italy. The guests have initially been taken in by Caritas and Intesa Sanpaolo is providing them with the main services and basic economic needs.
Other initiatives have also been identified to support and facilitate the integration of the families of Pravex Bank staff in Bergamo, including sports activities, support for administrative activities, and ensuring access to schooling by providing devices for remote learning at Ukrainian schools.

The main accounting aspects and the approach adopted by the Intesa Sanpaolo Group

As already mentioned, on 24 February 2022, the gradually increasing tension between Russia and Ukraine culminated in the start of an actual conflict. The situation was immediately closely monitored and assessed by Intesa Sanpaolo – also in light of the guidance provided by the regulators in this regard[2] – which has a direct presence of two subsidiaries in the warring countries (Pravex Bank Public Joint-Stock Company and Banca Intesa Russia), which are therefore particularly exposed to the consequences of the conflict, in addition to cross-border exposures. With regard to the latter, it should be recalled that, in its lending activities, IMI C&IB Division has over time financed counterparties resident in the Russian Federation. More than two-thirds of the loans to Russian customers involve leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports. Loans to Russian customers granted by the companies of the Division (the Parent Company and corporate banks in Ireland and Luxembourg) represent around 1% of the Intesa Sanpaolo Group's total loans to customers (net of Export Credit Agency - ECA guarantees). There are also less significant amounts of loans granted by the International Subsidiary Banks Division and debt securities.

[2] See in particular the documents "ESMA PUBLIC STATEMENT: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets – 14.03.2022" and "CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine in relation to inside information and financial reporting – 22 March 2022".

As at 31 March 2022, exposures to customers resident in Russia (net of ECA guarantees) amounted to 0.6 billion euro, in gross values, for Banca Intesa Russia and 3.85 billion euro for cross-border exposures. In addition, there were exposures to banks totalling 0.4 billion euro and in securities totalling 0.1 billion euro [3].
Exposures to customers residing in Ukraine amounted to 0.15 billion euro relating to the subsidiary Pravex. These were accompanied by exposures to banks and in securities totalling 0.1 billion euro.
The various exposures to Russian[4] and Ukrainian counterparties, essentially consist of loans to customers subject to measurement in accordance with IFRS 9 "Financial Instruments", having specific risk factors, mainly consisting of a geopolitical risk, to be applied based on the country of residence of the counterparties, in the form of "transfer" risk, i.e. the risk that counterparties fail to honour debt repayment commitments not due to aspects directly related to their business (as mentioned, Intesa Sanpaolo's exposures are mainly represented by leading industrial groups which have well established commercial relationships with the main international supply chains and operate essentially in the commodities/energy sectors with significant revenues from exports), but rather due to government-imposed restrictions. The Intesa Sanpaolo Group has initiated a regulatory analysis of the international accounting standards to assess any guidance or criteria underlying the measurement of the expected credit loss in crisis/war situations like the current situation. The analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[5], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[6]), using the management overlay in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
The Group has therefore decided to adopt a measurement approach strongly driven by the emergence of geopolitical risk applied based on the country of residence of the counterparties, both for the determination of the SICR and the calculation of the ECL through the application of management overlays. This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. These choices have been applied consistently both to Banca Intesa Russia and the cross-border exposures. As already noted, with specific reference to the latter, the Russian companies financed before the outbreak of the conflict all had high ratings and therefore, for most of them, their business outlook does not include any increased risks other than those generated by the geopolitical situation. Consequently, for these companies, the main current risk is transfer risk, i.e. the risk that they will fail to honour their debt repayment commitments, not because of aspects directly related to their business, but because of government-imposed restrictions. This type of risk was captured both through a revision of the ratings of Russian counterparties and the consequent downgrading to classes with higher risk and classification in Stage 2, and the introduction of management overlays consisting of the application of an estimated loss rate based on the risk of the country of residence and the introduction of a prudent margin for potential additional worsening of the counterparties' creditworthiness.
Having regard to the exposures of the subsidiary Pravex Bank, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of measuring the loan portfolio, of a specific approach, significantly based on prudent rationales. That approach was adopted on the entire portfolio of performing loans of Pravex (the bank substantially had no NPLs as at 31 December 2021) to which a specific management overlay was applied at ECL level, which resulted in lump-sum impairment that brought the coverage ratio to 60%.
In addition, given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to write-off the value of Pravex's investment and branch assets and other properties used in operations. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged, pending further considerations in the coming months in the light of developments in the situation.

In addition, both companies have small investments in government bonds of their respective countries. The valuations of the securities were carried out by the head office risk management structures using: i) prices recorded on the Russian secondary market for the securities held by Banca Intesa Russia, with consequent classification in fair value level 2 due to the low liquidity of the reference market; and ii) implicit spreads for the securities held by Pravex, with consequent classification in fair value level 3, due to the absence of executable prices on the secondary market.
A similar approach was adopted for the small securities exposures of the Parent Company and the insurance sector.

In total, these valuation processes led to the recognition, before tax, of 801 million euro in adjustments to loans and 21 million euro on securities and real estate.

Lastly, there is also an additional consideration concerning Pravex. Until 31 December 2021, it had been subject to line-by-line consolidation based on a reporting package with the same reporting date as the Group's consolidated financial statements. As at 31 March 2022, the Group decided to consolidate the Ukrainian subsidiary on a line-by-line basis,

[3] In addition, there were also off-balance sheet risks to customers for 0.2 billion euro at Banca Intesa Russia, cross-border to customers (net of ECA guarantees) for 0.6 billion euro and to banks for a total of 0.3 billion euro.
Moreover, exposures in OTC derivatives amounted to 22 million euro in terms of fair value.

[4] For these purposes, the very small exposures to Belarusian counterparties have for simplicity been treated and disclosed together with the exposures to the Russian Federation.

[5] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5 and IFRS 9 B5.5.18.

[6] IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

maintaining the subsidiary's asset and liability figures as at 31 December 2021 in the books, and make central adjustments in connection with the write-down of the bank's assets. This choice was based on:
- the low materiality of the subsidiary's balance sheet and income statement, with respect to the Group's consolidated figures;
- considerations regarding the clear logistical and execution difficulties for the Ukrainian bank's administrative structures, also in terms of available IT channels, after having assessed the actual operational possibilities and the high risk of incurring major operational difficulties that could have significantly affected the process of closing the quarterly accounts.

On the other hand, the invasion of Ukraine did not have similar consequences for Banca Intesa Russia. Accordingly, the balance sheet and income statement results as at 31 March 2022 of Banca Intesa Russia have still been included through line-by-line consolidation.

Impacts of the COVID-19 pandemic

The early weeks of 2022 were marked in Italy by a new wave of infections caused by the rapid spread of the Omicron variant, which began in late 2021. The Group consequently updated the workplace risk mitigation measures, also in response to the progressive reconfiguration of the COVID-19 regulations by the Italian Government.
From 22 December 2021, for the head offices, the obligation of minimum presence in the yellow and white zones was removed, allowing return to the office solely on a voluntary basis and within the limit of 50% per office, alongside the limitation of business trips and meetings.
For the branches, customer access, in the red and orange zones mandatorily by prior appointment, has remained subject to compliance with social distancing requirements, the use of appropriate personal protective equipment, hygiene measures and limited in the number to the maximum capacity set in advance and indicated at the entrance.
In view of the extension of the state of emergency to 31 March 2022 established by the Christmas Decree (Law Decree no. 221 of 24 December 2021), the time limit for the option of smart working granted to the frail or severely disabled was also further extended to that date. This provision also applied to employees caring for cohabiting family members who are frail or severely disabled and to employees who have received certification of exceptional health monitoring with a requirement for working from home until 31 December 2021. The provision was also extended to pregnant and breastfeeding women, as well as people who are exempt from vaccination due to illness or allergies.
Following the change in the quarantine regime introduced by the Law Decree issued at the end of the year (no. 229 of 30 December 2021), and in implementation of the Explanatory Circular of the Ministry of Health of 30 December 2021 and the subsequent Circular of 4 February 2022, which linked the return time to vaccination status, the internal operating instructions for return to the workplace of positive cases and close contacts were progressively updated.
With the extension of the "Super Green Pass" for workplaces to the over-50s, established by Law Decree no. 1 of 7 January 2022, from 15 February 2022 the company rules for access to workplaces were adapted by limiting access, for the over-50s, to "Super Green Pass" holders only.
From 1 February 2022, the decree issued at the beginning of the year also only allowed access to certain services, including banking and financial services, to people with at least a "basic" Green Pass. Specific internal instructions were therefore issued to govern compliance with these requirements.
As a result of an amendment to Legislative Decree 81/2008, which strengthened the obligations of "designated personnel" (heads of structures) in relation to monitoring and reporting, the activities of control and supervision of the fulfilment of the obligations in all branches and offices were intensified.
From 7 March, with the initial easing of the rise in infections, the mandatory minimum presence of 40% was reinstated in the head office premises.

As a result of the end of the state of emergency, Law Decree 24/2022 of 24 March 2022 established the following, in addition to the elimination of the coloured risk zones and precautionary quarantines for close contacts:
- the obligation until 30 April to use the "basic" Green Pass for all workers, regardless of their age, to access workplaces (abolition of the Super Green Pass for the over 50s);
- the elimination from 1 April of the requirement for the "basic" Green Pass for customers to access banking, financial and commercial services;
- the use of respiratory protective equipment in workplaces until 30 April.

As a result, the internal company rules were revised to incorporate the mandatory contents of the legislative provisions and to adopt a more prudent approach, where possible and appropriate, based on the health situation, particularly with regard to situations of vulnerability. Specifically:

a) a number of precautionary measures were temporarily maintained (temperature measurement, hygiene, distancing and capacity) particularly for meetings, events/conferences and in presence training, while the obligation to complete the medical screening questionnaire prior to authorisation to return to headquarters were eliminated; unrestricted access to branches was maintained for customers in compliance with the measures to combat the spread of the virus (hand hygiene, distancing and use of appropriate personal protection equipment) and up to the maximum capacity in accordance with the rules identified previously;
b) with regard to situations of vulnerability, for fragile and disabled people and for cases of exemption from vaccination (based on the requirements set out in the Ministerial Decree of 3 February 2022 or in the Ministry of Health Circular of 8 October 2021), the use of remote working was extended until 30 June 2022, subject to the presentation of a suitable certificate, an extension that also applies for pregnant women. For employees who are breastfeeding or who live with a vulnerable person, the flexible working arrangements were extended until 30 April.

From 1 May, as provided for in the above-mentioned Law Decree 24/2022, the legal obligation for workers to display a Green Pass to access workplaces was removed. The related controls were consequently discontinued with the suspension of body temperature measurement on entrance and the resulting deactivation of the thermal scanners and QR code readers, where

available. However, the ban on entering company premises with a fever (over 37.5°) or other COVID-19-related symptoms was maintained.
With regard to the use of safety equipment, on 28 April the Ministry of Health issued an Order – effective until the date of entry into force of the conversion law for Law Decree 24/2022 and in any case no later than 15 June 2022 – which limited the obligation to use protective equipment in closed places to specific and limited cases. This was followed on 4 May by the meeting between the government and the business and labour associations, which confirmed for the private sector the full application until June of the Protocol signed on 6 April 2021 concerning the measures for containing the pandemic in the workplace, which required the use of safety equipment where there is sharing of workplaces, both outdoors and indoors. On a more prudential basis, since 1 May the ISP Group has maintained the requirement – in addition to keeping an inter-personal distance of one metre and complying with proper hygiene practices – to wear protective masks on company premises (surgical or FFP2, with the latter mandatory for 10 days in the event of contact with a person who is COVID-19 positive). In the branches, on the other hand, from 1 May, the use of a surgical mask or FFP2 is only recommended for customers entering company premises.

Partly as a result of the measures described above, in the initial months of 2022 the use of remote working by the head-office structures continued to be high and has now become an integral part of a new model of working based on strengthening individual responsibility and achieving a better work-life balance. This includes the "Next Way of Working" project – aimed at developing new methods of working in the post-COVID period – for which the implementation is continuing of the real estate and technological interventions, initiated in 2021, that will help staff in the structural use of smart working, based on alternating work in the office and from home, and in developing skills, also thanks to the insourcing of critical activities (e.g. digital operations) and continuous retraining towards activities with high added value for the Bank.
More specifically, real estate interventions are proceeding in Milan – where the first phase related to the integration of UBI Banca has been completed and building work is underway for the completion of the Via Melchiorre Gioia 22 complex – in Rome and in the New Headquarters in Turin. The planning of the real estate interventions has also begun for the application of the model in Vicenza, Brescia, Varese and Bergamo.
This is being accompanied by the implementation of the related technological tools (e.g. release of the space reservation function within the planning and reservation tool).

In terms of the extraordinary measures to support the Italian economy, businesses and households, at the end of March 2022, Intesa Sanpaolo – the first bank in Italy to grant moratoria, anticipating the specific regulatory provisions – had processed around 950 thousand requests for suspension of payments, for a volume of 116 billion euro[7], mainly relating to Article 56 of the "Cura Italia" Law Decree 18/2020. Applications from business customers accounted for around 77% of the total volumes.
With regard to the expiry of the moratoria pursuant to Law Decree 18/2020, the measures were further extended until 31 December 2021 by Law Decree no. 73/2021 ("Sostegni bis") of 25 May 2021, subject to certain restrictions, including the requirement for the customer to make an explicit request by 15 June 2021.
At domestic level, as at 31 March 2022, there were around 0.6 billion euro of outstanding moratoria (4.8 billion euro at the end of 2021), of which over 40% attributable to business customers, in addition to 2.6 billion euro of terminated moratoria that will reach the term for the resumption of payments in subsequent months, almost entirely relating to business customers (6.7 billion euro at December 2021). As a result of the phase-out of the EBA provisions concerning the exemption from forbearance classification (EBA compliant moratoria), the total outstanding moratoria that qualified as such under the Guidelines was 0.1 billion euro (1.1 billion euro at the end of 2021).
The expired moratoria that had already met the conditions for the resumption of payments at the end of the quarter amounted to 40.3 billion euro. The rate of new defaults on this portfolio at the end of the first three months of 2022 was around 3%, slightly up on 2.7% in 2021, and the level of significant overruns was also low.
The Intesa Sanpaolo Group supported the legislative and non-legislative measures adopted to combat the crisis generated by the COVID-19 pandemic, both in Italy and in the various countries where it operates.
At consolidated level, the exposure value of the outstanding moratoria as at 31 March 2022 was 0.6 billion euro (4.9 billion euro as at December 2021), substantially attributable to the domestic perimeter. The total outstanding moratoria that qualify as such under the EBA Guidelines was 0.1 billion euro (1.1 billion euro at the end of 2021).

With regard to the specific measures to support the production system, Intesa Sanpaolo, the first bank in Italy to sign the collaboration protocol with SACE, has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Overall, at the end of the first quarter of 2022, a total of 45.7 billion euro[8] of loans backed by government guarantee had been granted, also through the SME Fund, since the start of the pandemic (in application of the "Liquidità" Law Decree no. 23 of 8 April 2020), of which 12.3 billion euro SACE and 33.4 billion euro SME Fund (43 billion euro, of which 11 billion euro SACE and 32 billion euro SME Fund, in December 2021).
At consolidated level, also taking into account the activities in the other countries where the Group has a presence, the remaining debt of exposures included under public guarantee schemes totalled 35 billion euro at the end of March 2022 (40 billion euro in December 2021).
Moreover, the "Rilancio" Decree (Law Decree 34/2020) introduced several measures to support the relaunch of the construction sector. First of all, it raised the tax deduction to 110% for energy and seismic upgrading of buildings (110% Superbonus introduced by Article 119) carried out by private individuals, not involved in business, arts and professions, condominiums and persons other than companies. Instead of the deduction, the taxpayer may opt for the application of a corresponding discount on the price by the supplier, or for the assignment to third parties (including banks) of a tax credit corresponding to the deduction. The Decree also allowed for the possibility of converting the main construction- and energy-related tax deductions into a discount on the amount due and into a transferable tax credit (Article 121), as well as the

[7] The total moratoria granted up to 31 March 2022, including the former UBI Banca Group and considering the sale of branches carried out in the first half of 2021. Net of renewals, redemptions and terminations, the amount was 43.5 billion euro.

[8] Including the former UBI Banca Group and considering the sale of branches carried out in the first half of 2021.

possibility, for the beneficiaries of tax credits recognised by the measures issued to address the COVID-19 emergency, to opt for the partial or full transfer of the tax credits to other parties, rather than using them directly (Article 122). In relation to those initiatives, the Group has developed specific solutions not only for those who want to transfer their credit directly but also for businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. Since the start of operations, credits amounting to 4.4 billion euro have already been formally acquired and a further 15 billion euro are in the process of being acquired.

In the first quarter of 2022, also in relation to Italy's imminent exit from the health emergency, there was a gradual easing of the pandemic-related effects on the Group's balance sheet aggregates.
The performance of direct deposits from banking business continues to be driven by the short-term component, in particular current accounts, where customers are choosing to place their liquidity while waiting to invest. This phenomenon, already present before the outbreak of the health emergency, had accelerated sharply during 2020, but this growth has gradually been slowing down since 2021. At the end of March 2022, direct deposits from banking business were down 1.1% for the quarter and up 4.6% yoy.
With regard to indirect customer deposits, the performance of assets under management, which in 2021 had benefited from the renewed climate of confidence generated by the economic recovery after the closures caused by the pandemic, was affected in the early months of this year by the increased volatility of the markets due to the various factors of concern related to the ongoing military conflict and the rise in inflation that are undermining the full recovery to pre-pandemic levels of activity. At the end of the quarter, assets under management of the companies of the Asset Management Division, net of duplications, were down 3.7% compared to 31 December 2021.
In the insurance business, the uncertain scenario in the first quarter of 2022 led to a decline in gross premiums, mainly in the life segment (-20% compared to the same period in 2021). The net flows for the segment were also negative, as they were affected by an upturn in liquidations due to higher mortality as a result of COVID-19 compared to the second half of 2021.

With regard to the impact of the pandemic on the Group's operating income in the quarter under review, net interest income continued to be positively impacted by both financing activities, albeit with a slowdown, and the increased benefits deriving from the TLTROs with the ECB (whose subsidised rate will expire in June 2022), which as at 31 March 2022 amounted to 132 billion euro, unchanged compared to December, versus 118.9 billion euro in March 2021. However, as a whole, compared to the first quarter of 2021, net interest income remained stable at 1,956 million euro (+0.2%), reflecting contrasting trends among the various components.
Net fee and commission income fell to 2,286 million euro (-1.2%). This aggregate was affected by a lower contribution from the management, dealing and consultancy activities segment, due to the market volatility, which particularly impacted the revenue items related to assets under management.
Despite the above-mentioned performance of premiums, the income from insurance business remained stable at 402 million euro, thanks to the contribution of the net investment result, which offset the downturn in the technical margin attributable to the non-life business.
In the first three months of the year, the costs incurred by the Intesa Sanpaolo Group for interventions related to the pandemic amounted to around 7 million euro in terms of current expenses, in line with the corresponding period of 2021, while no investments were made, whereas they amounted to 1 million euro in the same period of 2021. Overall, operating costs amounted to 2,504 million euro, down 83 million euro, or -3.2%, also in relation to synergies from the integration process with the former UBI Banca Group.
With regard to adjustments to loans, in the first quarter there was a significant reduction in the management overlays to cover the vulnerability of the moratoria, given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues. Despite this, total adjustments increased to 702 million euro, compared to 402 million euro in the first three months of 2021, as they incorporated the valuation effects described above related to the Russia-Ukraine risk.

Lastly, for details of the impact of the pandemic on the various risk profiles, see the chapter "Risk management".

The Intesa Sanpaolo Group in the first three months of 2022

Consolidated results

The commentary on the consolidated results for the first quarter refers to the reclassified income statement, which – in continuation of the approach adopted in the 2021 Annual Report – presents figures for the first quarter of 2021 that have been "redetermined", also on the basis of management figures, in order to enable a like-for-like comparison, by: (i) excluding the income statement results, on a line-by-line basis, for the UBI Banca branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated to the caption Income (loss) from discontinued operations and (ii) excluding the figures, on a line-by-line basis, for the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, which entered the scope of consolidation from the second quarter of 2021, after stripping out the income statement results linked to the business from the customers of the branches sold to BPER, with the allocation of the net result to the caption Minority interests, and therefore without impact on the net income for the period.

The consolidated income statement for the first quarter of 2022 posted net income of 1,024 million euro, down by 32.5% on 1,516 million euro for the corresponding period of 2021.
While operations performed well, slightly exceeding the result for the comparison quarter, net income was affected by the valuation impacts connected to the conflict between Russia and Ukraine. In total, adjustments for direct and indirect risk to Russian and Ukrainian counterparties totalled 822 million euro gross (646 million euro net of tax).

More specifically, operating income amounted to 5,414 million euro, slightly down on the first quarter of 2021 (-76 million euro; -1.4%) but significantly up on the fourth quarter (+394 million euro; +7.8%).
In comparison with the first three months of 2021:
- net interest income remained stable at 1,956 million euro (+0.2%), reflecting contrasting trends. The positive performance of transactions with banks, still supported by the benefits of the TLTROs with the ECB, and the differentials on hedging derivatives offset the lower contribution from the other components, in particular interest on non-performing assets, linked to the de-risking policies being implemented;
- net fee and commission income fell to 2,286 million euro (-1.2%). This aggregate was affected by a lower contribution from the management, dealing and consultancy activities segment, due to the market volatility, which particularly impacted the revenue items related to assets under management, only partly offset by positive performance for fee and commission income from traditional banking activities, especially debit and credit cards, and other fee and commission income, mainly on loans;
- income from insurance business improved slightly to 402 million euro (+1%) as a result of the combined effect of a decrease in the technical margin and an increase in the net investment result;
- profits (losses) on financial assets and liabilities designated at fair value through profit or loss, which recovered significantly from 108 million euro for the fourth quarter, amounted to 767 million euro (-3.5%);
- other net operating income amounted to 3 million euro, compared with 32 million euro in the first quarter of 2021.

Operating costs fell to 2,504 million euro, the lowest level compared to the four quarters of 2021, confirming the synergies being achieved through the integration with the former UBI Banca Group. The downward trend particularly concerned personnel expenses (-3.2%), mainly due to a 3.5% reduction in the average workforce, and administrative expenses (-6%), against an increase in adjustments to property, equipment and intangible assets (+2.6%). The reduction in overall costs compared to the first quarter of 2021 (-83 million euro; -3.2%) more than offset the slight fall in operating income mentioned above, driving the operating margin up to 2,910 million euro (+0.2%), higher than in any quarter of 2021, and the cost/income ratio down to 46.3% (from 47.1% in the first quarter of 2021).
Compared to the fourth quarter of 2021, costs fell significantly (-523 million euro; -17.3%) but reflected the particular characteristics of the closing months of the year, not only in terms of the seasonality of some expense captions but also of specific projects/initiatives.

Net adjustments to loans totalled 702 million euro, compared to 402 million euro in the first three months of 2021 (+300 million euro; +74.6%), due to having incorporated the valuation effects related to the Russia-Ukraine risk mentioned above, among other things. As explained above, a collective assessment approach has been adopted to incorporate the aspects of the ongoing military conflict into the provisions. These negative effects have been mitigated by a reduction in the management overlays to cover the vulnerability of the moratoria, given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues.
As a result of the approach adopted, the increase in the caption was concentrated in Stage 2 (+178 million euro) and Stage 1 (+114 million euro), and in the provisions for credit risk associated with commitments and financial guarantees given (+107 million euro), only partly offset by the decrease in adjustments on Stage 3 exposures (-90 million euro).
The cost of risk, represented as the ratio of net adjustments to net loans, consequently stood at 60 basis points in annualised terms (18 basis points when excluding adjustments for the Russia-Ukrain exposure, net of the partial release of generic provisions set aside in 2020 for future COVID-19 impacts), which compares with 35 basis points, also annualised, in the first quarter of 2021 and 59 basis points for the full year 2021 (25 basis points when excluding the additional provisions to accelerate the de-risking process).
Other net provisions and net impairment losses on other assets decreased to 60 million euro (-55.2%) as a result of the combined effect of net provisions almost reduced to zero and higher impairment losses, partly due to the Russia and Ukraine risk assessments on securities and real estate.
The other income (expenses), which includes realised profits (losses) on investments and income and expenses not strictly linked to operations, was negative (-4 million euro) compared to +198 million euro recorded in the first three months of 2021,

which included the gain (194 million euro) recognised from the sale by Fideuram Bank Luxembourg of its custodian bank services business line to State Street.
There was no income from discontinued operations, compared with 48 million euro in the first quarter of 2021 relating to the contribution from the branches sold and being sold.
As a result of the accounting entries described above, the gross income decreased to 2,144 million euro (-469 million euro;-17.9%).
Taxes on income for the period amounted to 781 million euro (-56 million euro; -6.7%), resulting in a tax rate of 36.4% (32% in the first quarter of 2021).
Net of tax, charges for integration and exit incentives of 16 million euro were recorded and negative effects of purchase price allocation of 54 million euro, as well as the levies and charges aimed at maintaining the stability of the banking industry totalling 266 million euro. The latter (amounting to 384 million euro gross) consisted almost entirely of the estimated cost for the full year 2022 of the ordinary contributions to the single resolution fund for the Group’s Italian banks and was up significantly compared to the previous year, when 284 million euro and 196 million euro were respectively recognised gross and net of tax, due to the adjustment of the calculation parameters based on the preliminary guidance provided by the Single Resolution Board.
After the allocation of the net income of 3 million euro to minority interests (loss of 4 million euro in the first quarter of 2021), the consolidated income statement closed, as already stated, with net income of 1,024 million euro, down from 1,516 million euro in the comparison period.

With regard to the balance sheet aggregates, loans to customers stood at 468.4 billion euro as at 31 March 2022, up by 3.1 billion euro (+0.7%) compared to December 2021. This performance was driven by loans of a financial nature, which rose to 22.6 billion euro (+5 billion euro; +28.2%) and consisted of repurchase agreements, which by nature are subject to a certain degree of variability during the year. Commercial banking loans fell slightly to 431.8 billion euro (-1.7 billion euro; -0.4%), attributable to the medium/long-term component (-1.6%), while the short-term component continued to recover (+0.8% for current accounts; +1.4% for advances and other loans). The remaining change in the total aggregate related to non-performing loans (-4.1%) and loans represented by securities (+1.8%).
In terms of credit quality, the proportion of non-performing loans decreased from 3.2% to 3% in gross terms and from 1.52% to 1.45% in net terms. The coverage fell slightly from 53.6% to 52.8% as a result of the reclassification to assets held for sale of positions classified as UTP, some of which had a coverage ratio higher than the average for the category (see the “Highlights” section below for more details).

On the funding side, direct deposits from banking business were slightly down at the end of the quarter at 549.3 billion euro (-6.2 billion euro; -1.1%). While funding from current accounts and deposits remained essentially stable (-0.1% to 442.2 billion euro), the downward trend continued for bonds (-9.4% to 56.6 billion euro) and certificates of deposit (-8.1% to 2.7 billion euro), dragged down by issuance volumes lower than maturing stocks due to the abundant liquidity in deposits.
There was also a decline for subordinated liabilities (-2% to 12.3 billion euro) and financial funding in the form of repurchase agreements (-10.9% to 2.4 billion euro). Within the other deposits (+2.2% to 33.1 billion euro), the component designated at fair value, almost entirely made up of investment certificates, did not show significant changes, remaining at 12 billion euro (-0.9%).

Direct deposits from insurance business – which also include the technical reserves, namely the amounts owed to customers that have taken out traditional policies or policies with significant insurance risk – totalled 195.1 billion euro in March 2022, down by 9.4 billion euro over the three months (-4.6%). This performance involved both the main components: financial liabilities designated at fair value, consisting of unit-linked products, decreased to 80 billion euro (-4.7 billion euro; -5.5%), affected by the volatility of the financial markets; and technical reserves also fell to 113.5 billion euro (-4.8 billion euro; -4.1%), entirely attributable to the life business, which account for almost all the reserves. In contrast, other insurance deposits, which include subordinated liabilities, increased by 8% to 1.6 billion euro (+121 million euro).

The negative performance of the financial markets, driven by numerous concerns related to the ongoing military conflict and rising inflation, dragged down the indirect customer deposits, valued at market prices, which fell to 696.5 billion euro as at 31 March 2022, down by 22.8 billion euro (-3.2%) compared to December.
This negative performance concerned both assets under administration – which fell to 236.6 billion euro (-8.3 billion euro; -3.4%), representing 34% of the total – and assets under management which, despite net inflows in the quarter, fell to 459.9 billion euro (-14.5 billion euro; -3.1%), representing 66% of the total. The decrease in assets under management involved all the various components: funds (-4.6% to 168.1 billion euro), technical reserves and insurance financial liabilities (-2.7% to 181.3 billion euro), portfolio management schemes (-4.3% to 75.5 billion euro) and pension funds (-3.6% to 12.1 billion euro). Only relations with institutional customers bucked this trend (+12.3% to 22.9 billion euro).

For an illustration of the income statement results and the balance sheet aggregates broken down by Group business segment, please refer to the specific chapter of this Interim Statement.

Highlights

The most significant events that occurred in the first quarter of the year, as well as some events occurring after the end of the quarter, are described below.
With regard to the completion of the integration of UBI Banca:

- as already detailed in the 2021 Annual Report, in mid-February 2022 the project was completed for the integration of IW Bank, which involved the partial demerger of the entire banking business line of the company and its transfer to the parent company Fideuram - Intesa Sanpaolo Private Banking (first demerger) and, concurrently, from the latter to Intesa Sanpaolo (second demerger), together with the amendment to IW Bank's articles of association, with the change of name to IW Private Investments SIM S.p.A. and the withdrawal of the authorisation to carry out banking activities.
  As a result of the demerger, IW Sim is now dedicated to the investment services offering (advisory and placement services) for which specific authorisation was requested and obtained from Consob, by order of 1 December 2021. The signing of the deeds took place on 11 January 2022 with legal effect from 14 February 2022 and completion of the IT migration over the weekend of 12-13 February.
- with regard to UBI Leasing on the other hand, on 13 December 2021 the ECB authorisation for the merger of the company into the Parent Company was received and on 26 January 2022 the merger plan was filed with the Turin Company Register, as envisaged by Article 2501-ter of the Italian Civil Code. Given that the merger involved a wholly-owned subsidiary, the merger of UBI Leasing took place in accordance with Article 2505 of the Italian Civil Code. The transaction was approved by the Board of Directors of Intesa Sanpaolo on 1 March 2022. The deed of merger was signed on 19 April 2022 with legal effect from the following 16 May and accounting and tax effects from 1 January 2022;
- on 21 January 2022, the transfer was completed from Intesa Sanpaolo to Fideuram Bank (Luxembourg) of the total shareholding in UBI Trustee, a company of the former UBI Banca Group based in Luxembourg and specialised in trustee services for HNWI (High Net Worth Individual) and UHNWI (Upper High Net Worth Individual) customers.

The planned merger of VUB Leasing a.s. (VUBL) into its parent company Vseobecna Uverova Banka a.s. (VUB), Group Companies both operating in Slovakia, authorised by the ECB on 12 November 2021, became effective on 1 January 2022. The transaction involved the demerger of VUBL's finance lease and consumer credit portfolio and its transfer by merger into the parent company VUB, while VUBL's operating lease portfolio was transferred by merger into a newly created joint stock company, called VUB Operating Leasing a.s., which became operational on 1 January 2022. Following the completion of the above steps, VUBL was put into liquidation.

On 11 January 2022, the partnership announced in August 2021 between Reyl & Cie S.A and 1875 Finance Holding A.G. (1875 Finance), a multifamily office and independent asset manager for private and institutional customers based in Geneva, was finalised following the authorisations received from the Swiss (FINMA) and Luxembourg (CSSF) supervisory authorities. The agreement was completed through the acquisition by Reyl of a 40% interest in 1875 Finance. The partnership will allow the two companies to create opportunities for transversal development and consequently play an active role in accelerating the consolidation of the asset management industry in Switzerland.

Within the partnership established in 2021 between Fideuram – Intesa Sanpaolo Private Banking and the Swiss group Reyl (details of which are provided in the 2021 Annual Report), in January 2022, after having received clearance from the Swiss supervisory authority FINMA, the merger of Intesa Sanpaolo Private Bank (Suisse) Morval in Reyl & Cie S.A. was completed, with legal effectiveness and accounting and tax effects from 1 January 2022. The merged entity kept the name of the absorbing company Reyl & Cie S.A.

The sale of the holdings in the capital of the Bank of Italy continued in first quarter of 2022. As already mentioned in the 2021 Annual Report, the Act containing the Government Budget for the year 2022 and the Multi-year Budget for the three-year period 2022-2024 amended the provisions on the capital of the Bank of Italy, establishing that each investor cannot, directly or indirectly, have a holding in the capital in excess of 5% – compared to the previous limit of 3% – and that, as before, any holdings in excess of that limit do not give entitlement to economic or equity rights. Partly as a result of this change in the law, the sale of holdings accelerated significantly in January and February 2022. Specifically, 23 transactions were completed in the first two months of the year, resulting in the sale of additional holdings, representing 9.9% of the capital, for a price corresponding to the book value (aligned to the nominal value of 25 thousand euro per unit).
At the end of the above-mentioned sales, the Intesa Sanpaolo Group came to hold a total of 15,000 units, equal to exactly 5% of the capital of the Bank of Italy, in line with the maximum limits set out by law, for a value of 375 million euro.
Lastly, on 31 March 2022, the Ordinary General Meeting of the Bank of Italy approved the financial statements for the year 2021 and the proposal for the allocation of net income in accordance with the Articles of Association. During that meeting, as in the previous year, a dividend was approved for a total of 340 million euro. The General Meeting also resolved to allocate an amount of 40 million euro to the special item for the stabilisation of dividends, established to facilitate the implementation of the dividend policy, which reached a total of 240 million euro. Considering that IFRS 9 establishes that dividends must be recognised when the right to receive the payment arises, Intesa Sanpaolo has recognised the amount due to it, of 17 million euro, in the income statement for the first quarter.

On 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.86%.
This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.79% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.79%, of which 1.01% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[9];
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - a Capital Conservation Buffer of 2.5%,
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%,
  - a Countercyclical Capital Buffer of 0.10%[10].

On 4 February 2022, the 2022-2025 Business Plan was approved and presented to the financial community, the main contents of which were already announced in the 2021 Annual Report. The related documentation (press release and presentation) is also available on the Group's website, in the Investor Relations section.

To maximise the key role of the Group's employees in achieving the objectives of the 2022-2025 Business Plan, through a broad-based shareholding in the capital of the Bank, on 15 February the Parent Company's Board of Directors resolved to submit a proposal for capital increases to the Shareholders' Meeting of 29 April 2022, to serve two long-term incentive plans based on financial instruments of Intesa Sanpaolo S.p.A. and reserved for all Group employees.
The incentive plans, which are subject to authorisations being received from the competent authorities, are the following:
- Performance Share Plan: reserved for Group's Management, it provides for the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment, subject to performance conditions in relation to specific key objectives to be achieved over the course of the Business Plan;
- Leveraged Employee Co-Investment Plan 3.0 (LECOIP 3.0): reserved for employees of the Italian scope of the Group belonging to the Professional clusters, this plan provides for i) the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment and ii) the opportunity to subscribe to an Investment Plan in a certain proportion to the number of shares received. This plan is based on newly issued Intesa Sanpaolo ordinary shares deriving from a capital increase reserved for employees, at a discounted issue price compared with market value.

The Ordinary Shareholders' Meeting of 29 April 2022 approved the 2022-2025 Long-Term Incentive Plan (Performance Share Plan) with 10,462,967,709 votes in favour, corresponding to 96.13884% of the ordinary shares represented, as well as the financial instrument-based incentive plan called Leveraged Employee Co-Investment Plan – LECOIP 3.0 with 10,670,019,149 votes in favour, corresponding to 98.04132% of the ordinary shares represented.

On 15 February 2022, Intesa Sanpaolo and Nextalia SGR, on behalf of the Nextalia Private Equity Fund, entered into a binding agreement to create a new company, which will be a leader in education and digital learning, leveraging on Intesa Sanpaolo's innovative learning infrastructure. The company has taken the name DIGIT'ED and will target both the business segment, i.e. large companies, small and medium-sized enterprises, public sector and professional associations, and the consumer segment, also in collaboration with prestigious Italian and international institutions, responding to the growing needs of the training market, linked to digital transformation, the development of know-how and re-skilling.
The binding agreement provides for the transfer by Intesa Sanpaolo of Intesa Sanpaolo Formazione, the Group company focused on training initiatives aimed at the growth of enterprises and local economies, in respect of which – ahead of the aforementioned transfer – it is envisaged that the Parent Company will transfer specific activities relating to the design and production of training services and products for Group employees. As part of this transaction, on 20 April 2022 Nextalia SGR, on behalf of the Nextalia Private Equity Fund, signed an agreement for the acquisition of 100% of Altaformazione, a leader in Italy in the development of innovative solutions in training and digital learning, with a particular focus on the corporate segment.
Intesa Sanpaolo will become a shareholder of DIGIT'ED with a 20% stake, in line with the strategy envisaged in the 2022-2025 Business Plan, while Nextalia will hold the control of the newly established company.
Considering the timing of the authorisation process, the closing of the transaction is expected to take place during 2022.
In the Interim Statement as at 31 March 2022, Intesa Sanpaolo Formazione and the business line to be transferred by Intesa Sanpaolo have been reclassified as assets held for sale in accordance with IFRS 5.

As part of the de-risking initiatives, in addition to what has been described in the 2021 Annual Report, on 15 March 2022 the Board of Directors of Intesa Sanpaolo approved the transfer to the Back2Bonis fund[11] of a credit exposure of Intesa Sanpaolo, classified as unlikely-to-pay, in exchange for the subscription of new units of the fund, of which Intesa Sanpaolo was the second-largest investor with approximately 29% of the units, thanks to transfers also made by the former UBI Banca[12].

[9] The regulatory change establishes that the capital instruments not qualifying as Common Equity Tier 1 may be partially used to meet the Pillar 2 requirement.

[10] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 March 2022 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for H1 2022).

[11] Credit fund established in 2019 by the Prelios Group and AMCO with the aim of creating a multi-originator platform to manage positions classified as unlikely-to-pay with underlying real estate.

[12] Based on the percentage ownership and participation in the fund's decision-making process, at the end of 2021 the investment was recognised in the ISP Group's consolidated financial statements under interests subject to significant influence in accordance with IAS 28 at a value of 141 million euro (138 million euro as at 31 March 2022).

The closing of the transaction took place on 11 April 2022. Due to its characteristics, the exposure has not been considered a "discontinued operation" on the basis of the provisions of IFRS 5 and therefore, in the Interim Statement as at 31 March 2022, it has been reclassified under assets held for sale solely with respect to the balance sheet figures. Given that the transfer value agreed with the asset management company (supported by the specific fairness analysis) is in line with the NBV of the loans transferred, the reclassification of the exposure to assets held for sale has not had any profit and loss impacts.
In addition, during the first quarter, following the resolutions adopted by the competent bodies, single-name credit exposures classified as "unlikely-to-pay" (UTP) were reclassified as assets held for sale, with an updated GBV and NBV as at 31 March 2022 of 101 million euro and 74 million euro respectively. This reclassification did not have any profit and loss impact in the quarter, because the sale price was substantially in line with the NBV. These positions are expected to be sold during the year.
At the end of April, the sale was completed of a portfolio of bad loans for 3.9 billion euro gross (0.9 billion euro net), for which the application has already been made for the "GACS" government guarantee, and which, as at 31 December 2021, were recognised as non-performing loans in accordance with the provisions of IFRS 9, i.e. factoring in a probable scenario of sale at market prices.

To complete the disclosure for the first three months of 2022, the continuation is confirmed of the voluntary exits plan in accordance with the trade union agreement of 29 September 2020 in parallel with the first exits related to the agreement of 16 November 2021.
A total of 900 voluntary exits took place in the quarter, including 691 with effect from 1 January 2022, for a total of 3,739 departures since the beginning of 2021.

On 26 April 2022, the transaction was completed for the transfer to Mooney S.p.A. of the Banca 5 business line dedicated to the production of products/services distributed by the Mooney Group, as part of the strategic partnership agreements in place since 2019 with the Sisal Group (see in this regard the details provided in the Report on Operations of the 2021 Consolidated Financial Statements). The planned sale to Mooney Group S.p.A. of the shares of the transferee company Mooney is expected to take place in the first half of May 2022 and consequently, as at 31 March 2022, the business line to be transferred was still recognised under assets held for sale.

Lastly, on 29 April 2022, the Shareholders' Meeting of Intesa Sanpaolo was held, validly constituted, on single call, to pass resolutions as those in attendance through the appointed representative, in accordance with Article 106, paragraph 4, of Law Decree 18 dated 17 March 2020, converted by Law 27 dated 24 April 2020, as subsequently amended, counted 2,901 holders of voting rights attached to 10,884,970,586 ordinary shares without nominal value equal to 56.02013% of the share capital. The Shareholders' Meeting voted in favour of all the items on the agenda.
In the ordinary session, the resolutions concerned the 2021 Financial Statements, the distribution of the dividend and part of the share premium reserve; the appointment of the members of the Board of Directors and of the Management Control Committee for the years 2022-2023-2024; the remuneration policies and incentive plans; and purchases of own shares for annulment (buyback), for servicing the incentive plans, and for trading purposes.
In the extraordinary session, the resolutions concerned the annulment of own shares without reducing the share capital and the consequent amendment of Article 5 (Share Capital) of the Articles of Association, as well as the mandate to the Board of Directors to approve a share capital increase without payment and with payment to service the approved incentive plans.
The contents of the individual resolutions and the related majority of votes by which they were passed are set out in detail in the press release published on the Group's website www.group.intesasanpaolo.com.
The new Board of Directors of Intesa Sanpaolo, in its first meeting held on 29 April, unanimously appointed Carlo Messina as Managing Director and CEO, granting him the powers necessary and appropriate to ensure consistent management of the Company.

Outlook

The economic scenario is made particularly uncertain by the Russian-Ukrainian conflict and its repercussions on relations between Russia and the European Union, especially in the energy field. If Russian energy supplies continue in the coming months, and if fiscal policy continues to partially offset the effects of higher oil and gas prices, growth in services will offset the contraction in manufacturing, averting the risk of recession. On the other hand, if there is a disruption in the gas supply, the fall in economic activity could be significant and extend over several quarters. In the first case, inflation would already have peaked in this cycle and would fall sharply in the remainder of 2022. In the second, it would be set to rise further.
In the coming months, an acceleration of the rise in US official interest rates is expected, which the markets see as reaching the level of 2.75-3.00% by the end of the year. In the euro area, markets expect two to three hikes in official ECB interest rates by the end of 2022. However, the normalisation of monetary policy may be slowed down by the emergence of the most unfavourable energy scenarios.

For the Intesa Sanpaolo Group, the industrial initiatives of the 2022-2025 Business Plan are well underway and the net income target of 6.5 billion euro in 2025 is confirmed.
For 2022, a best-in-class profitability is envisaged:
- net income of more than 4 billion euro assuming no critical changes to commodity/energy supplies;
- net income well above 3 billion euro even assuming, on a very conservative basis, a coverage of around 40% on the Russia-Ukraine exposure, which implies the transfer of most of the exposure to Stage 3.

A solid capital position is envisaged, with a fully phased-in Common Equity Tier 1 ratio target above 12% over the 2022-2025 Business Plan horizon, in accordance with Basel 3/Basel 4 regulations.
A strong value distribution is envisaged:
- a payout ratio of 70% of the consolidated net income in each year of the Business Plan;
- additional distribution to shareholders of 3.4 billion euro through buyback[(*)], subject to ECB approval;
- any additional distribution to be evaluated on a yearly basis starting from 2023.

The outlook for 2022 will be subject to fine-tuning in the coming months based on the evolution of the events involving Russia and Ukraine.

(*) Amount equivalent to the suspended 2019 dividend.

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.03.2022	31.12.2021	Changes amount	Changes %
10.	Cash and cash equivalents	17,444	14,756	2,688	18.2
20.	Financial assets measured at fair value through profit or loss	54,010	52,731	1,279	2.4
	a) financial assets held for trading	*48,242*	*47,181*	*1,061*	*2.2*
	b) financial assets designated at fair value	*4*	*4*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*5,764*	*5,546*	*218*	*3.9*
30.	Financial assets measured at fair value through other comprehensive income	66,261	67,580	-1,319	-2.0
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	196,949	206,800	-9,851	-4.8
40.	Financial assets measured at amortised cost	680,371	668,866	11,505	1.7
	a) due from banks	*160,709*	*163,937*	*-3,228*	*-2.0*
	b) loans to customers	*519,662*	*504,929*	*14,733*	*2.9*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	81	85	-4	-4.7
50.	Hedging derivatives	4,665	1,732	2,933	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-2,865	392	-3,257	
70.	Investments in associates and companies subject to joint control	1,633	1,652	-19	-1.2
80.	Technical insurance reserves reassured with third parties	183	208	-25	-12.0
90.	Property and equipment	10,690	10,792	-102	-0.9
100.	Intangible assets	9,195	9,342	-147	-1.6
	of which:				
	- goodwill	*3,575*	*3,574*	*1*	*0.0*
101.	Tax assets	18,610	18,808	-198	-1.1
	a) current	*3,435*	*3,555*	*-120*	*-3.4*
	b) deferred	*15,175*	*15,253*	*-78*	*-0.5*
102.	Non-current assets held for sale and discontinued operations	1,556	1,422	134	9.4
130.	Other assets	14,461	13,837	624	4.5
Total assets		**1,073,244**	**1,069,003**	**4,241**	**0.4**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.03.2022	31.12.2021	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	718,891	710,055	8,836	1.2
	a) due to banks	*180,231*	*165,258*	*14,973*	*9.1*
	b) due to customers	*459,765*	*458,239*	*1,526*	*0.3*
	c) securities issued	*78,895*	*86,558*	*-7,663*	*-8.9*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,287	2,146	141	6.6
20.	Financial liabilities held for trading	58,726	56,306	2,420	4.3
30.	Financial liabilities designated at fair value	3,848	3,674	174	4.7
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	80,086	84,770	-4,684	-5.5
40.	Hedging derivatives	5,205	4,868	337	6.9
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-2,494	53	-2,547	
60.	Tax liabilities	2,288	2,285	3	0.1
	a) current	*382*	*363*	*19*	*5.2*
	b) deferred	*1,906*	*1,922*	*-16*	*-0.8*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	37	30	7	23.3
80.	Other liabilities	19,435	15,639	3,796	24.3
90.	Employee termination indemnities	1,063	1,099	-36	-3.3
100.	Allowances for risks and charges	5,417	5,716	-299	-5.2
	a) commitments and guarantees given	*562*	*508*	*54*	*10.6*
	b) post-employment benefits	*287*	*290*	*-3*	*-1.0*
	c) other allowances for risks and charges	*4,568*	*4,918*	*-350*	*-7.1*
110.	Technical reserves	113,471	118,296	-4,825	-4.1
120.	Valuation reserves	-1,320	-709	611	86.2
125.	Valuation reserves pertaining to insurance companies	120	476	-356	-74.8
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,220	6,282	938	14.9
150.	Reserves	21,837	17,706	4,131	23.3
155.	Interim dividend (-)	-1,399	-1,399	-	-
160.	Share premium reserve	27,287	27,286	1	0.0
170.	Share capital	10,084	10,084	-	-
180.	Treasury shares (-)	-129	-136	-7	-5.1
190.	Minority interests (+/-)	260	291	-31	-10.7
		1,024	4,185	-3,161	-75.5
Total liabilities and shareholders’ equity		**1,073,244**	**1,069,003**	**4,241**	**0.4**

Consolidated income statement

(millions of euro)

		31.03.2022	31.03.2021	Changes amount	Changes %
10.	Interest and similar income	2,641	2,581	60	2.3
	of which: interest income calculated using the effective interest rate method	*2,486*	*2,541*	*-55*	*-2.2*
20.	Interest and similar expense	-676	-570	106	18.6
30.	**Interest margin**	**1,965**	**2,011**	**-46**	**-2.3**
40.	Fee and commission income	2,905	2,941	-36	-1.2
50.	Fee and commission expense	-693	-621	72	11.6
60.	**Net fee and commission income**	**2,212**	**2,320**	**-108**	**-4.7**
70.	Dividend and similar income	34	29	5	17.2
80.	Profits (Losses) on trading	200	305	-105	-34.4
90.	Fair value adjustments in hedge accounting	2	45	-43	-95.6
100.	Profits (Losses) on disposal or repurchase of:	210	387	-177	-45.7
	a) financial assets measured at amortised cost	*205*	*53*	*152*	
	b) financial assets measured at fair value through other comprehensive income	*12*	*361*	*-349*	*-96.7*
	c) financial liabilities	*-7*	*-27*	*-20*	*-74.1*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	249	23	226	
	a) financial assets and liabilities designated at fair value	*225*	*-12*	*237*	
	b) other financial assets mandatorily measured at fair value	*24*	*35*	*-11*	*-31.4*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	129	759	-630	-83.0
120.	**Net interest and other banking income**	**5,001**	**5,879**	**-878**	**-14.9**
130.	Net losses/recoveries for credit risks associated with:	-673	-440	233	53.0
	a) financial assets measured at amortised cost	*-640*	*-432*	*208*	*48.1*
	b) financial assets measured at fair value through other comprehensive income	*-33*	*-8*	*25*	
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-58	-1	57	
140.	Profits (Losses) on changes in contracts without derecognition	-2	-12	-10	-83.3
150.	**Net income from banking activities**	**4,268**	**5,426**	**-1,158**	**-21.3**
160.	Net insurance premiums	2,589	2,542	47	1.8
170.	Other net insurance income (expense)	-2,198	-2,847	-649	-22.8
180.	**Net income from banking and insurance activities**	**4,659**	**5,121**	**-462**	**-9.0**
190.	Administrative expenses:	-2,829	-2,904	-75	-2.6
	a) personnel expenses	*-1,561*	*-1,684*	*-123*	*-7.3*
	b) other administrative expenses	*-1,268*	*-1,220*	*48*	*3.9*
200.	Net provisions for risks and charges	-37	-96	-59	-61.5
	a) commitments and guarantees given	*-74*	*33*	*-107*	
	b) other net provisions	*37*	*-129*	*166*	
210.	Net adjustments to / recoveries on property and equipment	-168	-162	6	3.7
220.	Net adjustments to / recoveries on intangible assets	-230	-214	16	7.5
230.	Other operating expenses (income)	249	270	-21	-7.8
240.	**Operating expenses**	**-3,015**	**-3,106**	**-91**	**-2.9**
250.	Profits (Losses) on investments in associates and companies subject to joint control	3	50	-47	-94.0
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	2	186	-184	-98.9
290.	**Income (Loss) before tax from continuing operations**	**1,649**	**2,251**	**-602**	**-26.7**
300.	Taxes on income from continuing operations	-622	-718	-96	-13.4
310.	**Income (Loss) after tax from continuing operations**	**1,027**	**1,533**	**-506**	**-33.0**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**1,027**	**1,533**	**-506**	**-33.0**
340.	Minority interests	-3	-17	-14	-82.4
350.	**Parent Company's net income (loss)**	**1,024**	**1,516**	**-492**	**-32.5**
	Basic EPS - Euro	**0.05**	**0.08**		
	Diluted EPS - Euro	**0.05**	**0.08**		

Statement of consolidated comprehensive income

(millions of euro)

		31.03.2022	31.03.2021	Changes	
				amount	%
10.	**Net income (Loss)**	**1,027**	**1,533**	**-506**	**-33.0**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-270**	**-13**	**257**	
20.	Equity instruments designated at fair value through other comprehensive income	-292	-36	256	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	30	22	8	36.4
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-21	5	-26	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	13	-4	17	
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-720**	**-237**	**483**	
100.	Hedges of foreign investments	-1	-	1	
110.	Foreign exchange differences	-103	31	-134	
120.	Cash flow hedges	126	62	64	
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-331	-324	7	2.2
145.	Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	-419	-26	393	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	8	20	-12	-60.0
170.	**Total other comprehensive income (net of tax)**	**-990**	**-250**	**740**	
180.	**Total comprehensive income (captions 10 + 170)**	**37**	**1,283**	**-1,246**	**-97.1**
190.	**Total consolidated comprehensive income pertaining to minority interests**	**-20**	**12**	**-32**	
200.	**Total consolidated comprehensive income pertaining to the Parent Company**	**57**	**1,271**	**-1,214**	**-95.5**

Changes in consolidated shareholders' equity as at 31 March 2022

(millions of euro)

	31.03.2022													
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other									
AMOUNTS AS AT 31.12.2021	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)														
Reserves	**-**	**-**	**-**	**4,028**	**-**	**-**	**-**	**-**	**-**	**-**	**-4,028**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-15**	**-15**	**-**	**-15**
CHANGES IN THE PERIOD														
Changes in reserves	**-**	**-**	**1**	**-**	**37**	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**38**	**-**
Operations on shareholders' equity														
Issue of new shares	-	-	-	-	-	-	-	-	-	7	-	7	7	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-	938	-	-	-	938	938	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	41	-	-	-128	-	-	-	-	-	-	-	-87	-91	4
Total comprehensive income for the period	**-**	**-**	**-**	**-**	-	**-634**	**-356**	**-**	**-**	**-**	**1,027**	**37**	**57**	**-20**
SHAREHOLDERS' EQUITY AS AT 31.03.2022	**10,264**	**-**	**27,310**	**20,836**	**1,126**	**-1,391**	**120**	**7,220**	**-1,399**	**-129**	**1,027**	**64,984**	**64,724**	**260**
- Group	**10,084**	**-**	**27,287**	**20,711**	**1,126**	**-1,320**	**120**	**7,220**	**-1,399**	**-129**	**1,024**	**64,724**		
- minority interests	**180**	**-**	**23**	**125**	**-**	**-71**	**-**	**-**	**-**	**-**	**3**	**260**		

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Changes in consolidated shareholders' equity as at 31 March 2021

(millions of euro)

	31.03.2021												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2020	**10,241**	**-**	**27,463**	**16,790**	**992**	**-570**	**809**	**7,441**	**-130**	**3,285**	**66,321**	**65,871**	**450**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2021	**10,241**	**-**	**27,463**	**16,790**	**992**	**-570**	**809**	**7,441**	**-130**	**3,285**	**66,321**	**65,871**	**450**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	**-**	**-**	**-**	**3,285**	**-**	**-**	**-**	**-**	**-**	**-3,285**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CHANGES IN THE PERIOD													
Changes in reserves	**-**	**-**	**-**	**-**	**47**	**-**	**-**	**-**	**-**	**-**	**47**	**47**	**-**
Operations on shareholders' equity													
Issue of new shares	-	-	-	-	-	-	-	-	2	-	2	2	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-	-1,262	-	-	-1,262	-1,262	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-7	-	-	-675	-	-	-	-	-	-	-682	-582	-100
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-218**	**-32**	**-**	**-**	**1,533**	**1,283**	**1,271**	**12**
SHAREHOLDERS' EQUITY AS AT 31.03.2021	**10,234**	**-**	**27,463**	**19,400**	**1,039**	**-788**	**777**	**6,179**	**-128**	**1,533**	**65,709**	**65,347**	**362**
- Group	**10,084**	**-**	**27,444**	**19,174**	**1,039**	**-738**	**777**	**6,179**	**-128**	**1,516**	**65,347**		
- minority interests	**150**	**-**	**19**	**226**	**-**	**-50**	**-**	**-**	**-**	**17**	**362**		

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Report on operations

Economic results

General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. The figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation.
This uniformity is achieved through “restated” figures, which include/exclude the values of the companies that entered or left the scope of consolidation. In 2021, as a result of the acquisition of the UBI Banca Group, the restated figures have also been accompanied by the “redetermined” figures in order to align/supplement them through management figures.
In particular, the restatement on a like-for-like basis of the comparative figures – lacking new restatements during the first quarter of 2022 – was in line with the 2021 Financial Statements. In detail, the figures for the first quarter of 2021 have been restated to incorporate the income results, line by line, of Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered the scope of line-by-line consolidation in the second quarter of 2021 following the acquisition by Fideuram Intesa Sanpaolo Private Banking of control of RB Participations S.A. e di Reyl & Cie S.A., which in turn controls Asteria Investment Managers S.A.
In addition, as already disclosed in the 2021 Annual Report, for the first three quarters of 2021, to ensure an appropriate commentary on the performances of the items affected, administrative and personnel expenses were restated for an immaterial amount to reflect the inhousing in 2021 of activities previously outsourced by the UBI Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services.
With regard to the acquisition of the UBI Group and the related corporate transactions, with effect from the Interim Statement as at 31 March 2021, in order to provide a uniform comparison of the income statement figures, including with regard to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata correlated to the acquisition of the UBI Group undertaken in the first quarter of 2021 and those planned (and subsequently sold) in the second quarter of that year, use was also made of management figures, in relation to the nature of the necessary restatements. Accordingly, to present the figures “redetermined” on the basis of accounting and management records, schedules were produced in addition to those determined on the basis of stated figures at the end of the various periods, restated where necessary, and the related detail tables have been expanded upon or duplicated with separate indication of the “Redetermined figures”.
In the second quarter of 2021, the acquisition of 100% of the share capital of Cargeas (insurance company operating in the non-life business) by Intesa Sanpaolo Vita was finalised, along with the acquisition of control over Assicurazioni Vita[13] (formerly Aviva Vita) and Lombarda Vita[14] (insurance companies operating in the non-life business), with which UBI had started multi-year partnerships and which were previously consolidated using the equity method as a function of the equity interests held. The income components of these insurance companies were also affected by the sale of the UBI branches to BPER: with effect from the closing date of the sale in February 2021, the margins on the policies sold to customers of the branches sold were lost. Accordingly, in other to provide a representation, on a like-for-like basis, of the comparative figures for income results, line by line, relating to the insurance companies acquired in the second quarter of 2021, it was needed to be made, including for the case in question, to management figures to quantify the effects of the aforementioned business associated with customers of the branches sold to BPER.
Due to the foregoing, and in order to adequately support the comments on performance in this Interim Statetment with comparative data on a like-for-like basis, the “redetermination” of the 2021 values used in the relevant Financial Statements is maintained. In detail, it concerned:

- for the first quarter of 2021:
  - the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated to the caption Income (loss) from discontinued operations of the “redetermined” schedule;
  - the line-by-line inclusion of the figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, suitably “redetermined” on the basis of management information to exclude the income statement results linked to production from the customers of the branches sold to BPER, with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement, and thus without an impact on net income for the period;
  - the elimination of the contribution to the item Other operating income (expense) of the result attributable to the insurance companies Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita (previously consolidated using the equity method), with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement (hence with no impacts on net income), already used to synthetically allocate the income effects of the line-by-line results of the above companies.
- for the second quarter of 2021:
  - the line-by-line exclusion of the income results relating to the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the “redetermined” schedule;
  - the line-by-line inclusion of the insurance company Cargeas’ figures for the months of April and May, with the attribution by convention of net income to the caption Minority interests, and thus without an impact on net income for the period.

[13] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.
[14] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

There were no redeterminations of the figures for the third and fourth quarters of 2021 and the first quarter of 2022.
All comments below therefore refer to the "redetermined" values in order to permit uniform comparisons.
Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned "redeterminations" – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.
The reclassifications and aggregations of the consolidated income statement refer to:

- dividends relating to shares or units in portfolio and dividends collected or paid within the framework of securities lending, which have been reallocated to the caption Profits (losses) on financial assets and liabilities designated at fair value;
- Profits (losses) on financial assets and liabilities pertaining to insurance companies (measured pursuant to IAS 39, by virtue of the Group's exercise of the option to defer application of IFRS 9), which include the shares of Net interest income, Dividends and Income from financial assets and liabilities relating to insurance business, have been reclassified, along with net premiums and the balance of income and expenses from insurance business, to the specific caption Income from insurance business, to which the effect of the adjustment of the technical reserve has also been attributed, in respect of the component borne by the insured parties, relating to the impairment of the securities held in the portfolios of the Group's insurance companies. The claims in excess of premiums issued have also been included in the caption Other net provisions and net impairment losses on other assets, as well as the estimated provision for future charges on policies in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, which have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as interest income, inasmuch as they cover the financing cost incurred by the Bank;
- profits (losses) on trading, fair value adjustments in hedge accounting, profits (losses) on financial assets and liabilities measured at fair value through profit or loss, profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (Losses) on assets and liabilities designated at fair value to Net fee and commission income;
- the return components of the insurance policies taken out to cover contractual indemnities and retention plans for financial advisors, which are deducted directly from Profits (Losses) on financial assets and liabilities designated at fair value, in accordance with the valuation effect of the assets in question, rather than being presented – as attributable to the advisors – among Other net provisions and net impairment losses on other assets (for valuation effects) or among Net fee and commission income or Other operating income (expenses), depending on the type of insurance policy used (for effects from realisation);
- the operating income of entities operating in sectors entirely distinct from banking and finance, reallocated to Other operating income (expenses), including that of the entities not subject to management and coordination within the framework of the Group (Risanamento and its subsidiaries);
- the administrative expenses relative to recoveries of expenses, taxes and duties, which are deducted from the caption instead of being included among Other income (expenses), and the expenses associated with the "bank tax" paid quarterly to the Hungarian treasury by the CIB Group, which - given the nature of the tax - are accounted for as taxes on income;
- profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which has been included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
- Net losses for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, such as those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets, which consequently include – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;
- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Other administrative expenses and other captions of the income statement to a separate caption;

- the purely accounting Effects of purchase price allocation, net of the tax effect, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are measured at fair value as provided for by IFRS 3;
- levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
- Goodwill impairment and impairment losses on other intangible assets, which – where present – are shown, as stated above, net of tax.

Reclassified income statement

(millions of euro)

	31.03.2022	31.03.2021	Changes	
			amount	%
Net interest income	1,956	2,013	-57	-2.8
Net fee and commission income	2,286	2,395	-109	-4.6
Income from insurance business	402	373	29	7.8
Profits (Losses) on financial assets and liabilities designated at fair value	767	796	-29	-3.6
Other operating income (expenses)	3	49	-46	-93.9
Operating income	**5,414**	**5,626**	**-212**	**-3.8**
Personnel expenses	-1,577	-1,678	-101	-6.0
Administrative expenses	-612	-648	-36	-5.6
Adjustments to property, equipment and intangible assets	-315	-306	9	2.9
Operating costs	**-2,504**	**-2,632**	**-128**	**-4.9**
Operating margin	**2,910**	**2,994**	**-84**	**-2.8**
Net adjustments to loans	-702	-408	294	72.1
Other net provisions and net impairment losses on other assets	-60	-133	-73	-54.9
Other income (expenses)	-4	198	-202	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**2,144**	**2,651**	**-507**	**-19.1**
Taxes on income	-781	-839	-58	-6.9
Charges (net of tax) for integration and exit incentives	-16	-52	-36	-69.2
Effect of purchase price allocation (net of tax)	-54	-16	38	
Levies and other charges concerning the banking industry (net of tax)	-266	-209	57	27.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-3	-19	-16	-84.2
Net income (loss)	**1,024**	**1,516**	**-492**	**-32.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation.

Reclassified income statement – Redetermined figures

(millions of euro)

	31.03.2022	31.03.2021	Changes	
		Redetermined figures	amount	%
Net interest income	1,956	1,952	4	0.2
Net fee and commission income	2,286	2,313	-27	-1.2
Income from insurance business	402	398	4	1.0
Profits (Losses) on financial assets and liabilities designated at fair value	767	795	-28	-3.5
Other operating income (expenses)	3	32	-29	-90.6
Operating income	**5,414**	**5,490**	**-76**	**-1.4**
Personnel expenses	-1,577	-1,629	-52	-3.2
Administrative expenses	-612	-651	-39	-6.0
Adjustments to property, equipment and intangible assets	-315	-307	8	2.6
Operating costs	**-2,504**	**-2,587**	**-83**	**-3.2**
Operating margin	**2,910**	**2,903**	**7**	**0.2**
Net adjustments to loans	-702	-402	300	74.6
Other net provisions and net impairment losses on other assets	-60	-134	-74	-55.2
Other income (expenses)	-4	198	-202	
Income (Loss) from discontinued operations	-	48	-48	
Gross income (loss)	**2,144**	**2,613**	**-469**	**-17.9**
Taxes on income	-781	-837	-56	-6.7
Charges (net of tax) for integration and exit incentives	-16	-52	-36	-69.2
Effect of purchase price allocation (net of tax)	-54	-16	38	
Levies and other charges concerning the banking industry (net of tax)	-266	-196	70	35.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-3	4	-7	
Net income (loss)	**1,024**	**1,516**	**-492**	**-32.5**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development of the reclassified income statement

(millions of euro)

	2022	2021			
	First quarter	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	1,956	1,954	1,999	2,000	2,013
Net fee and commission income	2,286	2,532	2,325	2,382	2,395
Income from insurance business	402	410	365	438	373
Profits (Losses) on financial assets and liabilities designated at fair value	767	108	378	344	796
Other operating income (expenses)	3	16	25	16	49
Operating income	**5,414**	**5,020**	**5,092**	**5,180**	**5,626**
Personnel expenses	-1,577	-1,844	-1,643	-1,659	-1,678
Administrative expenses	-612	-845	-693	-706	-648
Adjustments to property, equipment and intangible assets	-315	-338	-302	-300	-306
Operating costs	**-2,504**	**-3,027**	**-2,638**	**-2,665**	**-2,632**
Operating margin	**2,910**	**1,993**	**2,454**	**2,515**	**2,994**
Net adjustments to loans	-702	-1,222	-543	-599	-408
Other net provisions and net impairment losses on other assets	-60	-415	-82	-218	-133
Other income (expenses)	-4	78	63	-7	198
Income (Loss) from discontinued operations	-	-	-	-	-
Gross income (loss)	**2,144**	**434**	**1,892**	**1,691**	**2,651**
Taxes on income	-781	-82	-619	-82	-839
Charges (net of tax) for integration and exit incentives	-16	-291	-41	-55	-52
Effect of purchase price allocation (net of tax)	-54	46	-51	-18	-16
Levies and other charges concerning the banking industry (net of tax)	-266	-22	-210	-83	-209
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	-3	94	12	54	-19
Net income (loss)	**1,024**	**179**	**983**	**1,507**	**1,516**

Figures restated, where necessary and material, considering the changes in the scope of consolidation.

Quarterly development of the reclassified income statement – Redetermined figures

(millions of euro)

	2022	2021			
	First quarter	Fourth quarter	Third quarter	Second quarter Redetermined figures	First quarter Redetermined figures
Net interest income	1,956	1,954	1,999	1,995	1,952
Net fee and commission income	2,286	2,532	2,325	2,370	2,313
Income from insurance business	402	410	365	456	398
Profits (Losses) on financial assets and liabilities designated at fair value	767	108	378	344	795
Other operating income (expenses)	3	16	25	19	32
Operating income	**5,414**	**5,020**	**5,092**	**5,184**	**5,490**
Personnel expenses	-1,577	-1,844	-1,643	-1,657	-1,629
Administrative expenses	-612	-845	-693	-710	-651
Adjustments to property, equipment and intangible assets	-315	-338	-302	-301	-307
Operating costs	**-2,504**	**-3,027**	**-2,638**	**-2,668**	**-2,587**
Operating margin	**2,910**	**1,993**	**2,454**	**2,516**	**2,903**
Net adjustments to loans	-702	-1,222	-543	-599	-402
Other net provisions and net impairment losses on other assets	-60	-415	-82	-220	-134
Other income (expenses)	-4	78	63	-7	198
Income (Loss) from discontinued operations	-	-	-	10	48
Gross income (loss)	**2,144**	**434**	**1,892**	**1,700**	**2,613**
Taxes on income	-781	-82	-619	-85	-837
Charges (net of tax) for integration and exit incentives	-16	-291	-41	-55	-52
Effect of purchase price allocation (net of tax)	-54	46	-51	-18	-16
Levies and other charges concerning the banking industry (net of tax)	-266	-22	-210	-83	-196
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	-3	94	12	48	4
Net income (loss)	**1,024**	**179**	**983**	**1,507**	**1,516**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Operating income

In the first months of the year, the Intesa Sanpaolo Group achieved a solid operating performance, despite the challenging scenario due to the persistent effects of the pandemic and the economic impacts of the war that broke out in Ukraine. The Intesa Sanpaolo Group's operating income amounted to 5,414 million euro in the first quarter, down slightly (-1.4%) from 5,490 million euro in the same period of 2021. This performance was due to the moderate decline in other net operating income, profits (losses) on financial assets and liabilities designated at fair value and net fee and commission income. Income deriving from insurance business and net interest income were essentially stable.

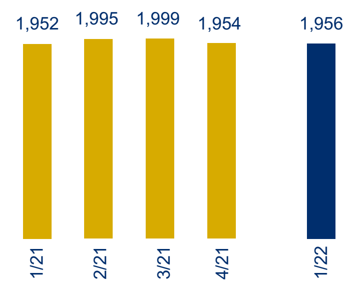
Net interest income

(millions of euro)

	31.03.2022	31.03.2021	Adjustments	31.03.2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Relations with customers	1,895	2,008	-67	1,941	-46	-2.4
Securities issued	-421	-421	-	-421	-	-
Customer dealing	**1,474**	**1,587**	**-67**	**1,520**	**-46**	**-3.0**
Instruments measured at amortised cost which do not constitute loans	147	138	-	138	9	6.5
Other financial assets and liabilities designated at fair value through profit or loss	-53	-3	-	-3	50	
Other financial assets designated at fair value through other comprehensive income	181	157	-	157	24	15.3
Financial assets and liabilities	**275**	**292**	**-**	**292**	**-17**	**-5.8**
Relations with banks	**208**	**144**	**-**	**144**	**64**	**44.4**
Differentials on hedging derivatives	**-125**	**-152**	**-**	**-152**	**-27**	**-17.8**
Non-performing assets	**119**	**162**	**-**	**162**	**-43**	**-26.5**
Other net interest income	**5**	**-20**	**6**	**-14**	**19**	
Net interest income	**1,956**	**2,013**	**-61**	**1,952**	**4**	**0.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net interest income
(millions of euro)



1/21 and 2/21: Redetermined figures

Net interest income of 1,956 million euro, was essentially stable (+0.2%) on the first quarter of 2021: there was a decline in contributions from customer dealing (-3%, or -46 million euro), due to the decline in the contribution of business with customers, and from financial assets (-5.8%, or -17 million euro), attributable to the increase in other financial liabilities measured at fair value through profit or loss. Among the other components, there were significant declines in interest on non-performing assets, due to the deleveraging measures undertaken in the previous years and the decrease in new NPL flows, whereas there was an increase in net interest income on relations with banks due to the greater impact on the income statement of TLTRO operations with the ECB. The contribution of core deposits, included in differentials on hedging derivatives, improved by 17.8%. Other net interest income also contributed a positive 5 million euro, compared to a negative value of 14 million euro in the same period of the previous year.

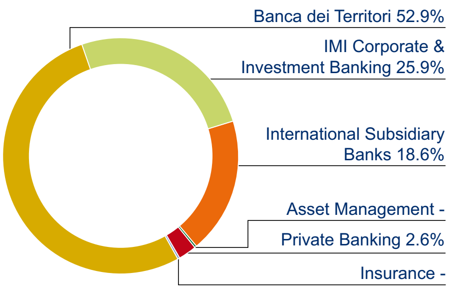
The net interest income flow recorded in the first three months of 2022 was in line with the figures for the first and fourth quarters of 2021 but lower than those of the second and third quarters.

(millions of euro)

	31.03.2022	31.03.2021 Redetermined figures	Changes amount	Changes %
Banca dei Territori	971	991	-20	-2.0
IMI Corporate & Investment Banking	475	563	-88	-15.6
International Subsidiary Banks	342	323	19	5.9
Private Banking	47	52	-5	-9.6
Asset Management	-	-	-	-
Insurance	-	-	-	-
Total business areas	**1,835**	**1,929**	**-94**	**-4.9**
Corporate Centre	121	23	98	
Intesa Sanpaolo Group	**1,956**	**1,952**	**4**	**0.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Business areas
Net interest income



The Banca dei Territori Division, which accounts for approximately 53% of operating business area results, recorded net interest income of 971 million euro, down on the first three months of 2021 (-2%, or -20 million euro), mainly due to the lower interest in non-performing assets due to the de-risking transactions undertaken in 2021. The net interest income of IMI Corporate & Investment Banking also declined (-15.6%, or -88 million euro), essentially due to the lower contribution of customer dealing. On the other hand, there was an increase in the net interest income of the International Subsidiary Banks (+5.9%, or +19 million euro), due to the favourable performance of the subsidiary in Hungary. The Private Banking Division, which in relative terms has a lesser impact on the consolidated accounts, reduced its contribution to net interest income by 5 million euro (-9.6%).
The positive performance of the Corporate Centre's net interest income was due to the benefits on differentials collected on the hedging of core deposits and the new TLTRO draw-downs of 2021.

Net fee and commission income

(millions of euro)

	31.03.2022 Income	31.03.2022 Expense	31.03.2022 Net	31.03.2021 Income	31.03.2021 Expense	31.03.2021 Net	Changes amount	Changes %
Guarantees given / received	107	-60	47	104	-60	44	3	6.8
Collection and payment services	175	-36	139	184	-42	142	-3	-2.1
Current accounts	345	-	345	369	-	369	-24	-6.5
Credit and debit cards	186	-103	83	153	-87	66	17	25.8
Commercial banking activities	**813**	**-199**	**614**	**810**	**-189**	**621**	**-7**	**-1.1**
Dealing and placement of securities	298	-73	225	374	-61	313	-88	-28.1
Currency dealing	4	-2	2	7	-	7	-5	-71.4
Portfolio management	943	-237	706	946	-211	735	-29	-3.9
Distribution of insurance products	403	-	403	419	-	419	-16	-3.8
Other	113	-40	73	95	-36	59	14	23.7
Management, dealing and consultancy activities	**1,761**	**-352**	**1,409**	**1,841**	**-308**	**1,533**	**-124**	**-8.1**
Other net fee and commission income	**339**	**-76**	**263**	**293**	**-52**	**241**	**22**	**9.1**
Net fee and commission income	**2,913**	**-627**	**2,286**	**2,944**	**-549**	**2,395**	**-109**	**-4.6**

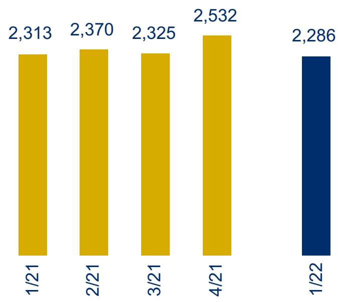
Figures restated, where necessary and material, considering the changes in the scope of consolidation.

(millions of euro)

	31.03.2022	31.03.2021			Changes (Redetermined figures)	
	Net fee and commission income	Net fee and commission income	Adjustments	Redetermined figures	amount	%
Guarantees given / received	47	44	-2	42	5	11.9
Collection and payment services	139	142	-5	137	2	1.5
Current accounts	345	369	-25	344	1	0.3
Credit and debit cards	83	66	-5	61	22	36.1
Commercial banking activities	**614**	**621**	**-37**	**584**	**30**	**5.1**
Dealing and placement of securities	225	313	-23	290	-65	-22.4
Currency dealing	2	7	-4	3	-1	-33.3
Portfolio management	706	735	-2	733	-27	-3.7
Distribution of insurance products	403	419	-13	406	-3	-0.7
Other	73	59	-1	58	15	25.9
Management, dealing and consultancy activities	**1,409**	**1,533**	**-43**	**1,490**	**-81**	**-5.4**
Other net fee and commission income	**263**	**241**	**-2**	**239**	**24**	**10.0**
Net fee and commission income	**2,286**	**2,395**	**-82**	**2,313**	**-27**	**-1.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net fee and commission income
(millions of euro)



1/21 and 2/21: Redetermined figures

The net fee and commission income earned in the first quarter of 2022 amounted to 2,286 million euro, down slightly (-1.2%) from the 2,313 million euro recorded in the same period of 2021.
This result was due to the reduction in fees and commissions on management, dealing and consultancy activities (-5.4%, or -81 million euro), which was penalised by the downtrend in financial markets. In particular, there was a decrease in the contribution due to dealing and placement of securities (-22.4%, or -65 million euro) and portfolio management schemes (-3.7%, or -27 million euro). Conversely, there were increases in commercial banking activities (+5.1%, or +30 million euro), with increase in all components, markedly on debit and credit card service (+22 million euro) and other net fee and commission income (+10%, or +24 million euro), markedly that relating to loans to companies.

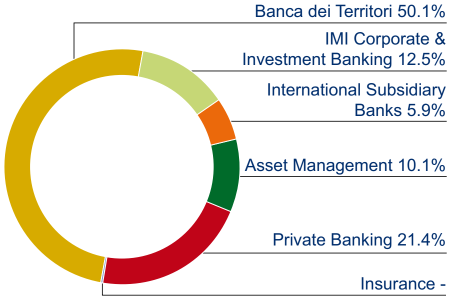
In the first three months of 2022 the caption showed a lower level than in the quarters of 2021, above all compared to the fourth, which had presented greater revenues on portfolio management schemes, correlated with a more favourable market performance.

(millions of euro)

	31.03.2022	31.03.2021 Redetermined figures	Changes amount	Changes %
Banca dei Territori	1,190	1,199	-9	-0.8
IMI Corporate & Investment Banking	296	271	25	9.2
International Subsidiary Banks	140	122	18	14.8
Private Banking	509	522	-13	-2.5
Asset Management	241	286	-45	-15.7
Insurance	-	-	-	-
Total business areas	**2,376**	**2,400**	**-24**	**-1.0**
Corporate Centre	-90	-87	3	3.4
Intesa Sanpaolo Group	**2,286**	**2,313**	**-27**	**-1.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for approximately half the fee and commission income of the business units, recorded a slight decrease (-0.8%, or -9 million euro) in fee and commission income, specifically that deriving from asset management and bancassurance, conditioned by the unfavourable market context. A decline in fee and commission income was also reported by Private Banking (-2.5%, or -13 million euro), markedly that on assets under administration, and by Asset Management (-15.7%, or -45 million euro), penalised by the unfavourable tone of the financial markets. Conversely, increases were reported by IMI Corporate & Investment Banking (+9.2%, or +25 million euro), due to the performance recorded in the commercial banking and structured finance segments, as well as by the International Subsidiary Banks (+14.8%, or +18 million euro), essentially attributable to the subsidiaries operating in Croatia, Slovakia and Serbia.

Income from insurance business

(millions of euro)

Captions (a)	31.03.2022			31.03.2021			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**32**	**110**	**142**	**67**	**92**	**159**	**-17**	**-10.7**
Net insurance premiums (b)	2,254	287	2,541	2,248	294	2,542	-1	-
Net charges for insurance claims and surrenders (c)	-2,550	-109	-2,659	-2,155	-149	-2,304	355	15.4
Net charges for changes in technical reserves (d)	530	7	537	-461	-	-461	998	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	-162	-	-162	442	-	442	-604	
Net fees on investment contracts (f)	111	-	111	102	-	102	9	8.8
Commission expenses on insurance contracts (g)	-161	-54	-215	-118	-46	-164	51	31.1
Other technical income and expense (h)	10	-21	-11	9	-7	2	-13	
Net investment result	**245**	**1**	**246**	**198**	**4**	**202**	**44**	**21.8**
Operating income from investments	-3,783	1	-3,782	2,429	4	2,433	-6,215	
Net interest income	*491*	-	*491*	*384*	*1*	*385*	*106*	*27.5*
Dividends	*73*	*1*	*74*	*61*	*1*	*62*	*12*	*19.4*
Gains/losses on disposal	*-142*	-	*-142*	*511*	*2*	*513*	*-655*	
Valuation gains/losses	*-4,183*	-	*-4,183*	*1,497*	-	*1,497*	*-5,680*	
Portfolio management fees paid (i)	*-22*	-	*-22*	*-24*	-	*-24*	*-2*	*-8.3*
Gains (losses) on investments pertaining to insured parties	4,028	-	4,028	-2,231	-	-2,231	6,259	
Insurance products (j)	*149*	-	*149*	*-422*	-	*-422*	*571*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*41*	-	*41*	*-29*	-	*-29*	*70*	
Investment products (l)	*3,838*	-	*3,838*	*-1,780*	-	*-1,780*	*5,618*	
Income from insurance business gross of consolidation effects	**277**	**111**	**388**	**265**	**96**	**361**	**27**	**7.5**
Consolidation effects	14	-	14	12	-	12	2	16.7
Income from insurance business	**291**	**111**	**402**	**277**	**96**	**373**	**29**	**7.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

(millions of euro)

Captions (a)	31.03.2022			31.03.2021 Redetermined figures			Changes (Redetermined figures)	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	**32**	**110**	**142**	**31**	**124**	**155**	**-13**	**-8.4**
Net insurance premiums (b)	2,254	287	2,541	2,654	345	2,999	-458	-15.3
Net charges for insurance claims and surrenders (c)	-2,550	-109	-2,659	-2,898	-162	-3,060	-401	-13.1
Net charges for changes in technical reserves (d)	530	7	537	-234	2	-232	769	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	-162	-	-162	546	-	546	-708	
Net fees on investment contracts (f)	111	-	111	115	-	115	-4	-3.5
Commission expenses on insurance contracts (g)	-161	-54	-215	-161	-52	-213	2	0.9
Other technical income and expense (h)	10	-21	-11	9	-9	-	11	-
Net investment result	**245**	**1**	**246**	**227**	**4**	**231**	**15**	**6.5**
Operating income from investments	-3,783	1	-3,782	2,319	4	2,323	-6,105	
Net interest income	*491*	*-*	*491*	*486*	*3*	*489*	*2*	*0.4*
Dividends	*73*	*1*	*74*	*73*	*1*	*74*	*-*	*-*
Gains/losses on disposal	*-142*	*-*	*-142*	*416*	*2*	*418*	*-560*	
Valuation gains/losses	*-4,183*	*-*	*-4,183*	*1,368*	*1*	*1,369*	*-5,552*	
Portfolio management fees paid (i)	*-22*	*-*	*-22*	*-24*	*-3*	*-27*	*-5*	*-18.5*
Gains (losses) on investments pertaining to insured parties	4,028	-	4,028	-2,092	-	-2,092	6,120	
Insurance products (j)	*149*	*-*	*149*	*-526*	*-*	*-526*	*675*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*41*	*-*	*41*	*-29*	*-*	*-29*	*70*	
Investment products (l)	*3,838*	*-*	*3,838*	*-1,537*	*-*	*-1,537*	*5,375*	
Income from insurance business gross of consolidation effects	**277**	**111**	**388**	**258**	**128**	**386**	**2**	**0.5**
Consolidation effects	14	-	14	12	-	12	2	16.7
Income from insurance business	**291**	**111**	**402**	**270**	**128**	**398**	**4**	**1.0**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

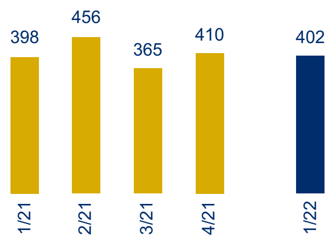
(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

Quarterly development
Income from insurance business
(millions of euro)



1/21 and 2/21: Redetermined figures

Income from insurance business includes the cost and revenue captions of the insurance business of the Group's life and non-life companies. In the first quarter of 2022, it was 402 million euro, up by 1% on the same period in 2021 (398 million euro). This performance is attributable to the increase in the net investment result (+6.5%, or +15 million euro), comprised of operating income from investments, net of retrocession to policyholders. Conversely, there was a decline in the technical margin (-8.4%, or -13 million euro), due solely to the non-life business, which presents a decline in other income and technical expenses, despite the essential offsetting between the items.

Income from insurance business, including both the life and non-life business, was lower in the first three months of 2022 than in the second and fourth quarters of 2021 and higher than in the first and third.

(millions of euro)

	31.03.2022				31.03.2021		
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	**Total**	**Adjustments**	**Total Redetermined figures**
Life insurance business	**91**	**2,164**	**2,255**	***2,165***	**2,249**	**410**	**2,659**
Premiums issued on traditional products	42	1,394	1,436	*1,395*	1,301	371	1,672
Premiums issued on unit-linked products	46	599	645	*599*	780	33	813
Premiums issued on capitalisation products	1	1	2	*1*	3	2	5
Premiums issued on pension funds	2	170	172	*170*	165	4	169
Non-life insurance business	**326**	**68**	**394**	*100*	**380**	**31**	**411**
Premiums issued	326	68	394	*100*	380	31	411
Premiums ceded to reinsurers	**-21**	**-7**	**-28**	***-9***	**-50**	**-1**	**-51**
Net premiums issued from insurance products	**396**	**2,225**	**2,621**	***2,256***	**2,579**	**440**	**3,019**
Business on index-linked contracts	-	-	-	-	-	-	-
Business on unit-linked contracts	19	1,589	1,608	*1,591*	2,032	111	2,143
Total business from investment contracts	**19**	**1,589**	**1,608**	***1,591***	**2,032**	**111**	**2,143**
Total business	**415**	**3,814**	**4,229**	***3,847***	**4,611**	**551**	**5,162**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

In the first three months of 2022, business in the insurance segment amounted to 4.2 billion euro, down on the business recorded in the same period of the previous year (+5.2 billion euro). The decline is due to traditional policies (-236 million euro) and unit-linked policies, both those of a primarily financial nature of class III (-535 million euro) and those of a primarily insurance nature (-168 million euro) and, to a lesser extent, to the non-life and health business, due to a review of the portfolio of several lines of business. Total new business amounted to 3.8 billion euro, accounting for over 90% of the total premium inflows of the Group's insurance companies, coming mainly from new single-premium contracts.

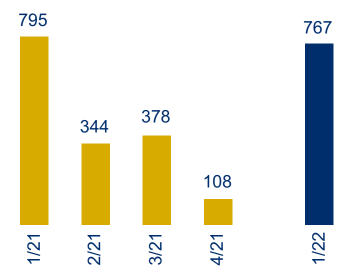
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	31.03.2022	31.03.2021	Adjustments	31.03.2021 Redetermined figures	Changes (Redetermined figures) amount	%
Profits (losses) on trading and on financial instruments under fair value option	304	322	-	322	-18	-5.6
Profits (losses) on hedges under hedge accounting	2	44	-	44	-42	-95.5
Profits (losses) on assets mandatorily measured at fair value through profit or loss	66	55	-1	54	12	22.2
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	403	402	-	402	1	0.2
Profits (losses) on the buyback of financial liabilities	-8	-27	-	-27	-19	-70.4
Profits (Losses) on financial assets and liabilities designated at fair value	**767**	**796**	**-1**	**795**	**-28**	**-3.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Profits (Losses) on financial assets and liabilities designated at fair value
(millions of euro)



1/21 and 2/21: Redetermined figures

In the first quarter of 2022, profits on financial assets and liabilities designated at fair value, amounting to 767 million euro, declined on the same period in 2021.
The 3.5% decline is attributable to profits (losses) on hedges under hedge accounting (-42 million euro), trading and financial instruments subject to the fair value option (-18 million euro). On the positive side were profits (losses) on the repurchase of financial liabilities, which declined to -8 million euro compared to -27 million euro in the first three months of 2021 and profits (losses) on assets designated at fair value through profit or loss (+12 million euro). Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income were essentially stable (+1 million euro).

The figure for the first three months of 2022 was higher than in the previous quarters of 2021, except for the first.

Other operating income (expenses)
In the first quarter of 2022, other net operating income came to 3 million euro, compared to 32 million euro in the same period of 2021. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The decrease was due to both other operating expenses of 10 million euro compared to 7 million euro of income recorded in the first quarter of 2021 and the decrease in dividends and profits on investments carried at equity, which in the first three months of 2022 amounted to 13 million euro (25 million euro in the same period of the previous year).

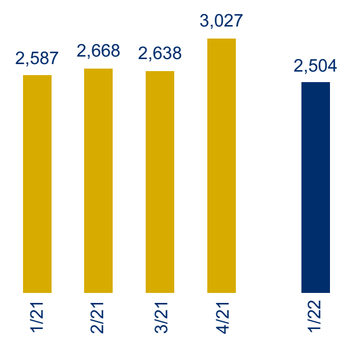
Operating costs

(millions of euro)

	31.03.2022	31.03.2021	Adjustments	31.03.2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Wages and salaries	1,097	1,162	-38	1,124	-27	-2.4
Social security charges	286	308	-10	298	-12	-4.0
Other	194	208	-1	207	-13	-6.3
Personnel expenses	**1,577**	**1,678**	**-49**	**1,629**	**-52**	**-3.2**
Information technology expenses	190	198	4	202	-12	-5.9
Management of real estate assets expenses	72	87	-1	86	-14	-16.3
General structure costs	96	92	-1	91	5	5.5
Professional and legal expenses	65	70	5	75	-10	-13.3
Advertising and promotional expenses	18	19	-	19	-1	-5.3
Indirect personnel costs	13	10	-	10	3	30.0
Other costs	121	135	-3	132	-11	-8.3
Indirect taxes and duties	46	47	-1	46	-	-
Recovery of expenses and charges	-9	-10	-	-10	-1	-10.0
Administrative expenses	**612**	**648**	**3**	**651**	**-39**	**-6.0**
Property and equipment	143	148	-	148	-5	-3.4
Intangible assets	172	158	1	159	13	8.2
Adjustments	**315**	**306**	**1**	**307**	**8**	**2.6**
Operating costs	**2,504**	**2,632**	**-45**	**2,587**	**-83**	**-3.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Operating costs
(millions of euro)



1/21 and 2/21: Redetermined figures

Operating costs amounted to 2,504 million euro in the first three months of 2022, a decrease of 3.2% on the first quarter of 2021.
Personnel expenses of 1,577 million euro were down by 3.2%, mainly due to the effect of savings on negotiated exits.
Administrative expenses amounted to 612 million euro, down by 6%. There were widespread savings, in particular in terms of property management expenses, IT service expenses, legal and professional fees and other expenses. Depreciation and amortisation of property and equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+2.6%) on the first quarter of 2021, due to the intangible assets.
The cost/income ratio for the first quarter of 2022 came to 46.3%, an improvement compared to 47.1% in the same period of 2021.

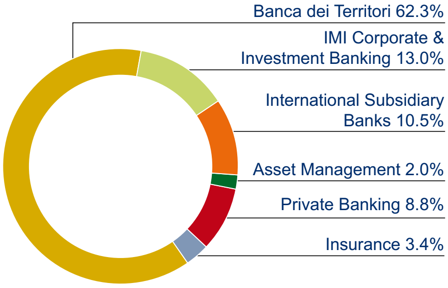
The quarterly comparison shows an improvement in costs, compared with all the quarters of 2021, and in particular in comparison with the last months of 2021, that priced in the customary seasonal effects.

(millions of euro)

	31.03.2022	31.03.2021 Redetermined figures	Changes amount	%
Banca dei Territori	-1,521	-1,593	-72	-4.5
IMI Corporate & Investment Banking	-318	-312	6	1.9
International Subsidiary Banks	-256	-250	6	2.4
Private Banking	-215	-207	8	3.9
Asset Management	-49	-51	-2	-3.9
Insurance	-84	-87	-3	-3.4
Total business areas	**-2,443**	**-2,500**	**-57**	**-2.3**
Corporate Centre	-61	-87	-26	-29.9
Intesa Sanpaolo Group	**-2,504**	**-2,587**	**-83**	**-3.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for approximately 62% of all costs for the business areas, reported considerable savings compared to the first quarter of 2021 (-4.5%, or -72 million euro) thanks to lower personnel expenses, in relation to negotiated exits and administrative expenses, mainly due to real-estate service. There were also declines, albeit of a minor extent, in Asset Management (-3.9%, or -2 million euro), attributable to the containment of administrative expenses, and Insurance (-3.4%, or -3 million euro). By contrast, there were moderate cost increases in IMI Corporate & Investment Banking (+1.9%, or +6 million euro), in relation to greater personnel and administrative expenses, International Subsidiary Banks (+2.4%, or +6 million euro), mainly due to the increase of personnel expenses, and Private Banking (+3.9%, or +8 million euro), due above all to administrative expenses. Finally, the Corporate Centre reported a decline in costs of 29.9%, or -26 million euro, due to synergies at the level of administrative expenses and savings on personnel expenses.

Operating margin

The operating margin for the reporting period was 2,910 million euro, in line with the first quarter of 2021, due to a decline in revenues, offset by the reduction in operating costs.

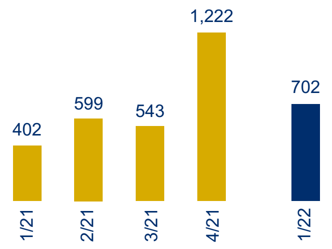
Net adjustments to loans

(millions of euro)

	31.03.2022	31.03.2021	Adjustments	31.03.2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Bad loans	-10	-155	6	-149	-139	-93.3
Unlikely to pay	-202	-167	-	-167	35	21.0
Past due loans	-34	-20	-	-20	14	70.0
Stage 3 loans	**-246**	**-342**	**6**	**-336**	**-90**	**-26.8**
of which debt securities	-	-	-	-	-	-
Stage 2 loans	**-265**	**-87**	**-**	**-87**	**178**	
of which debt securities	*-5*	*-2*	-	*-2*	*3*	
Stage 1 loans	**-114**	**-**	**-**	**-**	**114**	**-**
of which debt securities	-	*5*	-	*5*	*-5*	
Net losses/recoveries on impairment of loans	**-625**	**-429**	**6**	**-423**	**202**	**47.8**
Profits/losses from changes in contracts without derecognition	**-3**	**-12**	**-**	**-12**	**-9**	**-75.0**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-74**	**33**	**-**	**33**	**-107**	
Net adjustments to loans	**-702**	**-408**	**6**	**-402**	**300**	**74.6**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net adjustments to loans
(millions of euro)



1/21 and 2/21: Redetermined figures

Net adjustments to loans amounted to 702 million euro, up sharply from the 402 million euro recorded in the first quarter of 2021. The growth was due to the greater adjustments to loans in Stage 2 (+178 million euro), Stage 1 (+114 million euro) and provisions for commitments and guarantees given of 74 million euro, due to the aforementioned provisions for exposures to Russian and Ukrainian counterparties.

Non-performing loans in Stage 3 declined (-90 million euro), as a result of a reduction in adjustments to bad loans (-139 million euro), only partly offset by increases on unlikely-to-pay exposures (+35 million euro) and past-due loans (+14 million euro). In March 2022, the ratio of gross non-performing loans to total loans was 3%, down compared to the December 2021 figure (3.2%).

The annualised cost of credit, expressed as the ratio of net adjustments to net loans, amounted to 60 basis points in the first quarter of 2022 (18 basis points when excluding the adjustments for the Russia-Ukraine exposure, net of partial release of generic provisions set aside in 2020 for future COVID-19 impacts), at the same levels as 2021 (59 basis points; 25 basis points when excluding the additional provisions to accelerate the reduction in non-performing loans) and higher than the annualised 35 basis points in the first three months of 2021.

In March 2022, the coverage of non-performing loans was 52.8%. In detail, bad loans required net adjustments of 10 million euro – compared with 149 million euro in the same period of 2021 – with a coverage ratio of 70.6%. The modest value of adjustments to bad loans was due to both the limited flows into the non-performing category and the fact that the sale scenario is applied to a significant share of gross bad loans, and they are therefore aligned with presumable realisable prices. Net impairment losses on unlikely to pay loans, totalling 202 million euro, were up from 167 million euro recorded in the first quarter of 2021, with a coverage ratio of 35.7%. Net impairment losses on past due loans amounted to 34 million euro (20 million euro in the first three months of 2021), with a coverage ratio of 21.3%. The coverage ratio for forborne positions within the non-performing loans category was 43.9%. Finally, the coverage of performing loans was 0.6% and incorporates the physiological risk inherent in the loan portfolio, including the provisions during the quarter for the Russia-Ukraine conflict (on this subject, see the specific paragraph of the chapter "The first quarter of 2022").

At the quarterly level, the first quarter of 2022 shows higher adjustments to loans than in the first three quarters of 2021, but lower than those in the final quarter of the previous year, which incorporated the additional provisions to accelerate the reduction in non-performing loans.

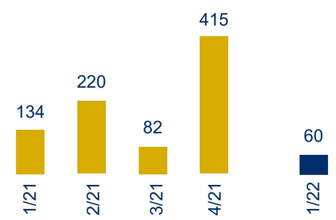
Other net provisions and net impairment losses on other assets

(millions of euro)

	31.03.2022	31.03.2021	Adjustments	31.03.2021 Redetermined figures	Changes (Redetermined figures) amount	%
Other net provisions	-9	-121	-	-121	-112	-92.6
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-34	-9	-	-9	25	
Net impairment losses on other assets	-9	-3	-	-3	6	
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-8	-	-1	-1	7	
Other net provisions and net impairment losses on other assets	**-60**	**-133**	**-1**	**-134**	**-74**	**-55.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net provisions and net impairment losses on other assets
(millions of euro)



1/21 and 2/21: Redetermined figures

Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In the first three months of 2022, other net provisions and net impairment losses on other assets amounted to 60 million euro, down sharply from the 134 million euro recorded in the same period of the previous year.

Other income (expenses)

In this caption of the reclassified income statement, the “profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments” are aggregated together with other income and expenses not strictly linked to operations.
In the first quarter of 2022, other expenses amounted to 4 million euro, compared with other income of 198 million euro recorded in the first quarter of 2021, which included the capital gain earned on the sale of the Custodian Bank business unit of Fideuram Bank Luxembourg (194 million euro).

Income (Loss) from discontinued operations

In the first part of 2022 there were no income or losses from discontinued operations, whereas income from discontinued operations in the corresponding period of 2021 amounted to 48 million euro, due to the contribution of the branches object of disposal.

Gross income (loss)

In the first three months of 2022, income before tax from continuing operations came to 2,144 million euro, down by 17.9% compared with the same period in 2021.

Taxes on income

Current and deferred taxes came to 781 million euro for an effective tax rate of 36.4%, higher than in the first quarter of 2021 (32%).

Charges (net of tax) for integration and exit incentives

The caption declined to 16 million euro from 52 million euro in the first three months of 2021, mainly due to the release of the discounting effect of allowances relating to charges for integration and exit incentives for personnel.

Effect of purchase price allocation (net of tax)

This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. In the first quarter of 2022, this caption came to 54 million euro, compared to the 16 million euro recorded in the same period of the previous year.

Levies and other charges concerning the banking industry (net of tax)

The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. In the first quarter of 2022, these charges came to 266 million euro, compared to the 196 million euro recorded in the same period of the previous year.
The charges recognised during the reporting period may be broken down as follows: 251 million euro attributable to resolution funds, 5 million euro to deposit guarantee funds, 5 million euro to levies recognised by international subsidiary banks and 5 million euro to the Atlante Fund.

Minority interests

In the first three months of 2022, the caption included, with a negative sign, 3 million euro of net profits attributable to minority interests relating to companies within the scope of line-by-line consolidation, compared to a positive value of 4 million euro (net losses attributable to minority interests) relating to the first quarter of 2021.

Net income (loss)

The results for the first three months of 2022 were affected by the Russia and Ukraine situation. Despite the change of scenario, the Intesa Sanpaolo Group closed the first quarter with a net income of 1,024 million euro, which confirms its diversified and resilient business model. If value adjustments for the events relating to Russia and Ukraine are excluded, net income would have amounted to 1.7 billion euro, an increase of 10.2% on the first quarter of 2021 rather than a decline of 32.5%, thanks to the stability of revenues and careful management of operating costs.

Balance sheet aggregates

General aspects

A condensed reclassified balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities.

The format adopted includes not only the figures for the reporting period, but also the comparative figures. In the interest of consistent comparison, the figures for previous periods are normally restated, where necessary and material, including to account for changes in the scope of consolidation.

In the absence of changes in the consolidation scope, there have not been any restatements compared to the end of 2021 and thus the representation of the figures at the end of 2021 is unchanged compared to the relevant financial statements.

However, the balance sheet figures for 2021 have been restated in regard to quarterly performance in view of:

- the inclusion on a line-by-line basis of the balance sheet figures of Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered into the scope of consolidation in the second quarter of 2021;
- the inclusion on a line-by-line basis of the balance sheet figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita)[15], Lombarda Vita[16]and Cargeas.

In the case of the balance sheet as well, in order to obtain easily comparable quarterly figures with regard to the acquisition of the UBI Group and the related corporate transactions, in 2021 balance sheet figures concerning the UBI and ISP branches sold during the first and second quarters of 2021 had already been excluded line by line. In the reclassified balance sheet, those figures were by convention allocated to the caption Non-current assets held for sale and discontinued operations. That restatement was carried out based on the accounting records.

As regards the inclusion of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were restated as illustrated above, please note that it was not deemed necessary to "redetermine" the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability.

As a result of the above, since the restatements of the balance sheet data were - as normally happens - based on accounting records, no reclassified "redetermined" balance sheet schedules were prepared.

Certain aggregations and reclassifications are then made with respect to the model provided in Circular 262/2005 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

In addition, as already occurred in December 2021:

- in view of the payment of the 2021 interim dividend by the Parent Company, a specific caption was added to the reclassified balance sheet, within the captions of shareholders' equity, for consistency with the corresponding accounting schedule;
- following the update to Bank of Italy Circular 262, which provides that the caption "Cash and cash equivalents" include all "demand" loans, in the technical forms of current accounts and deposits, to banks and central banks (with the exception of the reserve requirement), the specific caption Cash and cash equivalents, previously included in Other assets, was opened accordingly in the reclassified balance sheet.

Aggregations and reclassifications of captions of the reclassified balance sheet refer to:

- the separate presentation of financial assets constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the separate presentation of financial assets and liabilities pertaining to the insurance business, measured pursuant to IAS 39, in application of the deferral approach, by the Group's insurance companies;
- the aggregation in one single caption of Property, equipment and intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under leases;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the inclusion of the Technical insurance reserves reassured with third parties under Other assets;
- the separate presentation of Due to banks at amortised cost;
- the aggregationof Due to customers at amortised cost and Securities issued into one caption;
- the aggregation into one caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities, Allowances for risks and charges, Allowances for commitments and financial guarantees given);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any treasury shares.

[15] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

[16] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

Reclassified balance sheet

(millions of euro)

Assets	31.03.2022	31.12.2021	Changes	
			amount	%
Cash and cash equivalents	17,444	14,756	2,688	18.2
Due from banks	158,500	162,121	-3,621	-2.2
Loans to customers	468,366	465,254	3,112	0.7
Loans to customers measured at amortised cost	*465,787*	*463,458*	*2,329*	*0.5*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,579*	*1,796*	*783*	*43.6*
Financial assets measured at amortised cost which do not constitute loans	56,111	43,325	12,786	29.5
Financial assets at fair value through profit or loss	52,872	51,636	1,236	2.4
Financial assets at fair value through other comprehensive income	64,793	66,841	-2,048	-3.1
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	196,949	206,800	-9,851	-4.8
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	81	85	-4	-4.7
Investments in associates and companies subject to joint control	1,633	1,652	-19	-1.2
Property, equipment and intangible assets	19,885	20,134	-249	-1.2
Assets owned	*18,343*	*18,613*	*-270*	*-1.5*
Rights of use acquired under leases	*1,542*	*1,521*	*21*	*1.4*
Tax assets	18,610	18,808	-198	-1.1
Non-current assets held for sale and discontinued operations	1,556	1,422	134	9.4
Other assets	16,444	16,169	275	1.7
Total Assets	**1,073,244**	**1,069,003**	**4,241**	**0.4**

(millions of euro)

Liabilities	31.03.2022	31.12.2021	Changes	
			amount	%
Due to banks at amortised cost	180,224	165,250	14,974	9.1
Due to customers at amortised cost and securities issued	537,289	543,418	-6,129	-1.1
Financial liabilities held for trading	58,726	56,306	2,420	4.3
Financial liabilities designated at fair value	3,848	3,674	174	4.7
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,280	2,139	141	6.6
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	80,086	84,770	-4,684	-5.5
Tax liabilities	2,288	2,285	3	0.1
Liabilities associated with non-current assets held for sale and discontinued operations	37	30	7	23.3
Other liabilities	23,531	21,954	1,577	7.2
of which lease payables	*1,385*	*1,394*	*-9*	*-0.6*
Technical reserves	113,471	118,296	-4,825	-4.1
Allowances for risks and charges	6,480	6,815	-335	-4.9
of which allowances for commitments and financial guarantees given	*562*	*508*	*54*	*10.6*
Share capital	10,084	10,084	-	-
Reserves	48,995	44,856	4,139	9.2
Valuation reserves	-1,320	-709	611	86.2
Valuation reserves pertaining to insurance companies	120	476	-356	-74.8
Interim dividend	-1,399	-1,399	-	-
Equity instruments	7,220	6,282	938	14.9
Minority interests	260	291	-31	-10.7
Net income (loss)	1,024	4,185	-3,161	-75.5
Total liabilities and shareholders' equity	**1,073,244**	**1,069,003**	**4,241**	**0.4**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2022	2021			
	31/3	31/12	30/9	30/6	31/3
Cash and cash equivalents	17,444	14,756	15,133	14,628	13,709
Due from banks	158,500	162,121	164,890	148,205	128,188
Loans to customers	468,366	465,254	463,295	463,297	464,661
Loans to customers measured at amortised cost	*465,787*	*463,458*	*460,903*	*461,348*	*463,129*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,579*	*1,796*	*2,392*	*1,949*	*1,532*
Financial assets measured at amortised cost which do not constitute loans	56,111	43,325	41,286	42,615	44,857
Financial assets at fair value through profit or loss	52,872	51,636	59,924	59,826	55,455
Financial assets at fair value through other comprehensive income	64,793	66,841	63,589	66,415	60,778
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	196,949	206,800	205,631	206,138	206,388
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	81	85	82	80	79
Investments in associates and companies subject to joint control	1,633	1,652	1,738	1,707	1,708
Property, equipment and intangible assets	19,885	20,134	19,408	19,451	18,908
Assets owned	*18,343*	*18,613*	*17,800*	*17,815*	*17,158*
Rights of use acquired under leases	*1,542*	*1,521*	*1,608*	*1,636*	*1,750*
Tax assets	18,610	18,808	18,805	19,014	19,582
Non-current assets held for sale and discontinued operations	1,556	1,422	3,181	1,566	3,169
Other assets	16,444	16,169	14,456	14,653	14,499
Total Assets	**1,073,244**	**1,069,003**	**1,071,418**	**1,057,595**	**1,031,981**

Liabilities	2022	2021			
	31/3	31/12	30/9	30/6	31/3
Due to banks at amortised cost	180,224	165,250	179,514	164,840	151,746
Due to customers at amortised cost and securities issued	537,289	543,418	523,699	519,223	512,263
Financial liabilities held for trading	58,726	56,306	57,533	57,335	53,544
Financial liabilities designated at fair value	3,848	3,674	3,266	3,361	3,116
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,280	2,139	2,563	2,518	2,414
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	80,086	84,770	83,093	83,010	82,040
Tax liabilities	2,288	2,285	2,618	2,490	3,303
Liabilities associated with non-current assets held for sale and discontinued operations	37	30	1,404	78	3,585
Other liabilities	23,531	21,954	24,955	31,674	26,283
of which lease payables	*1,385*	*1,394*	*1,519*	*1,570*	*1,708*
Technical reserves	113,471	118,296	118,616	119,475	119,943
Allowances for risks and charges	6,480	6,815	6,873	7,041	7,437
of which allowances for commitments and financial guarantees given	*562*	*508*	*534*	*548*	*576*
Share capital	10,084	10,084	10,084	10,084	10,084
Reserves	48,995	44,856	46,508	46,671	47,529
Valuation reserves	-1,320	-709	-569	-476	-738
Valuation reserves pertaining to insurance companies	120	476	677	661	777
Interim dividend	-1,399	-1,399	-	-	-
Equity instruments	7,220	6,282	6,279	6,269	6,202
Minority interests	260	291	299	318	937
Net income (loss)	1,024	4,185	4,006	3,023	1,516
Total Liabilities and Shareholders' Equity	**1,073,244**	**1,069,003**	**1,071,418**	**1,057,595**	**1,031,981**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

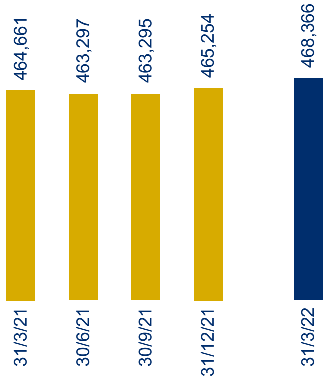
(millions of euro)

	31.03.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	21,908	4.7	21,727	4.7	181	0.8
Mortgages	246,880	52.7	250,940	53.9	-4,060	-1.6
Advances and other loans	163,054	34.8	160,874	34.6	2,180	1.4
Commercial banking loans	**431,842**	**92.2**	**433,541**	**93.2**	**-1,699**	**-0.4**
Repurchase agreements	**22,593**	**4.9**	**17,621**	**3.8**	**4,972**	**28.2**
Loans represented by securities	**7,143**	**1.5**	**7,015**	**1.5**	**128**	**1.8**
Non-performing loans	**6,788**	**1.4**	**7,077**	**1.5**	**-289**	**-4.1**
Loans to customers	**468,366**	**100.0**	**465,254**	**100.0**	**3,112**	**0.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

The Group's loans to customers exceeded 468 billion euro as at 31 March 2022, marking a moderate year-to-date increase (+0.7%). This dynamic was due to repurchase agreements, which increased by 5 billion euro (+28.2%), more than offsetting the decrease in trade receivables (-0.4%, or -1.7 billion euro). Trade receivables were affected by the decline in mortgage loans to businesses and individuals (-1.6%, or -4 billion euro), only partly offset by the increase in short-term loans in the form of advances and loans (+1.4%, or +2.2 billion euro) and current accounts (+0.8%, or +0.2 billion euro). Non-performing loans further declined (-0.3 billion euro), due in part to deleveraging measures, amounting to 7.1 billion euro. Finally, loans represented by securities increased by 1.8%.

Quarterly development
Loans to customers
(millions of euro)



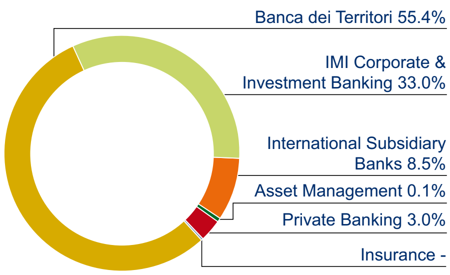
In the domestic medium-/long-term loan market, disbursements to households in the first three months of 2022 (including the small business accounts having similar needs to family businesses) amounted to approximately 6 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 5.3 billion euro. Loans granted by the new Agribusiness department amounted to 642 million euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 4.6 billion euro, excluding the international portion. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and through UBI Leasing and Prestitalia, were approximately 17 billion euro. If the activities of the international subsidiary banks and the international part of IMI C&IB are included, the Group’s medium/long-term disbursements reached 22.2 billion euro.
As at 31 March 2022, the Intesa Sanpaolo Group’s share of the Italian domestic market was estimated at 20.3% for total loans to customers. This estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figures for the end of March are not yet available.

(millions of euro)

	31.03.2022	31.12.2021	Changes	
			amount	%
Banca dei Territori	253,602	250,984	2,618	1.0
IMI Corporate & Investment Banking	150,851	152,151	-1,300	-0.9
International Subsidiary Banks	38,706	38,970	-264	-0.7
Private Banking	13,700	13,833	-133	-1.0
Asset Management	430	783	-353	-45.1
Insurance	-	-	-	-
Total business areas	**457,289**	**456,721**	**568**	**0.1**
Corporate Centre	11,077	8,533	2,544	29.8
Intesa Sanpaolo Group	**468,366**	**465,254**	**3,112**	**0.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Business areas
Loans to customers



In the analysis by business area, the Banca dei Territori Division, which accounts for 55.4% of the aggregate of the Group's business areas, recorded an increase year-to-date (+1%), due to loans to SMEs and retail customers. The IMI Corporate & Investment Banking Division reported a decline of 1.3 billion euro (-0.9%), attributable to medium/long-term loans for structured finance transactions as well as to international customers. The loans of the International Subsidiary Banks Division also declined slightly (-0.7%, or -0.3 billion euro), specifically due to the lesser contribution of the subsidiary operating in Egypt. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, there were decreases by both the loans of the Private Banking Division (-1%) and Asset Management Division.
Loans on central assets of the Corporate Centre increased in relation to repurchase agreements.

Loans to customers: credit quality

(millions of euro)

	31.03.2022		31.12.2021		Change
	Net exposure	**% breakdown**	**Net exposure**	**% breakdown**	**Net exposure**
Bad loans	2,139	0.4	2,130	0.5	9
Unlikely to pay	4,202	0.9	4,325	0.9	-123
Past due loans	447	0.1	622	0.1	-175
Non-Performing Loans	**6,788**	**1.4**	**7,077**	**1.5**	**-289**
Non-performing loans in Stage 3 (subject to impairment)	*6,747*	*1.4*	7,038	*1.5*	*-291*
Non-performing loans measured at fair value through profit or loss	*41*	-	*39*	-	*2*
Performing loans	**454,397**	**97.1**	**451,143**	**97.0**	**3,254**
Stage 2	*50,072*	*10.7*	*54,389*	*11.7*	*-4,317*
Stage 1	*403,293*	*86.2*	*395,755*	*85.1*	*7,538*
Performing loans measured at fair value through profit or loss	*1,032*	*0.2*	*999*	*0.2*	*33*
Performing loans represented by securities	**7,143**	**1.5**	**7,015**	**1.5**	**128**
Stage 2	*931*	*0.2*	*865*	*0.2*	*66*
Stage 1	*6,212*	*1.3*	*6,150*	*1.3*	*62*
Loans held for trading	**38**	**-**	**19**	**-**	**19**
Total loans to customers	**468,366**	**100.0**	**465,254**	**100.0**	**3,112**
of which forborne performing	***7,886***		***8,103***		***-217***
of which forborne non-performing	***2,606***		***2,644***		***-38***
Loans to customers classified as non-current assets held for sale (*)	**1,325**		**1,206**		**119**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(*) As at 31 March 2022 and 31 December 2021, this item related to the portfolios, or single name exposures, of loans classified as bad loans and unlikely to pay to be sold.

As at 31 March 2022, the Group's net non-performing loans amounted to 6.8 billion euro, an all-time low. The reduction from the beginning of the year (-4.1%) confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 1.4% (1.1% according to the EBA definition), a low proportion and further improving (1.5% recorded in December 2021, 1.2% according to the EBA definition), with a coverage ratio for non-performing loans of 52.8%.

In further detail, at the end of March 2022, bad loans came to 2.1 billion euro (+0.4%), net of adjustments, and represented 0.4% of total net loans. As at that same date, the coverage ratio came to 70.6%. Loans included in the unlikely-to-pay category amounted to 4.2 billion euro, down by 2.8%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 35.7%. Past due loans amounted to 447 million euro (-28.1%), with a coverage ratio of 21.3%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2.6 billion euro, with a coverage ratio of 43.9%, while forborne exposures in the performing loans category amounted to 7.9 billion euro.

The coverage ratio of performing loans rose to 0.6%, also in relation to the provision allocated during the quarter for the Russia-Ukraine conflict (on this issue, see that set out in the specific section).

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets designated at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
Debt securities issued by Governments					
31.03.2022	19,718	48,376	37,120	**105,214**	X
31.12.2021	20,361	49,536	24,845	**94,742**	X
Changes amount	-643	-1,160	12,275	**10,472**	X
Changes %	-3.2	-2.3	49.4	**11.1**	X
Other debt securities					
31.03.2022	3,346	14,011	18,991	**36,348**	X
31.12.2021	3,020	14,032	18,480	**35,532**	X
Changes amount	326	-21	511	**816**	X
Changes %	10.8	-0.1	2.8	**2.3**	X
Equities					
31.03.2022	1,294	2,406	X	**3,700**	X
31.12.2021	1,192	3,273	X	**4,465**	X
Changes amount	102	-867	X	**-765**	X
Changes %	8.6	-26.5	X	**-17.1**	X
Quotas of UCI					
31.03.2022	4,185	X	X	**4,185**	X
31.12.2021	3,943	X	X	**3,943**	X
Changes amount	242	X	X	**242**	X
Changes %	6.1	X	X	**6.1**	X
Due to banks and to customers					
31.03.2022	X	X	X	**X**	-24,318
31.12.2021	X	X	X	**X**	-22,262
Changes amount	X	X	X	**X**	2,056
Changes %	X	X	X	**X**	9.2
Financial derivatives					
31.03.2022	21,583	X	X	**21,583**	-23,413
31.12.2021	20,895	X	X	**20,895**	-23,239
Changes amount	688	X	X	**688**	174
Changes %	3.3	X	X	**3.3**	0.7
Credit derivatives					
31.03.2022	2,746	X	X	**2,746**	-2,807
31.12.2021	2,225	X	X	**2,225**	-2,332
Changes amount	521	X	X	**521**	475
Changes %	23.4	X	X	**23.4**	20.4
TOTAL 31.03.2022	**52,872**	**64,793**	**56,111**	**173,776**	**-50,538**
TOTAL 31.12.2021	**51,636**	**66,841**	**43,325**	**161,802**	**-47,833**
Changes amount	**1,236**	**-2,048**	**12,786**	**11,974**	**2,705**
Changes %	**2.4**	**-3.1**	**29.5**	**7.4**	**5.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(*) The amount of the item does not include certificates which are included in the direct deposits from banking business table.

The table above shows the breakdown of other financial assets and liabilities, excluding insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.

The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to approximately 174 billion euro, up by 12 billion euro compared to the beginning of the year (+7.4%). Financial liabilities held for trading also increased (+5.7%) to nearly 51 billion euro.

The increase in total financial assets is mainly due to the performance of debt securities (+11.3 billion euro). The growth of financial liabilities held for trading related to all components, markedly amounts due to banks and customers (+2.1 billion euro).

Instruments measured at amortised cost which do not constitute loans rose from 43 billion euro to 56 billion euro (+29.5%), substantially due to investments in fixed-rate government bonds with limited credit risk (benchmark JPM EMU IG ex-Germany) and high liquidity (HQLA). Those investments cover the interest rate risk of demand deposits, which are used by customers as a form of alternative investment as compared to traditional monetary investments (e.g. government bonds/monetary funds) in a context of negative interest rates, and, concurrently, partially reduce the bank's excess liquidity. HTC debt securities have primarily been classified to Stage 1 (93.3%).
Conversely, financial assets measured at fair value through other comprehensive income amounted to approximately 65 billion euro, down by 3.1% compared to the beginning of the year, owing to both debt securities and equity instruments. HTCS debt securities have been classified almost exclusively to Stage 1 (99.6%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
31.03.2022	62,146	52,331	**114,477**
31.12.2021	63,367	39,467	**102,834**
Changes amount	-1,221	12,864	**11,643**
Changes %	-1.9	32.6	**11.3**
Stage 2			
31.03.2022	241	3,767	**4,008**
31.12.2021	201	3,844	**4,045**
Changes amount	40	-77	**-37**
Changes %	19.9	-2.0	**-0.9**
Stage 3			
31.03.2022	-	13	**13**
31.12.2021	-	14	**14**
Changes amount	-	-1	**-1**
Changes %	-	-7.1	**-7.1**
TOTAL 31.03.2022	**62,387**	**56,111**	**118,498**
TOTAL 31.12.2021	**63,568**	**43,325**	**106,893**
Changes amount	**-1,181**	**12,786**	**11,605**
Changes %	**-1.9**	**29.5**	**10.9**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

Customer financial assets

(millions of euro)

	31.03.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	549,325	44.0	555,565	43.5	-6,240	-1.1
Direct deposits from insurance business and technical reserves	195,093	15.7	204,479	16.0	-9,386	-4.6
Indirect customer deposits	696,472	55.8	719,231	56.4	-22,759	-3.2
Netting (a)	-193,456	-15.5	-202,963	-15.9	-9,507	-4.7
Customer financial assets	**1,247,434**	**100.0**	**1,276,312**	**100.0**	**-28,878**	**-2.3**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, technical reserves).

As at 31 March 2022, customer financial assets amounted to 1,247 billion euro, down year to date (-2.3%, or -28.9 billion euro), due to indirect customer deposits (-3.2%, or -22.8 billion euro), and, to a lesser extent, direct deposits from insurance and banking business.

Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value and certificates, which represent an alternative form of funding to bonds.

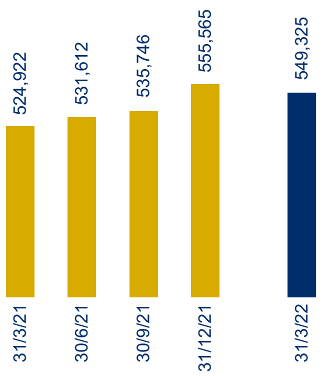
(millions of euro)

	31.03.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	442,200	80.6	442,520	79.7	-320	-0.1
Repurchase agreements and securities lending	2,397	0.4	2,691	0.5	-294	-10.9
Bonds	56,608	10.3	62,452	11.2	-5,844	-9.4
Certificates of deposit	2,694	0.5	2,931	0.5	-237	-8.1
Subordinated liabilities	12,348	2.2	12,599	2.3	-251	-2.0
Other deposits	33,078	6.0	32,372	5.8	706	2.2
of which designated at fair value (*)	*12,036*	*2.2*	*12,147*	*2.2*	*-111*	*-0.9*
Direct deposits from banking business	**549,325**	**100.0**	**555,565**	**100.0**	**-6,240**	**-1.1**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(*) Figures relating to investment certificates and other forms of funding included in the Balance sheet under “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. Specifically:
- as at 31 March 2022, this caption consisted of 8,188 million euro of certificates classified under “Financial liabilities held for trading” and 3,848 million euro of certificates (3,844 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- as at 31 December 2021, this caption consisted of 8,473 million euro of certificates classified under “Financial liabilities held for trading” and 3,674 million euro of certificates (3,670 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;

Quarterly development
Direct deposits from banking business
(millions of euro)



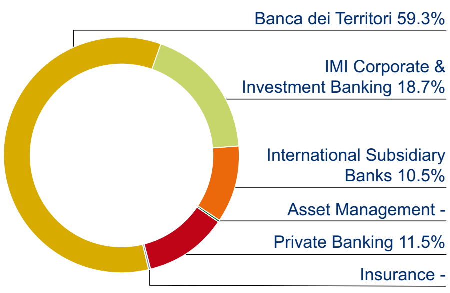
The Group's direct deposits from banking business came to 549 billion euro, down year to date (-1.1%, or -6.2 billion euro).
The change is mainly attributable to the decline in bond funding (-5.8 billion euro), owing to the maturity of securities not rolled over into other instruments, in the presence of abundant cash in deposits, which represents a less costly form of funding. The other components presented modest changes.
As at 31 March 2022, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented an estimated share of the domestic market of 22.3%. As described above with reference to loans, this estimate is based on the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	31.03.2022	31.12.2021	Changes	
			amount	%
Banca dei Territori	291,418	291,807	-389	-0.1
IMI Corporate & Investment Banking	91,797	94,844	-3,047	-3.2
International Subsidiary Banks	51,361	51,529	-168	-0.3
Private Banking	56,706	54,212	2,494	4.6
Asset Management	17	21	-4	-19.0
Insurance	-	-	-	-
Total business areas	**491,299**	**492,413**	**-1,114**	**-0.2**
Corporate Centre	58,026	63,152	-5,126	-8.1
Intesa Sanpaolo Group	**549,325**	**555,565**	**-6,240**	**-1.1**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Business areas
Direct deposits from banking business



In the analysis of funding by sector, the Banca dei Territori Division, which accounts for 59.3% of the aggregate attributable to the Group's operating companies, came in slightly below the levels of the beginning of the year (-0.1%, or 0.4 billion euro), in view of the trend in securities issued. The IMI Corporate & Investment Banking Division recorded a decline (-3.2%, or -3 billion euro), due mainly to the decrease in amounts due to international customers and financial institutions and the securities issued of the International Department. Conversely, Private Banking posted growth (+4.6%, or +2.5 billion euro). The performance of the funding of the International Subsidiary Banks Division (-0.3%) is primarily due to the subsidiaries operating in Egypt and Serbia.
The decrease in Corporate Centre funding is largely attributable to the reduction of the stock of wholesale securities.

Indirect customer deposits

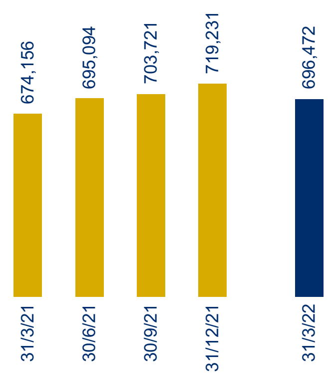
(millions of euro)

	31.03.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (a)	168,070	24.1	176,220	24.5	-8,150	-4.6
Open-ended pension funds and individual pension plans	12,126	1.7	12,585	1.8	-459	-3.6
Portfolio management	75,517	10.9	78,879	11.0	-3,362	-4.3
Technical reserves and financial liabilities of the insurance business	181,303	26.0	186,343	25.9	-5,040	-2.7
Relations with institutional customers	22,894	3.3	20,378	2.8	2,516	12.3
Assets under management	**459,910**	**66.0**	**474,405**	**66.0**	**-14,495**	**-3.1**
Assets under administration and in custody	**236,562**	**34.0**	**244,826**	**34.0**	**-8,264**	**-3.4**
Indirect customer deposits	**696,472**	**100.0**	**719,231**	**100.0**	**-22,759**	**-3.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) This caption does not include funds held by Group insurance companies and managed by the Group's asset management companies, whose values are included in the technical reserves, and the funds established by third parties and managed by Group companies, whose values are included in assets under administration and in custody.

Quarterly development
Indirect customer deposits
(millions of euro)



As at 31 March 2022 indirect customer deposits, exceeding 696 billion euro, were down by 3.2% year to date. This trend, conditioned by the negative financial market performance in the first quarter, affected both assets under management and assets under administration.
Assets under management, which at 460 billion euro accounted for two-thirds of the total aggregate, were down (-3.1%, or -14.5 billion euro), over half of which was attributable to mutual funds (-8.2 billion euro), technical reserves and financial liabilities of the insurance business (-5 billion euro), portfolio management schemes (-3.4 billion euro), open pension funds and individual pension policies (-0.5 billion euro). Relations with institutional customers grew (+2.5 billion euro). In the first three months of 2022, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 3.8 billion euro. Assets under administration also decreased (-3.4%, or -8.3 billion euro), concentrated in securities and third-party products in custody.

Net interbank position

As at 31 March 2022, net interbank position came to a negative balance of 21.7 billion euro, higher than the approximately 3 billion euro recorded at the beginning of the year. The change reflects a significant increase in amounts due to banks to over 180 billion euro (+9.1%), mainly due to repurchase agreements, and a reduction in loans to banks to 158.5 billion euro (-2.2%). Debt to the ECB for TLTRO operations remained unchanged on the end of 2021 at 132 billion euro.

INSURANCE BUSINESS
Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39

(millions of euro)

Type of financial instruments	Financial assets measured at fair value through profit or loss: Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39 (*)	
Debt securities issued by Governments							
31.03.2022	118	3,547	67,520	-	**71,185**	X	
31.12.2021	123	3,772	71,782	-	**75,677**	X	
Changes amount	-5	-225	-4,262	-	**-4,492**	X	
Changes %	-4.1	-6.0	-5.9	-	**-5.9**	X	
Other debt securities							
31.03.2022	628	990	15,915	-	**17,533**	X	
31.12.2021	668	1,021	16,758	-	**18,447**	X	
Changes amount	-40	-31	-843		**-914**	X	
Changes %	-6.0	-3.0	-5.0		**-5.0**	X	
Equities							
31.03.2022	-	3,330	2,149	-	**5,479**	X	
31.12.2021	-	3,510	2,262	-	**5,772**	X	
Changes amount	-	-180	-113	-	**-293**	X	
Changes %	-	-5.1	-5.0	-	**-5.1**	X	
Quotas of UCI							
31.03.2022	161	87,362	13,984	-	**101,507**	X	
31.12.2021	171	92,017	13,621	-	**105,809**	X	
Changes amount	-10	-4,655	363	-	**-4,302**	X	
Changes %	-5.8	-5.1	2.7	-	**-4.1**	X	
Due from banks and loans to customers							
31.03.2022	-	929	-	81	**1,010**	X	
31.12.2021	-	739	-	85	**824**	X	
Changes amount	-	190	-	-4	**186**	X	
Changes %	-	25.7	-	-4.7	**22.6**	X	
Due to banks							
31.03.2022	X	X	X	X	**X**	-643	(**)
31.12.2021	X	X	X	X	**X**	-623	(**)
Changes amount	X	X	X	X	**X**	20	
Changes %	X	X	X	X	**X**	3.2	
Financial derivatives							
31.03.2022	316	-	-	-	**316**	-101	(***)
31.12.2021	356	-	-	-	**356**	-103	(***)
Changes amount	-40	-	-	-	**-40**	-2	
Changes %	-11.2	-	-	-	**-11.2**	-1.9	
Credit derivatives							
31.03.2022	-	-	-	-	**-**	-	(***)
31.12.2021	-	-	-	-	**-**	-	(***)
Changes amount	-	-	-	-	**-**	-	
Changes %	-	-	-	-	**-**	-	
TOTAL 31.03.2022	**1,223**	**96,158**	**99,568**	**81**	**197,030**	**-744**	
TOTAL 31.12.2021	**1,318**	**101,059**	**104,423**	**85**	**206,885**	**-726**	
Changes amount	**-95**	**-4,901**	**-4,855**	**-4**	**-9,855**	**18**	
Changes %	**-7.2**	**-4.8**	**-4.6**	**-4.7**	**-4.8**	**2.5**	

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(*) This amount does not include "Financial liabilities of the insurance business designated at fair value" included in the table on direct deposits from insurance business.

(**) Value included in the Balance Sheet under “Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39".

(***) Value included in the Balance Sheet under “Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39".

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39, summarised in the table above, amounted to 197 billion euro and 744 million euro, respectively. Financial assets decreased year-to-date (-4.8%, or -9.9 billion euro) as a result of the downtrend in financial assets designated at fair value (-4.8%, or -4.9 billion euro), and in particular quotas of UCIs and financial assets available for sale (-4.6%, or -4.9 billion euro), markedly government debt securities and other debt securities. Financial assets held for trading and hedging derivatives also declined, although the contribution was modest in extent (-7.2%).

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.03.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**79,985**	**41.0**	**84,667**	**41.4**	**-4,682**	**-5.5**
Index-linked products	-	-	-	-	-	-
Unit-linked products	*79,985*	*41.0*	*84,667*	*41.4*	*-4,682*	*-5.5*
Technical reserves	**113,471**	**58.2**	**118,296**	**57.9**	**-4,825**	**-4.1**
Life business	111,721	57.3	116,540	57.0	-4,819	-4.1
Mathematical reserves	*98,518*	*50.6*	*99,110*	*48.5*	*-592*	*-0.6*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*9,034*	*4.6*	*9,217*	*4.5*	*-183*	*-2.0*
Other reserves	*4,169*	*2.1*	*8,213*	*4.0*	*-4,044*	*-49.2*
Non-life business	*1,750*	0.9	*1,756*	0.9	-6	-0.3
Other insurance deposits (***)	**1,637**	**0.8**	**1,516**	**0.7**	**121**	**8.0**
Direct deposits from insurance business and technical reserves	**195,093**	**100.0**	**204,479**	**100.0**	**-9,386**	**-4.6**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(*) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at fair value to IAS 39.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39. The caption includes subordinated liabilities.

Quarterly development
Direct deposits from insurance business and technical reserves
(millions of euro)

Direct deposits from insurance business exceeded 195 billion euro as at 31 March 2022, down (-4.6%, or -9.4 billion euro) compared to December 2021. The trend is attributable to both the decline in financial liabilities designated at fair value, consisting of unit-linked products (-5.5%, or -4.7 billion euro), and the decrease in technical reserves (-4.1%, or 4.8 billion euro), which represent amounts due to customers who have taken out traditional policies or policies with significant insurance risk, attributable to the life business, which make up almost all reserves. There was an increase in other insurance funding, which includes subordinated liabilities, up by 0.1 billion euro (+8%).

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 March 2022, assets held for sale amounted to 1.6 billion euro and the associated liabilities to 37 million euro. Assets held for sale at 31 March 2022 include mainly the non-performing loan portfolios and single-name exposures of Intesa Sanpaolo, which will be sold as part of the Group's de-risking strategies. Overall, non-performing loans allocated to assets held for sale amounted to 1.3 billion euro net of adjustments.

SHAREHOLDERS' EQUITY

As at 31 March 2022, the Group's shareholders' equity, including the net income for the period, came to 64,724 million euro compared to the 63,775 million euro at the beginning of the year. The growth is to be attributed to the equity instruments issued (+0.9 billion euro); the aggregate includes the 1,024 million euro of net income accrued in the first three months of the year.

The Group assigned net income of 4,185 million euro for the year 2021 to reserves, pending distribution in May 2022 of the remaining cash amount to shareholders, for a total payout ratio, including interim dividend and remaining amount, of 70% of 2021 consolidated net income.

Valuation reserves

(millions of euro)

	Reserve 31.12.2021	Change of the period	Reserve 31.03.2022
Financial assets designated at fair value through other comprehensive income (debt instruments)	-332	-330	-662
Financial assets designated at fair value through other comprehensive income (equities)	-147	-290	-437
Property and equipment	1,598	-19	1,579
Foreign investment hedges	-	-1	-1
Cash flow hedges	-607	64	-543
Foreign exchange differences	-1,088	-85	-1,173
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-77	30	-47
Actuarial profits (losses) on defined benefit pension plans	-417	12	-405
Portion of the valuation reserves connected with investments carried at equity	53	8	61
Legally-required revaluations	308	-	308
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-709**	**-611**	**-1,320**
Valuation reserves pertaining to insurance companies	**476**	**-356**	**120**

Bank valuation reserves were negative (-1,320 million euro) and worsening on 31 December 2021 (-709 million euro), primarily due to reserves on debt securities (-330 million euro), reserves on equity instruments (-290 million euro) and foreign exchange differences (-85 million euro). The valuation reserves of the insurance companies amounted to a positive 120 million euro, compared with 476 million euro at the end of 2021.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	31.03.2022 IFRS9 "Fully loaded"	31.03.2022 IFRS9 "Transitional"	31.12.2021 IFRS9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	44,874	45,629	47,247
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,248	7,248	6,264
TIER 1 CAPITAL	**52,122**	**52,877**	**53,511**
Tier 2 capital net of regulatory adjustments	9,206	8,459	8,941
TOTAL OWN FUNDS	**61,328**	**61,336**	**62,452**
Risk-weighted assets			
Credit and counterparty risks	290,081	289,653	288,691
Market and settlement risk	15,441	15,441	12,792
Operational risks	25,305	25,305	25,305
Other specific risks (a)	115	115	115
RISK-WEIGHTED ASSETS	**330,942**	**330,514**	**326,903**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.6%	13.8%	14.5%
Tier 1 capital ratio	15.7%	16.0%	16.4%
Total capital ratio	18.5%	18.6%	19.1%

(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own Funds, risk-weighted assets and the capital ratios as at 31 March 2022 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.
The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is “fully loaded” only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.
Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to comply with, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.

Own funds

As at 31 March 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 61,336 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 61,328 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a “fully-loaded” basis) take account of the provisions of the 2019 Budget Act calling for the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs have been considered at 75% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.
In addition, the Group has not yet adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category, both introduced by the European Commission in Regulation (EU) 2020/873 of 24 June 2020.
Own funds also take into account the applicable amount, subject to deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 2019/630 of 17 April 2019.

For the purposes of calculating own funds as at 31 March 2022 the net income for the first quarter was considered, less the related dividend, consistent with the payout ratio envisaged in the 2022-2025 Business Plan (70%) and other foreseeable charges.

Risk-weighted assets
As at 31 March 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 330,514 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, risk-weighted assets stood at 330,942 million euro.
Common Equity Tier 1 Capital and risk-weighted assets as at 31 March 2022 take account of the impact of the application of the “Danish Compromise” (Art. 49.1 of Regulation (EU) 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios
On the basis of the foregoing, solvency ratios as at 31 March 2022, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 13.8%, a Tier 1 ratio of 16.0% and a total capital ratio of 18.6%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 31 March 2022 were as follows: a Common Equity ratio of 13.6%, a Tier 1 ratio of 15.7% and a total capital ratio of 18.5%.
Finally, on 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB’s final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is currently 8.86% on a fully loaded basis, considering the countercyclical capital buffer requirements established to date by the competent national authorities for the various countries in which the Group is present.

Reconciliation of Shareholders’ equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.03.2022	31.12.2021
Group Shareholders' equity	64,724	63,775
Minority interests	260	291
Shareholders' equity as per the Balance Sheet	**64,984**	**64,066**
Interim dividend (a)	1,399	1,399
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,247	-6,263
- Minority interests eligible for inclusion in AT1	-1	-1
- Minority interests eligible for inclusion in T2	-1	-1
- Ineligible minority interests on full phase-in	-254	-286
- Ineligible net income for the period (b)	-760	-3,031
- Treasury shares included under regulatory adjustments	259	266
- Other ineligible components on full phase-in (c)	-3,097	-194
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**55,282**	**55,955**
Regulatory adjustments (including transitional adjustments) (d)	**-9,653**	**-8,708**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**45,629**	**47,247**

(a) The Shareholders’ Equity as per the Balance Sheet does not include the interim dividend paid on 24 November 2021 of 1,399 million euro (net of the amount not distributed in respect of own shares held at the record date, of around 2 million euro).

(b) Common Equity Tier 1 capital as at 31 March 2022 includes the net income as at that date, less the related dividend, calculated taking into account the payout envisaged in the 2022-2025 Business Plan (70% for 2022) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments net of tax).

(c) The amount as at 31 March 2022 primarily includes the dividend and the portion intended for charitable donations relating to 2021 net income, as approved by the Shareholders' Meeting on 29 April 2022.

(d) Adjustments for the transitional period as at 31 March 2022 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (25% in 2022) set to decrease progressively until 2022.

Breakdown of consolidated results by business area

The Intesa Sanpaolo Group organisational structure is based on six Business Units. In addition, there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.

(*) Includes the Group's Treasury and the NPE Head Office Department

The Intesa Sanpaolo Group's segment reporting is based on the elements that management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned in accordance with the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary and if they are material. The restatement on a like-for-like basis of the comparative figures – lacking new restatements during the first quarter of 2022 – was in line with the 2021 Financial Statements.
In particular, the restatement – as well as the allocation to the divisions, in the single Divisions of ISP, UBI Banca and the other entities of the former UBI Group, starting in the Half-yearly Report as at 30 June 2021 – regarded:

- the exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated - based on the "redetermined" figures approach described for the consolidated data - to the caption Income (loss) from discontinued operations of the Corporate Centre;
- the inclusion in the Insurance Division of the income statement and balance sheet results of Assicurazioni Vita[17] (formerly Aviva Vita), Lombarda Vita[18] and Cargeas (net of the effects attributable to the branches object of disposal, as indicated in the comments on the consolidated income statement results), which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of 100% of the capital;
- the inclusion in the Private Banking Division, of the income statement and balance sheet results of the Reyl Group, which entered the line-by-line scope of consolidation in the second quarter of 2021 due to the finalisation of the acquisition of the majority shareholding by Fideuram Intesa Sanpaolo Private Banking.

In addition, during 2021 a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2022 compared to the like-for-like comparison data, based on the "redetermined" figures approach described for the consolidated data.

The following itemised analysis of the business areas illustrates the income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated. RWAs were determined in accordance with the provisions in force (Circular 285) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended by Regulation (EU) 2019/876 of 20 May 2019, known as CRR II, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws. Absorbed capital also takes

[17] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.
[18] Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws. Absorbed capital also takes account of the regulatory changes introduced by the ECB with effect from 12 March 2020, allowing the Pillar 2 requirement to be met partially using equity instruments not classified as Common Equity Tier 1. For each Division, the absorbed capital is supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by the regulatory metric.

Summary figures by business area

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
31.03.2022	2,194	1,394	499	570	253	385	119	5,414
31.03.2021 (Redetermined figures)	2,226	1,412	468	601	301	383	99	5,490
% change	-1.4	-1.3	6.6	-5.2	-15.9	0.5	20.2	-1.4
Operating costs								
31.03.2022	-1,521	-318	-256	-215	-49	-84	-61	-2,504
31.03.2021 (Redetermined figures)	-1,593	-312	-250	-207	-51	-87	-87	-2,587
% change	-4.5	1.9	2.4	3.9	-3.9	-3.4	-29.9	-3.2
Operating margin								
31.03.2022	673	1,076	243	355	204	301	58	2,910
31.03.2021 (Redetermined figures)	633	1,100	218	394	250	296	12	2,903
% change	6.3	-2.2	11.5	-9.9	-18.4	1.7	-	0.2
Net income (loss)								
31.03.2022	528	168	35	245	145	201	-298	1,024
31.03.2021	218	721	104	395	172	225	-319	1,516
% change	-	-76.7	-66.3	-38.0	-15.7	-10.7	-6.6	-32.5

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
31.03.2022	253,602	150,851	38,706	13,700	430	-	11,077	468,366
31.12.2021	250,984	152,151	38,970	13,833	783	-	8,533	465,254
% change	1.0	-0.9	-0.7	-1.0	-45.1	-	29.8	0.7
Direct deposits from banking business								
31.03.2022	291,418	91,797	51,361	56,706	17	-	58,026	549,325
31.12.2021	291,807	94,844	51,529	54,212	21	-	63,152	555,565
% change	-0.1	-3.2	-0.3	4.6	-19.0	-	-8.1	-1.1
Risk-weighted assets								
31.03.2022	91,052	119,684	34,183	12,109	1,805	-	71,681	330,514
31.12.2021	94,336	112,204	34,403	11,617	1,836	-	72,507	326,903
% change	-3.5	6.7	-0.6	4.2	-1.7	-	-1.1	1.1
Absorbed capital								
31.03.2022	7,821	10,301	3,580	1,062	186	4,005	4,279	31,234
31.12.2021	8,103	9,641	3,596	1,006	196	4,137	4,013	30,692
% change	-3.5	6.8	-0.4	5.6	-5.1	-3.2	6.6	1.8

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	31.03.2022	31.03.2021	changes	
			amount	%
Net interest income	971	991	-20	-2.0
Net fee and commission income	1,190	1,199	-9	-0.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	30	29	1	3.4
Other operating income (expenses)	3	7	-4	-57.1
Operating income	**2,194**	**2,226**	**-32**	**-1.4**
Personnel expenses	-828	-876	-48	-5.5
Other administrative expenses	-692	-715	-23	-3.2
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-1,521**	**-1,593**	**-72**	**-4.5**
Operating margin	**673**	**633**	**40**	**6.3**
Net adjustments to loans	141	-285	426	-
Other net provisions and net impairment losses on other assets	-15	-17	-2	-11.8
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**799**	**331**	**468**	**-**
Taxes on income	-265	-109	156	-
Charges (net of tax) for integration and exit incentives	-2	-2	-	-
Effect of purchase price allocation (net of tax)	-3	-2	1	50.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-1	-	1	-
Net income (loss)	**528**	**218**	**310**	**-**

(millions of euro)

	31.03.2022	31.12.2021	changes	
			amount	%
Loans to customers	253,602	250,984	2,618	1.0
Direct deposits from banking business	291,418	291,807	-389	-0.1
Risk-weighted assets	91,052	94,336	-3,284	-3.5
Absorbed capital	7,821	8,103	-282	-3.5

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Banca dei Territori's operating income was 2,194 million euro in the first quarter of 2022, amounting to around 40% of the Group's consolidated operating income, showing a slight decrease (-1.4%) on the same period of the previous year.
In detail, net interest income decreased by 2%, mainly due to the de-risking activities carried out in 2021, which considerably reduced the stock of non-performing assets. Net fee and commission income also decreased (-0.8%), specifically that deriving from the assets under management and bancassurance segments, impacted by the unfavourable market context. Among the other revenue components, which however provide a marginal contribution to the Division's income, profits (losses) on financial assets and liabilities designated at fair value increased (+1 million euro), while other operating income decreased (-4 million euro). Operating costs, equal to 1,521 million euro, were down by 4.5%, thanks to significant savings on personnel expenses, mainly attributable to the reduction of the workforce following negotiated exits and the containment of administrative expenses, mainly relating to service costs in the real estate sector. As a result of the foregoing, the operating margin amounted to 673 million euro, up 6.3% on the same period of the previous year. Gross income came to 799 million euro, a sharp increase on the 331 million euro in the first three months of 2021, due to the release of generic adjustments carried out in 2020 for future impacts of COVID-19, mainly on performing positions subject to moratoria. Lastly, after allocation to the Division of taxes of 265 million euro, charges for integration of 2 million euro, the effects of purchase price allocation for 3 million euro and minority interests of 1 million euro, net income came to 528 million euro, 310 million euro higher than the same period of 2021.

In terms of quarterly performance, the operating margin increased on the fourth quarter of 2021, mainly due to the decrease in operating expenses. There was a positive trend in gross income, which benefited from the above-mentioned recoveries on loans, as well as in net income.

The balance sheet figures at the end of March 2022 showed slight growth in total intermediated volumes of loans and deposits from the beginning of the year (+0.4%). In detail, loans to customers, amounting to 253,602 million euro, reported an increase (+2.6 billion euro, equal to +1%), attributable to the positive trend in loans to businesses and individuals. Direct deposits from banking business, equal to 291,418 million euro, amounted to levels slightly down from the beginning of the year (-0.4 billion euro, equal to -0.1%) in relation to the trend in securities issued.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	31.03.2022	31.03.2021	changes	
			amount	%
Net interest income	475	563	-88	-15.6
Net fee and commission income	296	271	25	9.2
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	624	577	47	8.1
Other operating income (expenses)	-1	1	-2	-
Operating income	**1,394**	**1,412**	**-18**	**-1.3**
Personnel expenses	-115	-110	5	4.5
Other administrative expenses	-198	-197	1	0.5
Adjustments to property, equipment and intangible assets	-5	-5	-	-
Operating costs	**-318**	**-312**	**6**	**1.9**
Operating margin	**1,076**	**1,100**	**-24**	**-2.2**
Net adjustments to loans	-723	-66	657	-
Other net provisions and net impairment losses on other assets	-25	-3	22	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**328**	**1,031**	**-703**	**-68.2**
Taxes on income	-155	-325	-170	-52.3
Charges (net of tax) for integration and exit incentives	-5	-5	-	-
Effect of purchase price allocation (net of tax)	-	20	-20	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**168**	**721**	**-553**	**-76.7**

(millions of euro)

	31.03.2022	31.12.2021	changes	
			amount	%
Loans to customers	150,851	152,151	-1,300	-0.9
Direct deposits from banking business (a)	91,797	94,844	-3,047	-3.2
Risk-weighted assets	119,684	112,204	7,480	6.7
Absorbed capital	10,301	9,641	660	6.8

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

(a) The item includes certificates.

In the first quarter of 2022, the **IMI Corporate & Investment Banking Division** recorded operating income of 1,394 million euro (representing over 25% of the Group's consolidated total), down 1.3% compared to the same period of last year.
In detail, net interest income, equal to 475 million euro, decreased by 15.6%, due to the reduction in income on customer dealing and the decreased contribution of the Global Markets securities portfolio. Net fee and commission income, amounting to 296 million euro, increased by 9.2%, due to the performance of the commercial banking and structured finance segments. Profits (Losses) on financial assets and liabilities designated at fair value, equal to 624 million euro, demonstrated growth (+8.1%), benefiting mostly from higher income from derivatives transactions. Operating costs amounted to 318 million euro, an increase of 1.9%, essentially attributable to personnel expenses. As a result of the above revenue and cost trends, the operating margin decreased by 2.2% compared to the value recorded in the first quarter of last year, amounting to 1,076 million euro. Gross income, equal to 328 million euro, recorded a sharp decrease (-68.2%) due to the significant value adjustments posted in relation to the events regarding Russia and Ukraine. Finally, net income came to 168 million euro (-76.7%).

The IMI Corporate & Investment Banking Division saw significant growth in the operating margin in the first quarter of 2022 compared to the fourth quarter of 2021, due to higher revenue from financial assets and liabilities designated at fair value, which benefited from greater earnings from HTC securities, as well as lower operating costs. Conversely, gross income and net income were negatively impacted by the above-mentioned adjustments to loans.

The Division's intermediated volumes were down compared to the beginning of the year (-1.8%). In detail, loans to customers of 150,851 million euro decreased by 1.3 billion euro (-0.9%), mainly attributable to medium-/long-term loans for structured finance transactions as well as loans to international customers. Direct deposits from banking business of 91,797 million euro decreased by 3 billion euro (-3.2%) due to the decrease in amounts due to international customers and financial institutions and securities issued by the International Department.

International Subsidiary Banks

(millions of euro)

Income statement	31.03.2022	31.03.2021	changes	
			amount	%
Net interest income	342	323	19	5.9
Net fee and commission income	140	122	18	14.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	30	30	-	-
Other operating income (expenses)	-13	-7	6	85.7
Operating income	**499**	**468**	**31**	**6.6**
Personnel expenses	-134	-129	5	3.9
Other administrative expenses	-92	-92	-	-
Adjustments to property, equipment and intangible assets	-30	-29	1	3.4
Operating costs	**-256**	**-250**	**6**	**2.4**
Operating margin	**243**	**218**	**25**	**11.5**
Net adjustments to loans	-136	-47	89	-
Other net provisions and net impairment losses on other assets	-5	-7	-2	-28.6
Other income (expenses)	1	2	-1	-50.0
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**103**	**166**	**-63**	**-38.0**
Taxes on income	-49	-44	5	11.4
Charges (net of tax) for integration and exit incentives	-9	-9	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-10	-9	1	11.1
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**35**	**104**	**-69**	**-66.3**

(millions of euro)

	31.03.2022	31.12.2021	changes	
			amount	%
Loans to customers	38,706	38,970	-264	-0.7
Direct deposits from banking business	51,361	51,529	-168	-0.3
Risk-weighted assets	34,183	34,403	-220	-0.6
Absorbed capital	3,580	3,596	-16	-0.4

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The **International Subsidiary Banks Division** is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In the first quarter of 2022, the Division's operating income came to 499 million euro, up by 6.6% on the same period of the previous year (+6.1% at constant exchange rates). A detailed analysis shows that net interest income came to 342 million euro (+5.9%), mainly due to the favourable performance of CIB Bank (+19 million euro). Net fee and commission income, equal to 140 million euro, grew significantly (+14.8%), mainly due to PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+7 million euro), VUB Banka (+6 million euro) and Banca Intesa Beograd, including Intesa Leasing Beograd (+5 million euro). Among the other revenue components, net profits (losses) on financial assets and liabilities designated at fair value remained stable, while other operating costs increased (+6 million euro).
Operating costs of 256 million euro increased (+2.4%; +1.8% at constant exchange rates) mainly due to personnel expenses.
As a result of the above revenue and cost trends, the operating margin increased by 11.5%, amounting to 243 million euro. In contrast, gross income, equal to 103 million euro, decreased by 38%, due to higher adjustments to loans as a result of the events concerning Russia and Ukraine. The Division closed the first quarter of 2022 with net income of 35 million euro (-66.3%).

At quarterly level, the first three months of 2022 showed a positive trend in the operating margin compared to the fourth quarter of 2021, attributable to savings on operating costs, which at the end of the previous year were impacted by the usual seasonal effects. Gross income and net income amounted to lower values than those in the previous quarter, due to the above-mentioned adjustments to loans, which more than offset the lower net provisions and net impairment losses on other assets.

The Division's intermediated volumes at the end of March 2022 showed a slight decrease (-0.5%) on the beginning of the year, attributable to both the component of amounts due to customers of direct deposits from banking business (-0.3%) and loans to customers (-0.7%). The performance of deposits is mainly attributable to the subsidiaries operating in Egypt and Serbia while the performance of loans is attributable to the subsidiary active in Egypt.

Private Banking

(millions of euro)

Income statement	31.03.2022	31.03.2021	changes	
			amount	%
Net interest income	47	52	-5	-9.6
Net fee and commission income	509	522	-13	-2.5
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	11	20	-9	-45.0
Other operating income (expenses)	3	7	-4	-57.1
Operating income	**570**	**601**	**-31**	**-5.2**
Personnel expenses	-109	-110	-1	-0.9
Other administrative expenses	-87	-79	8	10.1
Adjustments to property, equipment and intangible assets	-19	-18	1	5.6
Operating costs	**-215**	**-207**	**8**	**3.9**
Operating margin	**355**	**394**	**-39**	**-9.9**
Net adjustments to loans	2	-	2	-
Other net provisions and net impairment losses on other assets	4	-7	11	-
Other income (expenses)	-	194	-194	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**361**	**581**	**-220**	**-37.9**
Taxes on income	-104	-181	-77	-42.5
Charges (net of tax) for integration and exit incentives	-8	-4	4	-
Effect of purchase price allocation (net of tax)	-5	-	5	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	1	-1	2	-
Net income (loss)	**245**	**395**	**-150**	**-38.0**

(millions of euro)

	31.03.2022	31.12.2021	changes	
			amount	%
Assets under management [(1)]	155,824	163,705	-7,881	-4.8
Risk-weighted assets	12,109	11,617	492	4.2
Absorbed capital	1,062	1,006	56	5.6

(1) Figures restated in line with consolidated reporting criteria of indirect customer deposits.

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The **Private Banking Division** serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services. The Division coordinates the operations of Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR, IW Private Investments SIM, SIREF Fiduciaria, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg) and the Swiss banking group Reyl (in Switzerland, the United Kingdom, Singapore, the United Arab Emirates and Malta). Moreover, with the goal of offering a large, dedicated range of products, availing of digital solutions that will be expanded over time, the new Direct Banking business unit was created to meet the needs of customers that wish to autonomously handle their investments and on-line trading.

In the first quarter of 2022, the Division achieved gross income of 361 million euro, down by 220 million euro (-37.9%) on the value of the first three months of 2021, which included the capital gain of 194 million euro realised on the sale of the business line related to the activities of Custodian Bank of Fideuram Bank (Luxembourg), recorded under Other income. The operating margin showed a downward trend (-39 million euro), attributable to the reduction in operating income (-31 million euro) and the increase in operating costs (+8 million euro), mainly attributable to administrative expenses. The trend in revenues is mainly attributable to the decrease in net fee and commission income (-13 million euro), specifically that deriving from assets under administration, profits (losses) on financial assets and liabilities designated at fair value (-9 million euro) and net interest income (-5 million euro). The Division closed the first quarter of 2022 with net income of 245 million euro, down by 38% on the same period of 2021.

The values of assets gathered have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 31 March 2022, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 276.6 billion euro (-11.4 billion euro since the beginning of the year). This trend was due to the market performance that had a negative effect on assets, only partially offset by positive net inflows. The assets under management component amounted to 155.8 billion euro (-7.9 billion euro).

Asset Management

(millions of euro)

Income statement	31.03.2022	31.03.2021	changes	
			amount	%
Net interest income	-	-	-	-
Net fee and commission income	241	286	-45	-15.7
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-5	-1	4	-
Other operating income (expenses)	17	16	1	6.3
Operating income	**253**	**301**	**-48**	**-15.9**
Personnel expenses	-23	-23	-	-
Other administrative expenses	-25	-26	-1	-3.8
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-49**	**-51**	**-2**	**-3.9**
Operating margin	**204**	**250**	**-46**	**-18.4**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**204**	**250**	**-46**	**-18.4**
Taxes on income	-57	-68	-11	-16.2
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-1	-	1	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-10	-10	-
Net income (loss)	**145**	**172**	**-27**	**-15.7**

(millions of euro)

	31.03.2022	31.12.2021	changes	
			amount	%
Assets under management	341,006	354,048	-13,042	-3.7
Risk-weighted assets	1,805	1,836	-31	-1.7
Absorbed capital	186	196	-10	-5.1

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The **Asset Management Division** pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital SGR and its subsidiaries.

Operating income in the first quarter of 2022, amounting to 253 million euro, decreased by 15.9% compared to the same period of the previous year, mainly attributable to the trend in net fee and commission income (-45 million euro), penalised by the unfavourable tone of the financial markets and, to a lesser extent, the negative contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested. Specifically, fee and commission income was impacted by the decrease in performance fees collected during the period, only partially offset by an increase in management fees related to the increase in assets managed. The performance of operating costs (-3.9%) is attributable to the reduction in administrative expenses, attributable to the effects of the synergies deriving from the integration with Pramerica finalised at the end of June 2021, and the amortisation of intangible assets and depreciation of property and equipment. As a result of the above revenue and cost trends, the operating margin came to 204 million euro, down 18.4% on the first three months of 2021. The Division closed the first quarter of 2022 with net income of 145 million euro (-15.7%).

As at 31 March 2022, assets managed by the Asset Management Division totalled 341 billion euro, down by 13 billion euro (-3.7%) compared to the end of December 2021. This trend is attributable to the impairment of assets managed relating to the negative performance of the markets, only partially offset by net inflows (+1.9 billion euro), attributable to mutual funds and portfolio management (+0.2 billion euro) and insurance/pension products and those targeted to institutional customers (+1.7 billion euro).

As at 31 March 2022, Eurizon Capital’s Italian market share of assets under management was 16.8% (gross of duplications). Excluding the closed-end funds segment, in which the company has a limited presence, the share of assets under management at the end of March rose to 17.4%.

Insurance

(millions of euro)

Income statement	31.03.2022	31.03.2021	changes amount	changes %
Net interest income	-	-	-	-
Net fee and commission income	-	-	-	-
Income from insurance business	388	386	2	0.5
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-3	-3	-	-
Operating income	**385**	**383**	**2**	**0.5**
Personnel expenses	-33	-34	-1	-2.9
Other administrative expenses	-46	-48	-2	-4.2
Adjustments to property, equipment and intangible assets	-5	-5	-	-
Operating costs	**-84**	**-87**	**-3**	**-3.4**
Operating margin	**301**	**296**	**5**	**1.7**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-7	-3	4	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**294**	**293**	**1**	**0.3**
Taxes on income	-73	-80	-7	-8.8
Charges (net of tax) for integration and exit incentives	-2	-1	1	-
Effect of purchase price allocation (net of tax)	-17	-5	12	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-1	18	-19	-
Net income (loss)	**201**	**225**	**-24**	**-10.7**

(millions of euro)

	31.03.2022	31.12.2021	changes amount	changes %
Direct deposits from insurance business (1)	195,093	204,481	-9,388	-4.6
Risk-weighted assets	-	-	-	-
Absorbed capital	4,005	4,137	-132	-3.2

(1) Including the subordinated securities issued by the companies.

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The **Insurance Division** includes Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute and Cargeas, with the mission of synergically developing the insurance product mix targeting Group customers. The scope of the Insurance Division also includes Intesa Sanpaolo Insurance Agency and Newco TPA.

In the first quarter of 2022, the Division reported income from insurance business of 388 million euro, up slightly (+0.5%, equal to +2 million euro) compared to the same period of 2021. This performance is attributable to the increase in the net investment result, comprised of operating income from investments, net of retrocession to policyholders, which offset the reduction in the technical margin. Gross income, equal to 294 million euro, was substantially stable (+0.3%) due to greater net provisions linked to the impairment of securities impacted by the worsening of the financial scenario as a result of the events regarding Russia and Ukraine, which offset the reduction in operating costs and the increase in operating income.
The cost/income ratio, at 21.8%, remained at very good levels, lower than those recorded in the first quarter of 2021.
Lastly, net income came to 201 million euro (-10.7%) after the attribution of taxes of 73 million euro, charges for integration and exit incentives of 2 million euro, effects of purchase price allocation for 17 million euro (up on the quarter of comparison due to the effects of the acquisition of the insurance companies of the former UBI Banca Group, not present as at March 2021) and minority interests for 1 million euro (in the first three months of 2021, the caption incorporated the generally agreed attribution of the net income of the insurance companies of the former UBI Group).

Direct deposits from insurance business, equal to 195,093 million euro, decreased (-4.6%, equal to -9.4 billion euro) on the beginning of the year, attributable to both financial liabilities designated at fair value, comprised of unit-linked products, and technical reserves, due to the impact of the international scenario on the financial markets.

The Division's collected premiums for life policies and pension products, equal to 3.9 billion euro, decreased by around 19.5% on the first three months of the previous year, attributable to unit-linked products (-23.3%), as a result of the uncertainty on the financial markets, and traditional products (-15.3%), in line with the strategy of focusing the offer on products with a lower capital impact. On the contrary, premiums on pension products increased (+2%).

Collected premiums for the protection business totalled 394 million euro, down by around 4% on the same period of 2021, restated to include Cargeas for a like-for-like comparison, as a result of a portfolio review for several business lines.

Corporate Centre

The Corporate Centre is responsible for guidance, coordination and control of the whole Group, as well as for the NPE Department, Treasury and Strategic ALM. The income statement figures for the Corporate Centre were redetermined also to take account of the revision of the criteria of allocation of costs and revenues to the Operating Divisions that occurred in 2021.

The Corporate Centre Departments generated an operating margin of 58 million euro in the first quarter of 2022, compared to 12 million euro in the same period of the previous year. That performance is attributable to both the growth in operating income, mainly attributable to the trend in net interest income, and the containment of operating costs, which resulted in a reduction, attributable to synergies on administrative expenses and savings on personnel expenses. Gross income amounted to 55 million euro compared to a loss of 39 million euro in the first three months of the previous year, which included higher net provisions. The first quarter of 2022 closed with a net loss of -298 million euro, compared to -319 million euro in the same period of the previous year. The income statement of the Corporate Centre includes almost all of the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management, essentially related to the resolution funds. These charges amounted - after tax - to 256 million euro, compared with 187 million euro in the first quarter of 2021.

Treasury services

The Group Treasury and Finance includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks (ALM) and settlement risks.

In the first quarter of 2022, Intesa Sanpaolo confirmed its systemic role as a “critical participant” in the ECB’s settlement systems, (T2 for cash and T2S for securities), confirming its market shares maintained in 2021.

Project activities continued in the first quarter, which are highly significant for 2022. More specifically: with regard to the new EBA Clearing system for settlement of SEPA credit transfers (“CGS” - July 2022), the software development phase was implemented, which was completed in April, to be followed by the testing & training period; as regards the launch of the new ECB cash and securities settlement system (“Target Services” - T2/T2S Consolidation), in this initial portion of the year, the User Acceptance Test phase was implemented in a testing environment, to be tested then in the production environment in September and planned to go-live in November; with regard to the ECMS (centralised collateral management system, last of the ECB’s Target Services), for which the project phases of impact assessment and functional requirement phases were completed, the software development has started, which will take most of 2022.

During the quarter, the concerns over the trend in inflation materialised, and were immediately exacerbated by the Russian invasion of Ukraine, the sanctions by Western countries on Russia and the resulting rise in all the prices of the main commodities (gas, oil and wheat, above all).
The annual inflation rate in Europe, which had already surprised central bankers with a figure of 5% at the end of 2021, saw initial estimates of around 7% at the end of March. In order to have the necessary flexibility, while respecting the announced sequence of the process of normalising interest rates, the ECB decided to terminate the asset purchase programme (APP) in the third quarter of 2022. Only subsequently can a possible increase in official rates be decided. The Pandemic Emergency Purchase Programme (PEPP) was terminated in March, as widely announced.

Interest rates rose sharply (the 1-year Euribor rose from -0.501% at the end of 2021 to -0.07% at the end of March 2022) as well as the cost curves of the Bank’s funds, though the credit spread did not substantially worsen. Intesa Sanpaolo maintained a solid liquidity position.

In the United States, as expected, the Fed launched a restrictive monetary policy phase. At the meeting in mid-March, for the first time since 2018, the cost of money was revised upwards by 25 bps, with new benchmark rates that are now in the range of 0.25-0.50%. The market has already prepared for the expectations of greater rises than the forecasts by the members of the Fed. At the end of March, futures prices incorporated an increase of 200 bps by the end of the year.

With reference to medium/long-term funding operations, the total amount of Group securities placed on the domestic market via its own networks and direct listings was around 1.3 billion euro. Among the securities placed, there was a prevalence (95%) of the component consisting of structured financial instruments, mainly comprised of index-linked structures. A breakdown by average maturity shows that 66% is comprised of instruments with maturities up to 5 years, 14% of 6- and 7-year securities, and the remaining 20% of 8- and 10-year securities.
During the period, institutional unsecured funding transactions were completed for a total of 1.043 billion euro, of which 1.018 billion euro through bond issues placed with institutional investors and 25 million euro through the issue of bonds and certificates by the IMI Corporate & Investment Banking Division placed with institutional investors.

In particular, in March a public operation targeted to international markets was carried out for 1 billion euro. This comprises fixed-rate subordinated AT1 instruments with a perpetual term, redeemable in advance by the issuer from 28 March 2028 onwards. Based on the contractual terms, payment of interest is at the issuer’s total discretion (though subject to several regulatory restrictions). Moreover, where the Common Equity Tier 1 (CET1) ratio of the Group or of Intesa Sanpaolo falls below 5.125%, the nominal value of the instruments will be temporarily reduced by the amount needed to restore the trigger level (5.125% of CET1), taking into account also the other instruments with similar characteristics.
Also in March, a private placement in JPY was carried out for a total value of 18 million euro.

In the first quarter of the year, under the UBI Finance CB1 issue programme, the 30th series was partially redeemed in January and February for a total amount of 300 million euro, reducing the nominal amount to zero.

As part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 10th series was partially redeemed in January for an amount of 100 million euro, bringing the remaining nominal amount to 150 million euro.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 17th series matured in January for an amount of 1 billion euro. Moreover, in February, the 28th series was issued for an amount of 1 billion euro. The security is a floating rate, 7-year security listed on the Luxembourg Stock Exchange with an Aa3 rating from Moody’s, was fully subscribed by the Parent Company and is eligible for the Eurosystem.
Lastly, in March, the subsidiary VUB Banka carried out an issue of covered bonds. These are fixed-rate securities for an amount of 500 million euro, with 5-year maturity.
For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: as at 31 March 2022 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to approximately 18.6 billion euro.
During the quarter, the expected attenuation of the effects of the pandemic gave way to the unexpected war in Eastern Europe. Despite the fact that the inflationary scenario inflamed by the acceleration of commodities prices continues to drive central banks to gradually reduce monetary stimulus measures, the credit markets maintained surprisingly low volatility. Portfolio turnover was aimed to reduce the core government component, which reached extremely high levels of spreads, below those of swap rates, while the Italy component was dynamically managed nearing the election of the President of the Republic. The non-government component maintained low exposure to the corporate market, due to the market uncertainties and the expected upcoming reduction in quantitative stimulus by the ECB.

With reference to the repo market, volumes of Italian government bonds traded increased significantly compared to the previous year and interest rates reached lower levels than the deposit facility.
The spread between the rates of the core countries and Italian government bonds remained more or less unchanged on 2021. The only exception was the expansion recorded on near the end of the quarter, significantly higher than that observed at the end of the first quarter of 2021.

Strategic ALM

With regard to the Group’s Asset & Liability Management (ALM), operational management of the financial risks of the Group’s banking book is carried out by Group Treasury and Finance under the supervision of the Chief Risk Officer Area. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve and the sensitivity of net interest income; moreover, specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group Financial Risk Committee - ALCO session, within the limits established by the Board of Directors: the Group Treasury & Finance structure actively supports the Committee’s decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed, based on the liquidity policies defined at Group level, by monitoring the current and future short and long-term liquidity balances, defining the funding plan on the various channels and instruments (domestic/international, retail/corporate, secured/unsecured, preferred/non preferred/subordinate), while observing the liquidity indicators (LCR, NSFR and the other RAF indicators) and the loan-deposit gap targets of the Business Units.

Risk management

THE BASIC PRINCIPLES OF RISK MANAGEMENT

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risks Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework.
The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.
The Corporate Bodies also benefit from the action of some managerial Committees on risk management. These Committees, which include the Steering Committee, operate in compliance with the primary responsibilities of the Corporate Bodies regarding the internal control system and the prerogatives of corporate control functions, and in particular the risk control function.
The Chief Risk Officer Governance Area, located directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the “second line of defence” of the internal control system that is separate and independent from the business supporting functions. This Area is responsible for: (i) governing the macro process of definition, approval, control and implementation of the Group’s Risk Appetite Framework with the support of the other corporate functions involved; (ii) assisting the Corporate Bodies in setting and implementing the Group’s risk management guidelines and policies, in accordance with the company’s strategies and objectives; (iii) coordinating and verifying their implementation by the responsible units of the Group, also within the various corporate areas; (iv) guaranteeing the measurement and control of the Group’s exposure to various types of risk and (v) implementing the II level controls on credit and other risks, in addition to ensuring the validation of internal risk measurement and management systems.
The Parent Company performs a guidance and coordination role with respect to the Group companies[19], aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the guidance and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.
Irrespective of the control model adopted within their company, the Corporate Bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.
The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, is a key measure for determining the Group’s financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

[19] In this regard, it is specified that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. or its subsidiaries pursuant to Articles 2497 *et seq.* of the Italian Civil Code.

THE BASEL 3 REGULATIONS

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.
With regard to credit risk, there were no changes with respect to the situation of December 2021.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension to the Italian subsidiaries originating from the UBI Group and the international subsidiaries (according to the Group's roll-out plan) continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.
With regard to counterparty risk, there were no changes in the scope of application compared to 31 December 2021.
With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. There were no changes in the scope of application compared to 31 December 2021.
The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in April 2022.
As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

THE IMPACTS FOR THE ISP GROUP OF THE MILITARY CONFLICT BETWEEN RUSSIA AND UKRAINE AND THE IMPACTS OF THE SCENARIO RESULTING FROM THE COVID-19 PANDEMIC

Valuation of exposures to Russian and Ukrainian counterparties

As stated, as at 31 March 2022 the Group presented the following on-balance sheet exposures to counterparties resident in Russia and Ukraine, net of ECA guarantees and gross of value adjustments carried out[20]:

(billions of euro)

	31.03.2022	
	Russia	**Ukraine**
Loans to customers	**4.44**	**0.22**
Banca Intesa Russia	*0.59*	*0.00*
Pravex Bank	*0.00*	*0.15*
Cross-border exposures	*3.85*	*0.07*
Due from banks	**0.39**	**0.05**
Banca Intesa Russia	*0.34*	*0.00*
Pravex Bank	*0.00*	*0.05*
Cross-border exposures	*0.05*	*0.00*
Securities	**0.12**	**0.05**
Banca Intesa Russia	*0.03*	*0.00*
Pravex Bank	*0.00*	*0.04*
IMI CIB Division	*0.03*	*0.00*
Insurance Division	*0.06*	*0.01*

On the whole, the Group allocated provisions for the impacts deriving from the conflict for a total of 822 million euro gross of the tax effect, deriving mainly from existing credit risk to customers, valued based on IFRS 9.
The analyses of the accounting standard and the related Annex show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[21], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (Covid-19[22]), using the management overlay in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
The Group thus decided to adopt a valuation approach strongly guided by the emerging geopolitical risk "via transfer", i.e. the risk that counterparties do not honour their commitments to pay debt following restrictions or decisions by their countries of

[20] In addition to the on-balance sheet exposures shown in the table, there are unsecured risks to customers for 0.2 billion euro at Banca Intesa Russia, 0.6 billion euro in cross border exposures to customers (net of ECA) and a total of 0.3 billion euro to banks. Moreover, exposures in OTC derivatives amount to 22 million euro in terms of fair value.

[21] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5 and IFRS 9 B5.5.18.

[22] IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

residence, not due to aspects directly pertaining to their business. That approach was followed both in order to determine the “Significant Increase in Credit Risk” (SICR), with classification in Stage 2 also due to the revision of the counterparties’ ratings and the consequent downgrading to classes with higher risk, and for the purposes of the ECL, by introducing the management overlay consisting of the application of loss rate estimated based on the risk of the country of residence and the introduction of a prudent margin for potential additional worsening of the counterparties’ creditworthiness.
The absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on prudent rationales. That approach was adopted on the entire portfolio of performing loans of Pravex (the bank substantially had no NPLs as at 31 December 2021) to which a specific management overlay was applied at ECL level, which resulted in lump-sum impairment that brought the coverage ratio to 60%.

Impacts from the COVID-19 pandemic
With regard to support to customers impacted by the pandemic, actions continued in line with the last few months of 2021. For more details in this regard, refer to that set out in the Financial Statements as at 31 December 2021 (Part E – Section 2. Risks of prudential consolidation – 1.1 Credit risk – Qualitative Information – Impacts from the COVID-19 pandemic).
In particular, the elements of vulnerability of the exposures subject to moratorium measures considered for the purposes of the Financial Statements as at 31 December 2021 (represented by both overlays incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) were revalued, still maintaining suitable prudence, but considering both the substantial normalisation of forbearance measures, now almost all expired, and the positive evidence from the set of exposures with resumption of payments that has already begun. The overlays incorporated into the satellite models, the parameters used to determine the effect of the reduction in default flows during the period of validity of the moratoria were re-estimated – also through internal observation of the spread between default rates of portfolios with and without moratoria - and transferred to subsequent periods. For extraordinary triggers for sliding into Stage 2, the same logic applied for the purposes of the Financial Statements as at 31 December 2021 was used, updating the scope of application, which shrank due to the reaching of the terms for resumption of payments (note that as at 31 March 2022, moratoria still outstanding came to 0.6 billion euro and moratoria terminated but whose terms of resumption of payment accrued in the subsequent months to 2.6 billion euro). At the same time, the worsening of the macroeconomic context triggered by the crisis was incorporated into the domestic portfolio, both by adopting an updated macroeconomic scenario (with a reduction to 3.0% of the expectations of growth in 2022 and to 1.6% in 2023) for the forward-looking conditioning of risk parameters which, in order to adequately take account of the indirect impacts of the conflict on macro sectors that are particularly exposed to the effect of lasting inflationary pressures on energy products and commodities, through additional management overlays with an increase in estimated default rates on the transport, manufacturing and households sectors compared to the results of the satellite models.
On the whole, those measures generated lower provisions for adjustments to loans of around 300 million euro.
With reference to the actions linked to pro-active credit management, in the first quarter of 2022, no specific evidence is to be noted regarding the moratoria portfolio, as the specific diagnostics launched on this portfolio which continued throughout 2021 in the area of the Credit Action Plan was closed at the end of the year. Throughout 2021, counterparties subject to moratoria were the subject of specific initiatives under the Action Plan to contain impairment, through the activation of actions on critical positions. Currently, no specific new initiatives are planned, also considering the impact of the significant past due amounts and new defaults that continue to remain low in the specific portfolio.

CREDIT RISK

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with regard to loans to customers, risk measurement is performed by means of different internal rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Italian Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a consistent scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.

Credit quality

(millions of euro)

Captions	31.03.2022			31.12.2021			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	7,264	-5,125	2,139	7,194	-5,064	2,130	9
Unlikely to pay	6,537	-2,335	4,202	7,281	-2,956	4,325	-123
Past due loans	568	-121	447	774	-152	622	-175
Non-Performing Loans	**14,369**	**-7,581**	**6,788**	**15,249**	**-8,172**	**7,077**	**-289**
Non-performing loans in Stage 3 (subject to impairment)	*14,318*	*-7,571*	*6,747*	*15,202*	*-8,164*	*7,038*	*-291*
Non-performing loans designated at fair value through profit or loss	*51*	*-10*	*41*	*47*	*-8*	*39*	*2*
Performing loans	**457,131**	**-2,734**	**454,397**	**453,596**	**-2,453**	**451,143**	**3,254**
Stage 2	*52,072*	*-2,000*	*50,072*	*56,129*	*-1,740*	*54,389*	*-4,317*
Stage 1	*404,027*	*-734*	*403,293*	*396,468*	*-713*	*395,755*	*7,538*
Performing loans designated at fair value through profit or loss	1,032	-	*1,032*	*999*	-	*999*	*33*
Performing loans represented by securities	**7,171**	**-28**	**7,143**	**7,039**	**-24**	**7,015**	**128**
Stage 2	*952*	*-21*	*931*	*882*	*-17*	*865*	*66*
Stage 1	*6,219*	*-7*	*6,212*	*6,157*	*-7*	*6,150*	*62*
Loans held for trading	**38**	**-**	**38**	**19**	**-**	**19**	**19**
Total loans to customers	**478,709**	**-10,343**	**468,366**	**475,903**	**-10,649**	**465,254**	**3,112**
of which forborne performing	***8,336***	***-450***	***7,886***	***8,616***	***-513***	***8,103***	***-217***
of which forborne non-performing	***4,645***	***-2,039***	***2,606***	***4,568***	***-1,924***	***2,644***	***-38***
Loans to customers classified as non-current assets held for sale (*)	**5,323**	**-3,998**	**1,325**	**4,504**	**-3,298**	**1,206**	**119**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(*) As at 31 March 2022 and 31 December 2021, this item related to the portfolios, or single name exposures, of loans classified as bad loans and unlikely to pay to be sold.

At 31 March 2022, the Group's gross non-performing loans had fallen to 14.4 billion euro, a decrease of 880 million euro (-5.8%) compared to December. Their weight thus decreased to 3% from 3.20% at the end of 2021 (2.3% and 2.4% in March 2022 and December 2021, respectively, according to the EBA definition).
That development was possible also as a result of the favourable trend of new inflows of performing loans: during the first three months, gross inflows came to 0.7 billion euro, down on the 1.1 billion euro in the fourth quarter of 2021, but up on the 0.6 billion euro in the first quarter of 2021. In net terms, that is, net of the outflows to performing loans, inflows came to 0.4 billion euro, almost halved on the 0.8 billion euro in the last part of 2021 but in line with the initial months of 2021.
As can be seen in the table, the downturn in the aggregate comprised 744 million euro (-10.2%) in unlikely-to-pay exposures in relation to the de-risking initiatives implemented during the period, which are described in the opening chapter "The first quarter of 2022". As a result, and also in relation to the period-end valuation effects, in March 2022, non-performing loans classified under assets held for sale rose to 5.3 billion euro gross and 1.3 billion euro net.

At the end of the first quarter of 2022, the Group's net non-performing loans totalled 6.8 billion euro, an all-time low. The reduction from the beginning of the year (-4.1%) confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 1.4% (1.1% according to the EBA definition), a low proportion and further improving (1.5% recorded in December 2021, 1.2% according to the EBA definition), with a coverage ratio for non-performing loans of 52.8%.

In further detail, at the end of March 2022, bad loans came to 2.1 billion euro (+0.4%), net of adjustments, and represented 0.4% of total net loans and a coverage ratio of 70.6%. Loans included in the unlikely-to-pay category amounted to 4.2 billion euro, down by 2.8%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 35.7%. Past due loans amounted to 447 million euro (-28.1%), with a coverage ratio of 21.3%.
Performing loans of 50.1 billion euro are classified in Stage 2, with a decrease of 4.3 billion euro on 31 December 2021, due to the return to Stage 1 following the recalibration of the overlays on moratoria and on extraordinary triggers, on one hand, and the reclassification of exposures to Russian counterparties in Stage 2, on the other.
Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2.6 billion euro, with a coverage ratio of 43.9%, while forborne exposures in the performing loans category amounted to 7.9 billion euro.
The coverage ratio of performing loans rose to 0.6%, also in relation to the provision allocated during the quarter for the Russia-Ukraine conflict: the coverage of loans in Stage 1 was stable at 0.2%, with loans in Stage 2 growing to 3.8%.

Impacts from the COVID-19 pandemic
The impacts of the pandemic on credit risk were covered in the previous section, to which reference is made.
With regard to counterparty risk, during the first quarter of 2022, there were no changes in the risk metrics attributable to the context resulting from the COVID-19 pandemic. Reference is made to the description provided in the specific section of the Financial Statements as at 31 December 2021.

MARKET RISKS

TRADING BOOK

Below is a summary of the daily managerial VaR for the trading book only, which also shows the overall exposure of the main risk taking centres.

Daily managerial VaR of the trading book

(millions of euro)

	2022			2021			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	**21.4**	**15.4**	**28.0**	**19.9**	**20.4**	**25.8**	**41.3**
of which: Group Treasury and Finance Department	*3.8*	*2.4*	*5.2*	*2.7*	*2.6*	*2.8*	*3.2*
of which: IMI C&IB Division	*17.5*	*13.9*	*23.2*	*19.1*	*20.5*	*25.9*	*38.1*

Each line in the table sets out past estimates of daily VaR calculated on the histrorical quarterly time-series of the Intesa Sanpaolo Group (including other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively; minimum and maximum values for the overall perimeter are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

During the first quarter of 2022, as shown in table above, there was a substantial stability in the overall trading risks compared to the averages for the fourth quarter of 2021 (21.4 million euro in the first quarter of 2022 and 19.9 million euro in the fourth quarter of 2021) and, more generally, a reduction compared to the averages of the first and second quarters of 2021. These reductions are mainly attributable to the scenario “rolling effect” due to the lower market volatility following the exceptional market shocks related to the spread of the COVID-19 pandemic.
The effect described above, i.e. the reduction due to the scenario rolling effect, was sharper if the first quarter of 2022 is compared with the first quarter of 2021 (21.4 million euro in the first quarter of 2022 compared with 41.3 million euro in the first quarter of 2021).

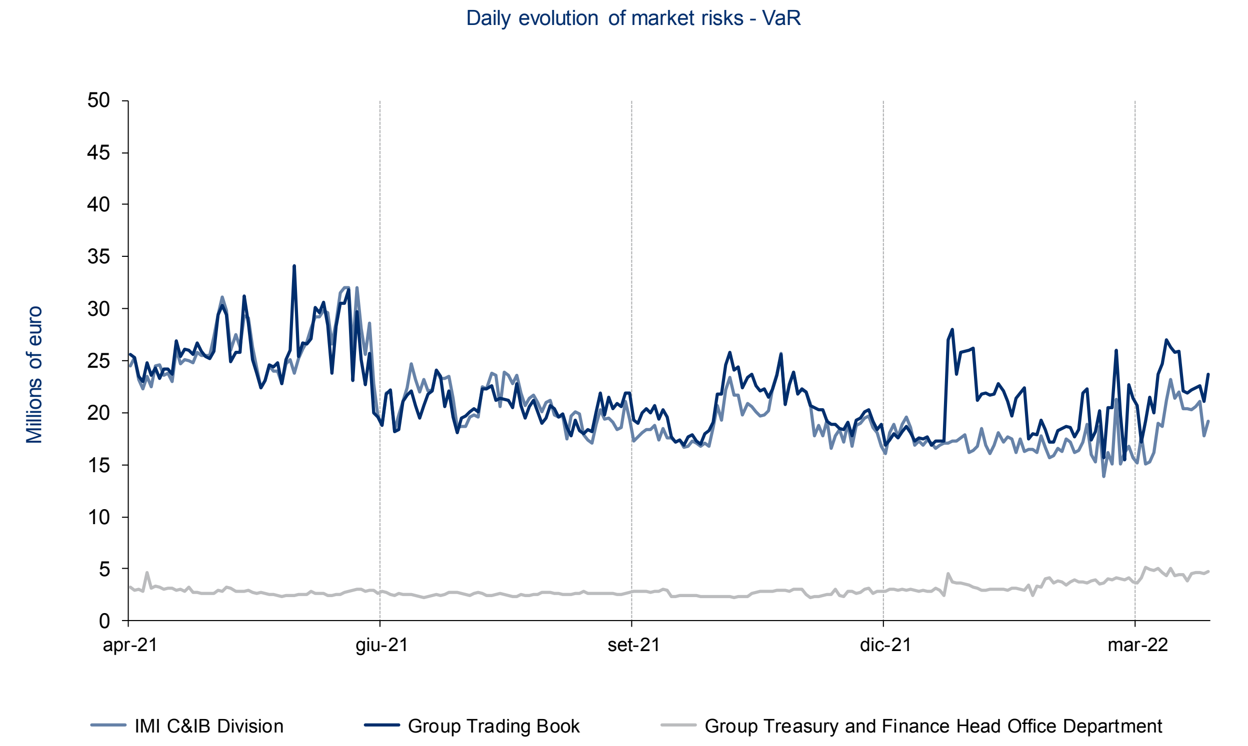
(millions of euro)

	2022			2021		
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 1st quarter	minimum 1st quarter	maximum 1st quarter
Total GroupTrading Book (a)	**21.4**	**15.4**	**28.0**	**41.3**	**27.9**	**57.8**
of which: Group Treasury and Finance Department	*3.8*	*2.4*	*5.2*	*3.2*	*2.4*	*5.6*
of which: IMI C&IB Division	*17.5*	*13.9*	*23.2*	*38.1*	*26.3*	*51.9*

Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first three months of the Intesa Sanpaolo Group (including other subsidiaries), the year respectively of the Group Treasury and Finance Department and the IMI C&IB Division; minimum and maximum values for the overall perimeter are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

With regard to the trend in the trading VaR during the first quarter of 2022, the change was mainly due to the IMI C&IB Division. The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the first quarter of 2022 shows a prevalence of credit spread risk and interest rate risk, accounting for 37% and 20%, respectively, of the total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (50% and 38%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (40% and 20%, respectively).

Contribution of risk factors to total managerial VaR[(a)]

1st quarter 2022	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	5%	38%	7%	50%	0%	0%
IMI C&IB Division	14%	20%	40%	3%	19%	4%
Total	**12%**	**20%**	**37%**	**11%**	**16%**	**4%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the first quarter of 2022, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

Risk control with regard to the activity of the Intesa Sanpaolo Group also uses scenario analyses and stress tests. The impact of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of March is summarised in the following table:

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish
Total Trading Book	103	15	-13	10	4	1	18	-4	-10	4

Specifically:
- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases;
- for positions in interest rates, there would be potential losses of 13 million euro in the event of a rise in interest rates;
- for positions in credit spreads, there would not be potential losses either in the case of widening or tightening of credit spreads by 25 bps;
- for positions in exchange rates, there would be potential losses of 4 million euro in the event of appreciation in the Euro of 5% against the other currencies;
- finally, for positions in commodities, there would be a loss of 10 million euro in the event of a fall in prices of commodities other than precious metals.

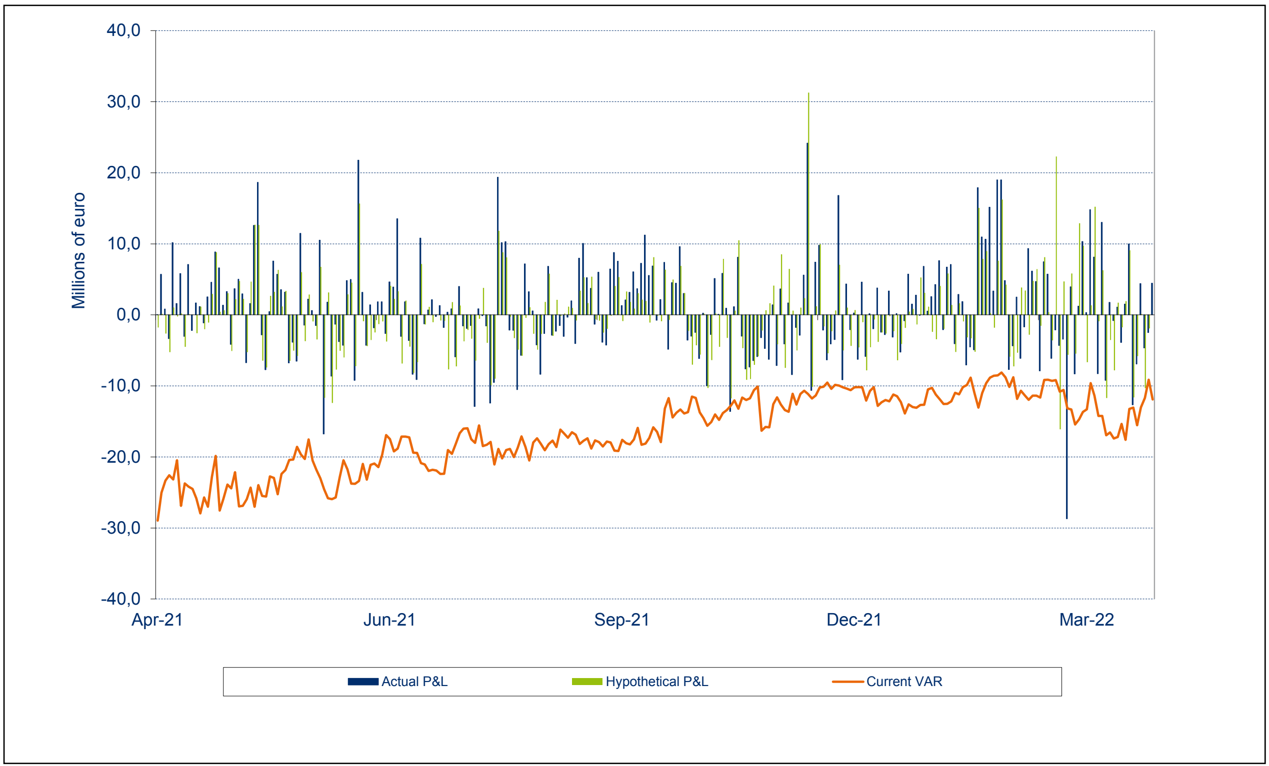
With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an increase in market managerial VaR in the first quarter from 139 million euro (average managerial VaR fourth quarter of 2021) to 196 million euro (average managerial VaR first quarter of 2022). The increase in average managerial VaR is mainly attributable to the entry of new volatility scenarios at the tail of the distribution as a result of the evolution of the financial variables during the first quarter of 2022, primarily influenced by the changes in expectations on the potential actions to reduce monetary stimulus by central banks.

Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting: these include, for example, fees and financial costs of managing the positions that are regularly reported within the managerial area.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the internal model are represented by situations in which daily profits/losses based on backtesting highlight more than four occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual and hypothetical P&L series.

During the last year the regulatory VaR measure for the Intesa Sanpaolo Group was sufficiently conservative, recording only two backtesting exceptions[23].
In the first quarter of 2022, on 25 February there was one Hypothetical P&L exception and on 1 March one Actual P&L exception. Neither of these is due to portfolio changes, but to the peak of volatility on the markets due to the Ukraine crisis.



[23] In the last 250 observations, the Bank recorded two Actual P&L exceptions and one Hypothetical P&L exception. For the total calculation, as per the reference regulations, the maximum between Actual P&L and Hypothetical P&L exceptions are counted. Accordingly, there were two backtesting exceptions in the last year.

Impacts from the COVID-19 pandemic

With regard to managerial and regulatory market risks, during the first quarter of 2022, there were no changes in the risk metrics attributable to the context resulting from the COVID-19 pandemic. Reference is made to the description provided in the specific section of the Financial Statements as at 31 December 2021.

BANKING BOOK

At the end of March 2022, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, amounted to -1,810 million euro.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 920 million euro, -782 million euro and 1,622 million euro, respectively, at the end of March 2022.
Interest rate risk, measured in terms of VaR, recorded a value of 546 million euro at the end of March 2022.
Price risk generated by minority stakes in listed companies, mostly held in the HTCS (Held to Collect and Sell) category, amounted to 166 million euro at the end of March 2022.

The table below shows the changes in the main risk measures during the first quarter of 2022, with regard to the Group's banking book.

(millions of euro)

	1st quarter 2022			31.03.2022	31.12.2021
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,969	-1,810	-2,134	-1,810	-1,756
Shift Sensitivity of Net Interest Income -50bp	-808	-768	-875	-782	-880
Shift Sensitivity of Net Interest Income +50bp	985	920	1,105	920	962
Shift Sensitivity of Net Interest Income +100bp	1,810	1,622	2,094	1,622	1,847
Value at Risk - Interest Rate	551	546	559	546	509

Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the HTCS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 31.03.2022	Impact on shareholders' equity at 31.12.2021
Price shock	-10%	-166	-177
Price shock	10%	166	177

Impacts from the COVID-19 pandemic

With regard to interest rate risk generated by the banking book of the Intesa Sanpaolo Group, during the first quarter of 2022, there were no changes in the risk measures attributable to the context resulting from the COVID-19 pandemic. Reference is made to the description provided in the specific section of the Financial Statements as at 31 December 2021.

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LIQUIDITY RISK

The Group's liquidity position, which continues to be supported by suitable high-quality liquid assets (HQLA) and the significant contribution from stable customer deposits, remained largely within the risk limits set out in the current Group Liquidity Policy in the first quarter of 2022. The levels of both regulatory indicators, LCR and NSFR, were above the minimum regulatory requirements.
Over the last 12 months, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, has amounted to an average of 191.1%.
At the end of March 2022, the value of unencumbered HQLA reserves, at the various Treasury Departments of the Group, reached a total of 184 billion euro (187 billion euro in December 2021). Including the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group's unencumbered liquidity reserves amounted to 189 billion euro (192 billion euro in December 2021).
At 31 March 2022, the Intesa Sanpaolo Group's NSFR, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB, was 128.3%. This indicator remains significantly higher than 100%, even excluding the positive contribution from TLTRO funding.
The stress tests, in view of the high availability of liquidity reserves, yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period longer than 3 months.
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the main risk factors. All the necessary preventive management and control measures implemented from the outset of the COVID-19 emergency remain in place to detect any signs of potential exacerbation of liquidity conditions.

Impacts from the COVID-19 pandemic
With regard to liquidity risk of the Intesa Sanpaolo Group, during the first quarter of 2022, there were no changes in the risk measures attributable to the context resulting from the COVID-19 pandemic. Reference is made to the description provided in the specific section of the Financial Statements as at 31 December 2021.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy – Excluding insurance companies

(millions of euro)

Assets / liabilities at fair value	31.03.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	24,142	26,439	3,429	24,263	25,082	3,386
a) Financial assets held for trading	22,412	25,690	140	22,615	24,379	187
of which: Equities	*793*	*-*	*20*	*674*	*-*	*17*
of which: quotas of UCI	*142*	*-*	*25*	*116*	*-*	*25*
b) Financial assets designated at fair value	-	1	3	1	3	-
c) Other financial assets mandatorily designated at fair value	1,730	748	3,286	1,647	700	3,199
of which: Equities	*147*	*109*	*225*	*-*	*-*	*-*
of which: quotas of UCI	*1,583*	*148*	*2,287*	*1,486*	*149*	*2,166*
2. Financial assets designated at fair value through other comprehensive income	58,005	7,811	445	59,084	8,004	492
of which: Equities	*1,438*	*575*	*393*	*1,537*	*1,314*	*421*
3. Hedging derivatives	-	4,665	-	-	1,732	-
4. Property and equipment	-	-	7,299	-	-	7,364
5. Intangible assets	-	-	-	-	-	-
Total	**82,147**	**38,915**	**11,173**	**83,347**	**34,818**	**11,242**
1. Financial liabilities held for trading	24,386	34,086	254	22,241	33,946	119
2. Financial liabilities designated at fair value	-	3,823	25	6	3,642	26
3. Hedging derivatives	-	5,205	-	-	4,868	-
Total	**24,386**	**43,114**	**279**	**22,247**	**42,456**	**145**

The Group's assets measured at fair value (excluding the insurance companies) primarily consisted of level 1 instruments (around 62% of the total assets measured at fair value as at 31 March 2022 compared to 64% in December 2021), measured using market prices and therefore without any discretion by the valuator.
Under Assets, level 3 instruments, which are subject to greater discretion in determining fair value, represent a small portion of the total portfolio of Assets, a percentage of 8.4% (8.7% as at 31 December 2021). These include property and equipment measured at level 3 fair value referring to real estate assets and valuable art assets, which represent 65% of total financial statements assets with level 3 fair value.
The majority of level 3 financial assets is represented by quotas of UCIs, of which 309 million euro is represented by units of the Atlante Fund and the Italian Recovery Fund put in place as part of the regulations to support the banking system.
For the level 2 assets, there was an increase in the percentage of total assets measured at fair value compared to December 2021 (which rose from 26.9% to 29.4%). That increase is mainly attributable to hedging derivatives, as a result of the increase in interest rates on outstanding positions and the increase in volumes.
As far as liabilities are concerned, level 3 instruments account for less than 1% of total liabilities.

Fair value hierarchy – Insurance companies

(millions of euro)

Assets / liabilities at fair value	31.03.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	350	228	443	344	293	390
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	*113*	-	*48*	*122*	-	*49*
2. Financial assets designated at fair value through profit or loss	95,607	20	531	100,515	143	401
of which: Equities	*3,330*	-	-	*3,510*	-	-
of which: quotas of UCI	*87,362*	-	-	*91,908*	*109*	-
3. Financial assets available for sale	88,594	6,596	4,378	93,910	6,305	4,208
of which: Equities	*2,086*	*7*	*56*	*2,201*	*7*	*54*
of which: quotas of UCI	*10,010*	-	*3,974*	*9,879*	-	*3,742*
4. Hedging derivatives	-	202	-	-	291	-
5. Property and equipment	-	-	7	-	-	8
6. Intangible assets	-	-	-	-	-	-
Total	**184,551**	**7,046**	**5,359**	**194,769**	**7,032**	**5,007**
1. Financial liabilities held for trading	12	53	36	-	42	61
2. Financial liabilities designated at fair value through profit or loss	-	79,985	-	-	84,667	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**12**	**80,038**	**36**	**-**	**84,709**	**61**

For the insurance companies, 93.7% of the financial assets measured at fair value were measured using market prices and therefore without any discretion by the valuator.
Level 3 assets, which are subject to greater discretion in determining fair value, made up 2.7% of the total assets measured at fair value as at 31 March 2022, compared to 2.4% in December 2021.
Liabilities at fair value were almost entirely measured using level 2 inputs.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 3,772 million euro as at 31 March 2022, showing a net increase of 151 million euro compared to 3,621 million euro as at 31 December 2021. The exposure includes investments in ABSs (Asset-Backed Securities) of 1,934 million euro, in CLOs (Collateralised Loan Obligations) of 1,761 million euro and in CDOs (Collateralised Debt Obligations) of 77 million euro, which was confirmed as a marginal activity also in the first quarter 2022.

(millions of euro)

Accounting categories	31.03.2022				31.12.2021	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	541	637	-	**1,178**	**1,049**	129	12.3
Financial assets mandatorily measured at fair value	-	3	-	**3**	**3**	-	-
Financial assets measured at fair value through other comprehensive income	796	917	-	**1,713**	**1,701**	12	0.7
Financial assets measured at amortised cost	424	377	77	**878**	**868**	10	1.2
Total	**1,761**	**1,934**	**77**	**3,772**	**3,621**	**151**	**4.2**

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).
The strategy for transactions in structured credit products shows a prevalence of investments aimed at exploiting market opportunities over disposals of the portfolio during the period.
The exposure in ABSs and CLOs measured at fair value went from 2,753 million euro in December 2021 to 2,894 million euro in March 2022, a net increase of 141 million euro, mainly attributable to operations on positions of the IMI Corporate & Investment Banking Division, in the assets held for trading portfolio and, to a lesser extent, in the assets measured at fair value through other comprehensive income portfolio.
The exposure to debt securities classified as assets measured at amortised cost amounted to 878 million euro at the end of March 2022, compared with an exposure of 868 million euro in December 2021 (+10 million euro).
From the perspective of the income statement, as at 31 March 2022 a net loss of -4 million euro was recorded, which was impacted by the geopolitical tensions, for which, in the first two months of the year, liquidity decreased on the reference markets and the credit spread rose (in the first three months of 2021 the impact on the income statement was +3 million euro).
The loss on trading – caption 80 of the income statement – amounts to -4 million euro and relates to the exposures in ABSs and CLOs, mainly the result of valuation effects of -5 million euro and realised gains of +1 million euro (impact on the income statement as at 31 March 2021 of +5 million euro, of which +3 million euro relating to the valuation component and +2 million euro to gains on disposal).
The profits (losses) from financial assets mandatorily measured at fair value were confirmed as nil, as in the first three months of 2021.
The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a decrease in fair value of -6 million euro in the first quarter of 2022 through a shareholders' equity reserve (from a reserve of -1 million euro in December 2021 to -7 million euro in March 2022); in addition, impacts from sales from the portfolio amounted to -1 million euro (nil as at 31 March 2021).
The result recognised on the debt securities classified as assets measured at amortised cost was +1 million euro as at 31 March 2022, essentially attributable to valuation components, compared to -2 million euro in the first three months of 2021.

(millions of euro)

Income statement results broken down by accounting category	31.03.2022				31.03.2021	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	-3	-1	-	**-4**	**5**	-9	
Financial assets mandatorily measured at fair value	-	-	-	**-**	**-**	-	-
Financial assets measured at fair value through other comprehensive income	-	-1	-	**-1**	**-**	1	-
Financial assets measured at amortised cost	-	1	-	**1**	**-2**	3	
Total	**-3**	**-1**	**-**	**-4**	**3**	**-7**	

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities (SPEs).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases, the sponsor may be the Bank itself, which establishes a SPE to achieve one of the aims above mentioned.
SPE categories are non-consolidated structured entities, and no changes in criteria were made compared to the information provided in 2021 Annual Report.
In the first quarter of the year, under the UBI Finance CB1 issue programme, the 30th series was partially redeemed in January and February for a total amount of 300 million euro, reducing the nominal amount to zero.
As part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 10th series was partially redeemed in January for an amount of 100 million euro, bringing the remaining nominal amount to 150 million euro.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 17th series matured in January for an amount of 1 billion euro. Moreover, in February, the 28th series was issued for an amount of 1 billion euro. The security is a floating rate, 7-year security listed on the Luxembourg Stock Exchange with an Aa3 rating from Moody's, was fully subscribed by the Parent Company and is eligible for the Eurosystem.

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all the significant entities subject to direct supervision by the ECB. The stated purpose of the guidance is to strengthen company controls over "leveraged" transactions, in view of the global increase in leveraged finance activities and the highly competitive market, characterised by a prolonged period of very low interest rates and the ensuing search for yields.
The scope of the ECB Guidance includes exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit, such as trade finance transactions, are also excluded.
As at 31 March 2022, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to approximately 34.9 billion euro, relating to 2,373 credit lines (35.3 billion euro as at 31 December 2021).
In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite a specific limit for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank's risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company's hedge fund portfolio as at 31 March 2022 amounted to 46 million euro for the trading book and 199 million euro for the banking book, compared to 27 million euro and 200 million euro respectively as at 31 December 2021. The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment in Transferable Securities) funds.
In the first quarter of 2022, stocks increased by 18 million euro on 31 December 2021, due to new investments made in the trading segment.
In terms of the income statement effects, as at 31 March 2022, overall income was recorded for +3 million euro, referring to the valuation of funds held in portfolio among financial assets held for trading, compared to an overall impact of +5 million euro in the first three months of 2021 (-4 million euro from financial assets held for trading and +9 million euro from financial assets mandatorily measured at fair value).
In the Intesa Sanpaolo Group, as at 31 March 2022 the portfolio of Eurizon Capital SGR also includes hedge funds for 52 million euro, with an impact on the income statement of -1 million euro in the first quarter of the year. Hedge funds are held according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 March 2022, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 5,459 million euro (6,917 million euro as at 31 December 2021). The notional value of these derivatives totalled 44,665 million euro (64,254 million euro as at 31 December 2021).
The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 3,502 million euro (4,416 million euro as at 31 December 2021).
Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 3,564 million euro as at 31 March 2022 (2,192 million euro as at

31 December 2021). The notional value of these derivatives totalled 61,168 million euro (34,378 million euro as at 31 December 2021).
The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 31 March 2022, this led to a positive effect of 33 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the Part A – Accounting policies the Notes to the consolidated financial statements for 2021.

OPERATIONAL RISK

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[24].
The Intesa Sanpaolo Group has long defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
To determine its capital requirements, the Group uses a combination of the methods allowed under applicable regulations (advanced measurement approach partially used along with the standardised approach and basic indicator approach). The capital absorption resulting from this process amounted to 2,024 million euro as at 31 March 2022, unchanged compared to 31 December 2021.

Impacts from the COVID-19 pandemic
With regard to operational risks concerning the first quarter of 2022, there are no specific updates to report, and readers are referred to the description provided in the relevant section of the Annual Report as at 31 December 2021.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
For the main pending disputes, the significant developments in the quarter are described below. For previous disputes and a detailed illustration of significant individual disputes, see the Notes to the 2021 Annual Report of the Intesa Sanpaolo Group.

Disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation
Within the proceedings before the Constitutional Court, which originated from the referral order of 20 July 2021 in which the Court of Florence submitted the question of the constitutionality of Law Decree 99/2017, the Court initially set the hearing for 5 July 2022 and then postponed it to 4 October 2022. By 14 September, the bank can file a brief to provide further evidence and arguments for the oral hearing before the Court.
With regard to the Excluded Disputes, the Court of Cassation has issued its first ruling (Order no. 9945 of 28 March 2022). The Court upheld the objection of lack of capacity to be sued raised by the Bank in a litigation concerning a loan already classified as "non-performing" at the date of the transfer and therefore not included in the Aggregate Set. The case had been brought, prior to the transfer, against Veneto Banca when it was a going concern and then resumed also against Intesa Sanpaolo after the initiation of the liquidation of the Venetian bank.

Fondazione Cassa Risparmio della Provincia di Macerata
In February 2022, Fondazione Cassa di Risparmio della Provincia di Macerata sent a non-judicial letter of warning and notice to pay to Intesa Sanpaolo (as successor to UBI Banca, which in turn had absorbed the good bank Nuova Banca delle Marche), and a former representative of Banca delle Marche, for the financial and image-related damage allegedly suffered for a sum quantifiable at no less than 50 million euro.
The Foundation alleges that in 2012 it subscribed to the share capital increase resolved in October 2011 by the then Banca delle Marche, purchasing shares for a total amount of over 40 million euro, solely on the basis of its reliance on (i) the data contained in the bank's annual financial statements and (ii) the "*Prospectus*" produced for that capital increase, which later proved to be totally incorrect and misleading.
The Bank rejected the claim for damages in its entirety, arguing first of all that it lacked capacity to be sued and that the limitation period had expired[25], and also fully contesting the claims on the merits.

Judgement no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities
With regard to ruling no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities, a summary is provided below of the changes that took place in the first quarter of 2022.

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[24] As far as the financial losses component is concerned, the Operational risk includes: legal and compliance risk, conduct risk, IT and Cyber risk, physical security risk, business continuity risk, financial crime and financial reporting risk, third-party and model risk. Strategic risk and reputational risk are not included.

[25] Note that those disputes are backed by the warranties and obligations to indemnify by the Seller (National Resolution Fund) for the benefit of UBI Banca in relation to the acquisition of the New Banks deriving from the resolution of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Cassa di Risparmio della Provincia di Chieti and therefore also cover any liabilities arising from the activities carried out by the Banks (the "Old Banks") before they were subject to the resolution procedure, in relation to, *inter alia*, risks of a legal nature or generally related to ongoing or threatened disputes, or violations of the law and any potential liabilities.

Three new disputes were registered:
- the Province of Catanzaro ordered the cancellation through internal review of the executive decision approving the derivative transaction entered in a pool with other banks. The Bank, together with the other members of the pool, appealed to the Catanzaro Regional Administrative Court to have the measure cancelled. Intesa Sanpaolo's potential risk amounts to 4.3 million euro;
- the Province of Varese initiated mediation proceedings, contesting the validity of two transactions in respect of which it is claiming restitution of 5.6 million euro. At the first meeting, scheduled for 12 April 2022, the mediation resulted in a negative outcome;
- the Municipality of Marsciano brought an action before the Court of Perugia for the declaration of invalidity of the derivative entered into with the Bank, requesting the restitution of 81 thousand euro for differentials paid and implicit costs.

With regard to the dispute already pending with the Province of Imperia, a writ of summons was served with which the Authority alleged the invalidity of the derivative and requested the restitution of the differentials paid, as well as compensation for damages without quantifying its claim. This action followed the mediation proceedings that ended in November 2021 with a negative outcome.
Two rulings were also received in the following disputes:
- Municipality of Faenza: with a decision dated 1 February 2022, the Court of Appeal of Bologna, recalling the principles expressed by the Court of Cassation, confirmed the invalidity of the contract due to failure to indicate the MTM and ordered the Bank to repay the differentials charged to the Entity. In execution of the first instance ruling, the Bank had already paid 2.8 million euro. An appeal to the Court of Cassation is being considered.
- Municipality of Santa Maria Capua Vetere: the Court of Rome, in its ruling of 2 March 2022, rejected the claim of invalidity of the two derivative contracts, made by the Municipality, and upheld the Bank's counterclaim for the unpaid amounts from the Municipality totalling 119 thousand euro. However, the court upheld the claim for implicit costs not disclosed at the time of signing and ordered the Bank to pay 1.1 million euro plus interest and revaluation.

Labour litigation
In line with the situation as at 31 December 2021, as at 31 March 2022 there were no significant cases of labour litigation, also with respect to the former UBI Banca Group, from either a qualitative or quantitative standpoint. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation
No new disputes of a significant amount involving Intesa Sanpaolo arose during the quarter. No significant events were reported for the Italian and foreign subsidiaries, except for Intesa Sanpaolo Private Banking, details of which are below.
The outstanding tax litigation risks are covered by adequate allowances for risks and charges.
The most significant developments in the quarter are described below. For previous disputes and a detailed description of the significant individual disputes, see the Notes to the 2021 Annual Report of the Intesa Sanpaolo Group.
With respect to the end of 2021, the main events that gave rise to significant changes in the remedy sought (-10 million) consisted of:
- an increase (around 5 million), due to: i) new claims of 1.8 million, mainly for municipal property tax (IMU) on properties repossessed through lease agreements terminated and on income-generating lease agreements; ii) adjustment of the value of the former Sudameris dispute of 3 million, due to the appreciation of the Brazilian currency against the euro; and iii) interest accrued on the outstanding disputes of 0.2 million;
- a decrease (around 15 million), due to: i) the closure of disputes concerning registration tax for 8.5 million, essentially relating to the Manzoni/Melville case (reclassification of business line transfers as sales); ii) the closure of disputes concerning municipal property tax (IMU) on properties from leases, both following settlement and cancellation by the municipalities for 4 million; and iii) 2.5 million for the settlement of various disputes, including the VAT claim for nautical leases for 1.6 million.

An account of events relating to the main outstanding disputes is provided below.
With regard to the notice of assessment for VAT for the tax year 2014 served by the Large Taxpayers Office of the Lombardy Regional Office on 29 October 2019 on the former Mediocredito Italiano concerning nautical leases, for a total value of around 5.5 million (tax, interest and penalties) and for which the related appeal had been filed, in the ruling of the Provincial Tax Commission of Milan no. 572-05 filed on 28 February 2022, the judges confirmed the assessed tax (with the related interest) still in dispute, but held that the penalties were not due. Prior to the ruling, however, the Office had already reduced the claim by a total of 1.5 million. The deadline for the appeal is pending. The dispute is interlocutory for the penalty and interest components relating to the first of the two contested findings, which relate to a specific contractual position in which there was an intervention in the case by the customer, which acknowledged the tax due as a result of a final verdict in the litigation, but not also the charge for interest and penalties. In relation to the second finding, the current provision concerns tax and interest assessed because it is considered that the risk of imposition of the penalties is possible, but not likely due to the presence of further favourable rulings on the merits issued to other lease companies and because there are valid grounds of uncertainty on the scope of application of the rules in 2014 that justify the application of the exemption.
With regard to registration tax, last January, the Court of Cassation handed down a favourable ruling on the subject of reclassification pursuant to the new Article 20 of Presidential Decree no. 131/1986, which cancelled the payment notice (value of dispute totalling 8.3 million) issued by the Italian Revenue Agency to the Bank and IMI Investimenti, as jointly and severally liable, concerning two transactions involving the transfer of business lines relating to the private equity activity and the subsequent partial demerger between the Manzoni and Melville companies.
In the previous financial reports, with regard to the dispute concerning the application of the proportional registration tax following the reclassification of a reorganisation consisting of a transfer of a business and a sale of an equity interest into a sale of a business pursuant to Article 20 of Presidential Decree 131/1986, details were provided of the publication of the Constitutional Court's ruling no. 39/2021 of 16 March 2021 whose conclusions confirmed the previous ruling no. 158 of 21 July 2020 by that Court.

In light of this second ruling of the Constitutional Court, the long-standing dispute was considered to have been concluded with favourable outcomes for the Bank in the numerous claims pending before the Court of Cassation. However, on the grounds that, according to the principle of alternativity between VAT/registration tax, it is essential to arrive at a single definition of the concept of a business for the purposes of these taxes, the Court of Cassation, by Order no. 10283/2022 of 31 March 2022, referred the proceedings to the EU Court of Justice concerning the compatibility of Article 20 of the Consolidated Law on Registration Taxes (according to which the application of registration tax is to be made on the basis of the content of the document submitted for registration, without taking into account any non-directly discernible external elements), with respect to the VAT rules governing the treatment of transfers of businesses (transactions not subject to the tax) and of individual assets (taxable transactions).

Lastly, below is a summary of the audits and checks currently being conducted by the tax authorities, which have not yet given rise to any claims.

With regard to the questionnaires sent at the end of 2021 to ISP and the merged companies Mediocredito Italiano and Accedo, there is no news from the Italian Revenue Agency.

On 14 January 2022, the Italian Revenue Agency - Milan II Provincial Office sent a questionnaire for registration tax relating to the transfer of a business line (17 former UBI branches) from ISP to Banca Popolare di Puglia e Basilicata (BPPB) completed on 21 May 2021 (effective date 24 May 2021), requesting the transmission of various documents and information relevant for the quantification of the value of the transferred business line for registration tax purposes.

YIt is recalled that registration tax totalling 467 thousand was paid in connection with this deed of transfer (with the cost shared equally between ISP and BPPB), prudentially determined on a taxable base of 75.5 million, as the difference reported in the balance sheet at the reference date (30 June 2020), even though the transfer price was 8.9 million. ISP responded to the questionnaire, providing the requested documentation and information by certified email of 18 February 2022, after agreeing the response with BPPB. A similar questionnaire does not yet appear to have been sent to BPPB.

On 23 February 2022, the Italian Revenue Agency – Lombardy Regional Directorate – Large Taxpayers Office sent a questionnaire concerning UBI Banca’s income tax return for IRES and IRAP tax purposes for the year 2018, requesting: an audit report, a detailed statement of the tax adjustments reducing the taxable basis for IRES purposes, as well as a detailed statement and a note describing the accounting and tax treatment of the components relating to the downward variations attributable to the transition from IAS 39 to IFRS 9.

It is further noted that, on 22 December 2021, Intesa Sanpaolo was served a notice of (alleged) irregularity by the Italian Revenue Agency relating to the 2017 tax year, which claimed that the amount of residual tax losses as at 31 December 2017 usable for the purposes of the IRES tax surcharge (3.5% rate), reported in the tax return in the amount of 7.9 billion, should be changed to 1.96 billion euro, resulting in a lower carried forward tax loss of 5.94 billion. See the Notes to the 2021 Annual Report for a more detailed analysis. ISP responded to the notice with a communication dated 5 April 2022. No challenge has so far been notified by the Italian Revenue Agency.

For Intesa Sanpaolo’s foreign branches, there were no new developments, and it is therefore referred to the 2021 Annual Report, except for the following. With regard to the audit initiated in April 2021 by the Madrid Revenue Agency for the year 2016 for income tax purposes for the Madrid branch of the merged UBI Banca, closed on 31 December 2018, on 5 April 2022 the last meeting was held between the inspectors and the representative of ISP (the lawyer Antonio Pérez), as a result of which a lower loss of 722 thousand euro was determined compared to the 724 thousand euro declared. No tax or penalty is due.

With regard to the other Italian Group companies, it is referred to the Notes to the 2021 Annual Report for details of the IRES and IRAP tax disputes of Intesa Sanpaolo Private Banking, relating to the deduction (in 2011 and the following years) of the amortisation charge for the goodwill arising from the transfers of the private banking business lines of Intesa Sanpaolo and Cassa dei Risparmi di Forlì e della Romagna in 2009, Banca di Trento e Bolzano and Cassa di Risparmio di Firenze in 2010 and Cassa di Risparmio Pistoia e Lucchesia and Cassa di Risparmio dell’Umbria in 2013, realigned by the transferee in accordance with Article 15, paragraph 10, of Law Decree no. 185 of 29 November 2008.

It should be noted that the favourable second instance ruling no. 1044 concerning the years 2014 and 2015 was delivered on 18 March 2022. The Lombardy Regional Tax Commission rejected the appeal by the Italian Revenue Agency against the first instance ruling that had upheld the (combined) IRES and IRAP tax appeals relating to those tax periods.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo RBM Salute and Cargeas) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.

As at 31 March 2022, the investment portfolios of Group companies, recorded at book value, amounted to 198,349 million euro. Of these, a part amounting to 102,185 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Unit-linked policies and pension funds and amounted to 96,164 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and shareholder fund.

In terms of breakdown by asset class, net of derivative financial instruments, 83.8% of assets, i.e. approximately 85,441 million euro, were bonds, whereas assets subject to equity risk represented 2.1% of the total and amounted to 2,150 million euro. The remainder (14,377 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (14.1%).

The carrying value of derivatives came to approximately 216.8 million euro, of which 14.3 million euro relating to effective management derivatives[26], and the remaining portion (202.5 million euro) is attributable to hedging derivatives.

At the end of the first three months of 2022, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to 2,316 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of 39 million euro.

The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of 5,646 million euro.

The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 8.5% of total investments and A bonds approximately 6.9%. Low investment grade securities (BBB) were approximately 80.4% of the total and the portion of speculative grade or unrated securities was minimal (4.2%).

A considerable portion of the BBB area is made up of securities issued by the Italian Republic.

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks made up approximately 79.6% of the total investments, while financial companies (mostly banks) contributed approximately 11.7% of exposure and industrial securities made up approximately 8.7%.

At the end of the first quarter of 2022, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 5,919 million euro, with 5,044 million euro due to government issuers and 875 million euro to corporate issuers (financial institutions and industrial companies).

[26] ISVAP Regulation 36 of 31 January 2011 on investments defines as “effective management derivatives” all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Accounting policies

Criteria for the preparation of the Interim Statement

General preparation principles

As known, with Legislative Decree 25 of 15 February 2016, Directive 2013/50/EU, amending Directive 2004/109/EC (i.e. “Transparency Directive”), has been transposed into the Italian legal system. By transposing the European regulation, the provisions concerning financial reports were changed, among others, innovating the rules regarding the publication, by the listed issuers with Italy as Member State of origin, of additional periodic information other than the annual report and half-yearly report. The wording of Article 154-ter (Financial reports), paragraphs 5 and 5-bis, of the Consolidated Law on Finance, allows CONSOB to arrange, towards the issuers stated above, the obligation to publish the additional periodic information. However, in exercising its duties – and following a consultation process – CONSOB has given the issuers the choice on publishing the Interim Statements.
In this context, Intesa Sanpaolo publishes – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly report. This information consists of interim statements on operations approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

The Interim Statement as at 31 March 2022 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS-IC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The accounting standards adopted in preparation of this Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, have remained unchanged compared to those adopted for the Intesa Sanpaolo Group 2021 Annual Report, which should be consulted for the complete details.

With reference to the impact of COVID-19 pandemic, the information included in the 2021 Annual Report on the indications provided by the authorities and the IASB since the beginning of the health emergency, together with the application decisions made by Intesa Sanpaolo, should be consulted.

Starting on 1 January 2022, the provisions of Regulation no. 1080/2021 of 28 June 2021, which implements several less material amendments, published by the IASB on 14 May 2020, to the international accounting standards IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRS 3 Business Combinations are applicable.
The amendments relate to:

- IAS 16 – Cost components: the amendments, which are not pertinent to the Group, introduce a prohibition on deducting from the cost of property, plant and equipment the amounts received from the sale of articles produced while the company was preparing the asset for the intended use. The company must recognise such proceeds from sales and the related costs in the income statement;
- IAS 37 – Onerous contracts: it is clarified that to assess whether a contract is onerous, all costs directly related to the contract, rather than incremental costs necessary for fulfilling the contract, must be included in the estimate. Accordingly, the assessment of whether a contract is onerous includes the incremental costs (for example, the cost of the direct materials used in processing), as well as all costs that the entity cannot avoid as a consequence of entering into the contract (for example, the portion of personnel expenses and depreciation of the machinery employed to fulfil the contract);
- IFRS 3 – References to the Conceptual Framework: several references were updated to the new version of the Conceptual Framework of 2018 which, nonetheless, do not entail changes to the pre-existing accounting methods. In addition, the prohibition on recognising contingent assets (i.e., assets whose existence will only be confirmed by uncertain future events) in business combinations was explicitly stated (previously, this prohibition was explicitly stated only in the Basis for Conclusion);
- the Regulation in question also endorses the customary annual improvements - the Annual Improvements to IFRS Standards 2018-2020 Cycle - which clarify the formulation or correct errors, oversights or conflicts between the requirements of the Standards. Those minor amendments included changes to IFRS 9 Financial Instruments, providing several clarifications on the fees and commissions to be included in the 10% test for derecognising financial liabilities. In that regard, it is specified that only fees paid or collected between the parties are to be included, not fees directly attributable to third parties.

Considering the scope of the amendments in question, which introduce changes and clarifications of little significance, the Regulation is not expected to have impacts on the Group.

The Interim Statement as at 31 March 2022, drawn up in euro as the functional currency, contains the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, and the explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.

The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.
In addition to the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 31 March 2021 for the Income statement and as at 31 December 2021 for the Balance sheet.

Assets held for sale mainly include portfolios or single positions, classified as bad loans or unlikely-to-pay loans, which will be disposed of as part of the Group's de-risking strategies. Assets held for sale also include: the investment in Zhong Ou Asset Management Co. Ltd., whose closing, once the authorisation procedure has been completed, is expected by the end of 2022; the assets and liabilities pertaining to the Banca 5 business line in charge of producing the products/services distributed by the Mooney Group, transferred to Mooney, as part of the existing partnership, in April 2022; the 100% investment in Intesa Sanpaolo Formazione and the business line subject to transfer to that company by ISP, which are part of a project to create a new company that is a leader in training and digital learning, expected to be completed during 2022.

The Interim Statement as at 31 March 2022 is accompanied by certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance, and the consolidated financial statements are subject to a limited review by the Independent Auditors for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation no. 575/2013 and European Central Bank Decision no. 2015/656.
With regard to auditing activity, as previously reported, on 30 April 2019 the ordinary shareholders' meeting awarded EY S.p.A. the engagement for the independent audit of the accounts for the financial years 2021 to 2029.

Scope of consolidation and consolidation methods

Scope of consolidation

The consolidated Interim Statement includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company as well as private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, in any case of limited absolute amount, are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.
Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of Financial assets measured at fair value through profit or loss.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

You are reminded that Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

Compared to 31 December 2021, there were no significant changes in the scope of line-by-line consolidation. For the purpose of completeness, we note the entry of:
- Newco TPA S.p.A., a newly-incorporated company in the Insurance Group, 100%-owned by ISP Vita;
- VUB Operating Leasing a.s., previously consolidated using the equity method;

and the exit of:
- Intesa Sanpaolo Private Bank (Suisse) Morval, merged by incorporation into Reyl & Cie;
- VUB Leasing a.s., disposed of as it was demerged into the parent company Vseobecna Uverova Banka a.s. (VUB) for financial operations and into the above-mentioned dedicated company VUB Operating Leasing for the development of operating leases.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2021 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Interim Statement as at 31 March 2022 refer to the same date.
In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
In particular, with regard to the Ukrainian subsidiary Pravex Bank, considering the limited impact on the consolidated financial statements of the balance sheet and income statement of the bank, and the clear logistical and execution difficulties by the related administrative structures, also as concerns the IT channels available, the Group decided to consolidate the Ukrainian subsidiary on a line-by-line basis, maintaining in the accounts the balance sheet balances as at 31 December 2021 and making central value adjustments linked to the impairment of the bank's assets. The balance sheet and income statement results of Banca Intesa Russia as at 31 March 2022 were incorporated through line-by-line consolidation.
Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the balance sheet, and the average exchange rate for the period to Income statement captions.

The Board of Directors

Milan, 6 May 2022

Declaration of the Manager responsible for preparing the Company’s financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company’s financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2022 corresponds to corporate records, books and accounts.

Milan, 6 May 2022

Fabrizio Dabbene
Manager responsible for preparing
the Company’s financial reports

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and adjusted consolidated balance sheet as at 31 December 2021

Reconciliation between published consolidated income statement for the period ended 31 March 2021 and adjusted income statement for the period ended 31 March 2021

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and restated consolidated balance sheet as at 31 December 2021

Reconciliation between published consolidated income statement for the period ended 31 March 2021 and restated consolidated income statement for the period ended 31 March 2021

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reclassified consolidated income statement – Reconciliation between redetermined figures

Reclassified consolidated income statement - Reconciliation between redetermined figures

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and adjusted consolidated balance sheet as at 31 December 2021

The published consolidated balance sheet as at 31 December 2021 did not require any adjustments.

Reconciliation between the published consolidated income statement for the period ended 31 March 2021 and adjusted consolidated income statement for the period ended 31 March 2021

The published consolidated income statement as at 31 March 2021, did not require any adjustments.

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and restated consolidated balance sheet as at 31 December 2021

The published consolidated balance sheet as at 31 December 2021 did not require any restatement.

Reconciliation between published consolidated income statement for the period ended 31 March 2021 and restated consolidated income statement for the period ended 31 March 2021

(millions of euro)

		31.03.2021	Change in the scope of consolidation (a)	31.03.2021 Restated
10.	Interest and similar income	2,581	5	2,586
	of which: interest income calculated using the effective interest rate method	*2,541*	-	*2,541*
20.	Interest and similar expense	-570	-1	-571
30.	**Interest margin**	**2,011**	**4**	**2,015**
40.	Fee and commission income	2,941	15	2,956
50.	Fee and commission expense	-621	-3	-624
60.	**Net fee and commission income**	**2,320**	**12**	**2,332**
70.	Dividend and similar income	29	-	29
80.	Profits (Losses) on trading	305	4	309
90.	Fair value adjustments in hedge accounting	45	-	45
100.	Profits (Losses) on disposal or repurchase of:	387	-	387
	a) financial assets measured at amortised cost	*53*	-	*53*
	b) financial assets measured at fair value through other comprehensive income	*361*	-	*361*
	c) financial liabilities	*-27*	-	*-27*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	23	-	23
	a) financial assets and liabilities designated at fair value	*-12*	-	*-12*
	b) other financial assets mandatorily measured at fair value	*35*	-	*35*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	759	-	759
120.	**Net interest and other banking income**	**5,879**	**20**	**5,899**
130.	Net losses/recoveries for credit risks associated with:	-440	-	-440
	a) financial assets measured at amortised cost	*-432*	-	*-432*
	b) financial assets measured at fair value through other comprehensive income	*-8*	-	*-8*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-1	-	-1
140.	Profits (Losses) on changes in contracts without derecognition	-12	-	-12
150.	**Net income from banking activities**	**5,426**	**20**	**5,446**
160.	Net insurance premiums	2,542	-	2,542
170.	Other net insurance income (expense)	-2,847	-	-2,847
180.	**Net income from banking and insurance activities**	**5,121**	**20**	**5,141**
190.	Administrative expenses:	-2,904	-17	-2,921
	a) personnel expenses	*-1,684*	*-17*	*-1,701*
	b) other administrative expenses	*-1,220*	-	*-1,220*
200.	Net provisions for risks and charges	-96	-	-96
	a) commitments and guarantees given	*33*	-	*33*
	b) other net provisions	*-129*	-	*-129*
210.	Net adjustments to / recoveries on property and equipment	-162	-1	-163
220.	Net adjustments to / recoveries on intangible assets	-214	-1	-215
230.	Other operating expenses (income)	270	-	270
240.	**Operating expenses**	**-3,106**	**-19**	**-3,125**
250.	Profits (Losses) on investments in associates and companies subject to joint control	50	1	51
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
270.	Goodwill impairment	-	-	-
280.	Profits (Losses) on disposal of investments	186	-	186
290.	**Income (Loss) before tax from continuing operations**	**2,251**	**2**	**2,253**
300.	Taxes on income from continuing operations	-718	-	-718
310.	**Income (Loss) after tax from continuing operations**	**1,533**	**2**	**1,535**
320.	Income (Loss) after tax from discontinued operations	-	-	-
330.	**Net income (loss)**	**1,533**	**2**	**1,535**
340.	Minority interests	-17	-2	-19
350.	**Parent Company’s net income (loss)**	**1,516**	**-**	**1,516**

(a) The restatement refers to the income statement figures for the first three months of 2021 of the Reyl Group, as well as the reclassification to administrative and personnel expenses in 2021 to reflect the inhousing of activities previously outsourced by the UBI Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services.

Restated consolidated financial statements

Restated consolidated balance sheet

The published consolidated balance sheet as at 31 December 2021 did not require any restatement.

Restated consolidated income statement

(millions of euro)

		31.03.2022	31.03.2021 Restated	Changes amount	Changes %
10.	Interest and similar income	2,641	2,586	55	2.1
	of which: interest income calculated using the effective interest rate method	*2,486*	*2,541*	*-55*	*-2.2*
20.	Interest and similar expense	-676	-571	105	18.4
30.	**Interest margin**	**1,965**	**2,015**	**-50**	**-2.5**
40.	Fee and commission income	2,905	2,956	-51	-1.7
50.	Fee and commission expense	-693	-624	69	11.1
60.	**Net fee and commission income**	**2,212**	**2,332**	**-120**	**-5.1**
70.	Dividend and similar income	34	29	5	17.2
80.	Profits (Losses) on trading	200	309	-109	-35.3
90.	Fair value adjustments in hedge accounting	2	45	-43	-95.6
100.	Profits (Losses) on disposal or repurchase of:	210	387	-177	-45.7
	a) financial assets measured at amortised cost	*205*	*53*	*152*	
	b) financial assets measured at fair value through other comprehensive income	*12*	*361*	*-349*	*-96.7*
	c) financial liabilities	*-7*	*-27*	*-20*	*-74.1*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	249	23	226	
	a) financial assets and liabilities designated at fair value	*225*	*-12*	*237*	
	b) other financial assets mandatorily measured at fair value	*24*	*35*	*-11*	*-31.4*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	129	759	-630	-83.0
120.	**Net interest and other banking income**	**5,001**	**5,899**	**-898**	**-15.2**
130.	Net losses/recoveries for credit risks associated with:	-673	-440	233	53.0
	a) financial assets measured at amortised cost	*-640*	*-432*	*208*	*48.1*
	b) financial assets measured at fair value through other comprehensive income	*-33*	*-8*	*25*	
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-58	-1	57	
140.	Profits (Losses) on changes in contracts without derecognition	-2	-12	-10	-83.3
150.	**Net income from banking activities**	**4,268**	**5,446**	**-1,178**	**-21.6**
160.	Net insurance premiums	2,589	2,542	47	1.8
170.	Other net insurance income (expense)	-2,198	-2,847	-649	-22.8
180.	**Net income from banking and insurance activities**	**4,659**	**5,141**	**-482**	**-9.4**
190.	Administrative expenses:	-2,829	-2,921	-92	-3.1
	a) personnel expenses	*-1,561*	*-1,701*	*-140*	*-8.2*
	b) other administrative expenses	*-1,268*	*-1,220*	*48*	*3.9*
200.	Net provisions for risks and charges	-37	-96	-59	-61.5
	a) commitments and guarantees given	*-74*	*33*	*-107*	
	b) other net provisions	*37*	*-129*	*166*	
210.	Net adjustments to / recoveries on property and equipment	-168	-163	5	3.1
220.	Net adjustments to / recoveries on intangible assets	-230	-215	15	7.0
230.	Other operating expenses (income)	249	270	-21	-7.8
240.	**Operating expenses**	**-3,015**	**-3,125**	**-110**	**-3.5**
250.	Profits (Losses) on investments in associates and companies subject to joint control	3	51	-48	-94.1
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	2	186	-184	-98.9
290.	**Income (Loss) before tax from continuing operations**	**1,649**	**2,253**	**-604**	**-26.8**
300.	Taxes on income from continuing operations	-622	-718	-96	-13.4
310.	**Income (Loss) after tax from continuing operations**	**1,027**	**1,535**	**-508**	**-33.1**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**1,027**	**1,535**	**-508**	**-33.1**
340.	Minority interests	-3	-19	-16	-84.2
350.	**Parent Company's net income (loss)**	**1,024**	**1,516**	**-492**	**-32.5**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets			31.03.2022	31.12.2021
Cash and cash equivalents			**17,444**	**14,756**
	Caption 10	Cash and cash equivalents	17,444	14,756
Due from banks			**158,500**	**162,121**
	Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	158,473	162,083
	Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
	Caption 20b (partial)	Financial assets designated at fair value - Due from banks	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	27	38
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	-
Loans to customers			**468,366**	**465,254**
Loans to customers measured at amortised cost			***465,787***	***463,458***
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	458,617	456,415
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	7,170	7,043
Loans to customers at fair value through other comprehensive income and through profit or loss			***2,579***	***1,796***
	Caption 20a (partial)	Financial assets held for trading - Loans to customers	38	19
	Caption 20b (partial)	Financial assets designated at fair value - Loans to customers	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers	1,073	1,038
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	1,468	739
Financial assets measured at amortised cost which do not constitute loans			**56,111**	**43,325**
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	2,236	1,854
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	53,875	41,471
Financial assets at fair value through profit or loss			**52,872**	**51,636**
	Caption 20a (partial)	Financial assets held for trading	48,204	47,162
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities	4	4
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,664	4,470
Financial assets at fair value through other comprehensive income			**64,793**	**66,841**
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	64,793	66,841
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39			**196,949**	**206,800**
	Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	196,949	206,800
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39			**81**	**85**
	Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	81	85
Investments in associates and companies subject to joint control			**1,633**	**1,652**
	Caption 70	Investments in associates and companies subject to joint control	1,633	1,652
Property, equipment and intangible assets			**19,885**	**20,134**
Assets owned			***18,343***	***18,613***
	Caption 90 (partial)	Property and equipment	9,148	9,271
	Caption 100	Intangible assets	9,195	9,342
Rights of use acquired under leases			***1,542***	***1,521***
	Caption 90 (partial)	Property and equipment	1,542	1,521
Tax assets			**18,610**	**18,808**
	Caption 110	Tax assets	18,610	18,808
Non-current assets held for sale and discontinued operations			**1,556**	**1,422**
	Caption 120	Non-current assets held for sale and discontinued operations	1,556	1,422
Other assets			**16,444**	**16,169**
	Caption 50	Hedging derivatives	4,665	1,732
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-2,865	392
	Caption 80	Technical insurance reserves reassured with third parties	183	208
	Caption 130	Other assets	14,461	13,837
Total Assets			**1,073,244**	**1,069,003**

(millions of euro)

Liabilities			31.03.2022	31.12.2021
Due to banks at amortised cost			**180,224**	**165,250**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	180,231	165,258
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-7	-8
Due to customers at amortised cost and securities issued			**537,289**	**543,418**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	459,765	458,239
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	78,895	86,558
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,371	-1,379
Financial liabilities held for trading			**58,726**	**56,306**
	Caption 20	Financial liabilities held for trading	58,726	56,306
Financial liabilities designated at fair value			**3,848**	**3,674**
	Caption 30	Financial liabilities designated at fair value	3,848	3,674
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39			**2,280**	**2,139**
	Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,287	2,146
	- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-7	-7
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39			**80,086**	**84,770**
	Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	80,086	84,770
Tax liabilities			**2,288**	**2,285**
	Caption 60	Tax liabilities	2,288	2,285
Liabilities associated with non-current assets held for sale and discontinued operations			**37**	**30**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	37	30
Other liabilities			**23,531**	**21,954**
	Caption 40	Hedging derivatives	5,205	4,868
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-2,494	53
	Caption 80	Other liabilities	19,435	15,639
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	7	8
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,371	1,379
	Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	7	7
Technical reserves			**113,471**	**118,296**
	Caption 110	Technical reserves	113,471	118,296
Allowances for risks and charges			**6,480**	**6,815**
	Caption 90	Employee termination indemnities	1,063	1,099
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	562	508
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	287	290
	Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	4,568	4,918
Share capital			**10,084**	**10,084**
	Caption 170	Share capital	10,084	10,084
Reserves			**48,995**	**44,856**
	Caption 130	Redeemable shares	-	-
	Caption 150	Reserves	21,837	17,706
	Caption 160	Share premium reserve	27,287	27,286
	- Caption 180	Treasury shares	-129	-136
Valuation reserves			**-1,320**	**-709**
	Caption 120	Valuation reserves	-1,320	-709
Valuation reserves pertaining to insurance companies			**120**	**476**
	Caption 125	Valuation reserves pertaining to insurance companies	120	476
Interim dividend			**-1,399**	**-1,399**
	Caption 155	Interim dividend (-)	-1,399	-1,399
Equity instruments			**7,220**	**6,282**
	Caption 140	Equity instruments	7,220	6,282
Minority interests			**260**	**291**
	Caption 190	Minority interests	260	291
Net income (loss)			**1,024**	**4,185**
	Caption 200	Net income (loss) (+/-)	1,024	4,185
Total Liabilities and Shareholders' Equity			**1,073,244**	**1,069,003**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

		31.03.2022	31.03.2021 Restated
Net interest income		**1,956**	**2,013**
Caption 30	Interest margin	1,965	2,015
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-8	-9
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	2	2
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	18	17
+ Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	12	7
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	1	-
+ Caption 80 (partial)	Hedging swap differentials	-29	-15
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-5	-4
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		**2,286**	**2,395**
Caption 60	Net fee and commission income	2,212	2,332
- Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	70	51
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	1	-
- Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	-12	-7
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	17	16
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	13	12
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-3	2
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	-12	-11
Income from insurance business		**402**	**373**
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	129	759
Caption 160	Net insurance premiums	2,589	2,542
Caption 170	Other net insurance income (expense)	-2,198	-2,847
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	8	9
+ Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	-70	-51
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-23	-37
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-50	-1
- Caption 160 (partial)	Net premiums (Policies: claims in excess of premiums issued)	-47	-
- Caption 170 (partial)	Other net insurance income (expense) (Policies: provisions for settled and open claims)	65	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	-1	-1

(millions of euro)

		31.03.2022	31.03.2021 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**767**	**796**
Caption 80	Profits (Losses) on trading	200	309
Caption 90	Fair value adjustments in hedge accounting	2	45
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	225	-12
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value	24	35
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	12	361
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-7	-27
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	34	29
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	-1	-
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-17	-16
- Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	23	37
- Caption 80 (partial)	Hedging swap differentials	29	15
- Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	-	10
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	221	59
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-	-29
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-13	-12
- Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	23	-10
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	7	2
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-1	-
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	6	-

(millions of euro)

		31.03.2022	31.03.2021 Restated
Other operating income (expenses)		**3**	**49**
Caption 70	Dividend and similar income	34	29
Caption 230	Other operating expenses (income)	249	270
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-2	-2
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-1	-
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	-34	-29
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-5	-6
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-236	-248
- Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	4	-
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	1	-
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-6	-
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-2	-1
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-11	-5
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-1	-1
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	13	42
Operating income		**5,414**	**5,626**
Personnel expenses		**-1,577**	**-1,678**
Caption 190 a)	Personnel expenses	-1,561	-1,701
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-21	19
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	5	4
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Other administrative expenses		**-612**	**-648**
Caption 190 b)	Other administrative expenses	-1,268	-1,220
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	12	6
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	377	300
- Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	12	11
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	2	1
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax)	12	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	236	248
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	5	6
Adjustments to property, equipment and intangible assets		**-315**	**-306**
Caption 210	Net adjustments to / recoveries on property and equipment	-168	-163
Caption 220	Net adjustments to / recoveries on intangible assets	-230	-215
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	1	1
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	12	9
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	1	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	11	5
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	23	39
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	34	17
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	1	1
Operating costs		**-2,504**	**-2,632**
Operating margin		**2,910**	**2,994**

(millions of euro)

		31.03.2022	31.03.2021 Restated
Net adjustments to loans		**-702**	**-408**
Caption 140	Profits/losses from changes in contracts without derecognition	-2	-12
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	-74	33
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-16	-6
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	-	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	29	8
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-627	-435
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	-5	3
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-7	1
Other net provisions and net impairment losses on other assets		**-60**	**-133**
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-58	-1
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Caption 200 b)	Net provisions for risks and charges - Other net provisions	37	-129
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-20	8
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	-7	-1
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	-1	1
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-26	-9
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	50	1
+ Caption 160 (partial)	Net premiums (Policies: claims in excess of premiums issued)	47	-
+ Caption 170 (partial)	Other net insurance income (expense) (Policies: provisions for settled and open claims)	-65	-
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-7	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-1	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-1	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-8	-3
Other income (expenses)		**-4**	**198**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	3	51
Caption 280	Profits (Losses) on disposal of investments	2	186
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	221	57
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-	2
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-221	-59
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	-4	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-13	-42
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	8	3
Income (Loss) from discontinued operations		**-**	**-**
Caption 320	Income (Loss) after tax from discontinued operations	-	-
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Gross income (loss)		**2,144**	**2,651**

(millions of euro)

		31.03.2022	31.03.2021 Restated
Taxes on income		**-781**	**-839**
Caption 300	Taxes on income from continuing operations	-622	-718
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax)	-12	-
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-4	-21
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-25	-7
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-118	-93
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Charges (net of tax) for integration and exit incentives		**-16**	**-52**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	21	-19
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-12	-6
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	7	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-12	-9
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-23	-39
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-1	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	4	21
Effect of purchase price allocation (net of tax)		**-54**	**-16**
+ Caption 30 (partial)	Margine di interesse (Effetti dell'allocazione dei costi di acquisizione)	-18	-17
+ Caption 80 (partial)	Risultato netto dell'attività di negoziazione (Effetti dell'allocazione dei costi di acquisizione)	-	-10
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-29	-8
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-	29
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	1	-
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	1	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Effect of purchase price allocation)	-34	-17
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	25	7
Levies and other charges concerning the banking industry (net of tax)		**-266**	**-209**
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-7	-2
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-377	-300
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	118	93
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
Caption 270	Goodwill impairment	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
Minority interests		**-3**	**-19**
Caption 340	Minority interests	-3	-19
Net income (loss)		**1,024**	**1,516**

Reclassified consolidated income statement - Reconciliation between redetermined figures

Reclassified consolidated income statement – Reconciliation between redetermined figures

	31.03.2021 Restated	Going concerns object of disposal	Inclusion insurance companies	31.03.2021 Redetermined figures
Net interest income	2,013	-61	-	1,952
Net fee and commission income	2,395	-82	-	2,313
Income from insurance business	373	-	25	398
Profits (Losses) on financial assets and liabilities designated at fair value	796	-1	-	795
Other operating income (expenses)	49	-	-17	32
Operating income	**5,626**	**-144**	**8**	**5,490**
Personnel expenses	-1,678	58	-9	-1,629
Other administrative expenses	-648	13	-16	-651
Adjustments to property, equipment and intangible assets	-306	-	-1	-307
Operating costs	**-2,632**	**71**	**-26**	**-2,587**
Operating margin	**2,994**	**-73**	**-18**	**2,903**
Net adjustments to loans	-408	6	-	-402
Other net provisions and net impairment losses on other assets	-133	-	-1	-134
Other income (expenses)	198	-	-	198
Income (Loss) from discontinued operations	-	48	-	48
Gross income (loss)	**2,651**	**-19**	**-19**	**2,613**
Taxes on income	-839	6	-4	-837
Charges (net of tax) for integration and exit incentives	-52	-	-	-52
Effect of purchase price allocation (net of tax)	-16	-	-	-16
Levies and other charges concerning the banking industry (net of tax)	-209	13	-	-196
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-19	-	23	4
Net income (loss)	**1,516**	**-**	**-**	**1,516**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Glossary

The following are definitions of some terms used in financial statement and/or Pillar 3 disclosures, with the exclusion of terms that have entered the common Italian lexicon or are used in a context that already clarifies their meaning.

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

Acquisition finance or Leverage and acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

AIRB (Advanced Internal Rating Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. In this case, the Bank uses its own internal estimates for all inputs (PD, LGD, EAD and Maturity) for credit risk assessment, whereas for Foundation IRB it only estimates PD.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

Alternative investment
Alternative investments comprise a wide range of investment products, including private equity and hedge funds (see definitions below).

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

AMA – Advanced Measurement Approach
An approach introduced by Basel 2 to determine the operational risk capital requirement based on internal estimation and valuation models. AMA internal models normally consist of two components:
(i) a quantitative component based on internal and external loss data;
(ii) a qualitative component based on questionnaires with an ordinal score linked to the perception of the risk level of the loss events.

Arrangement fee
A fee paid for professional consulting and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset encumbrance
In legal terms, it represents a real right held by a creditor to an asset owned by another counterparty, which may be the debtor or a third party. It typically takes the form of a mortgage on real property or the creation of collateral in repurchase agreements and loans with the central bank.

Asset management – Wealth management
The various activities relating to the management and administration of different customer assets.

Eligible assets
Assets that may be used as collateral with the ECB to obtain liquidity at subsidised rates. There are three types of eligible assets:
(i) credit claims (bank loans);
(ii) securitisations (see entry) and covered bonds (see entry);
(iii) debt securities
which must meet some minimum quality requirements in terms of:
(i) eligible debtors;
(ii) counterparty rating.
The amount of the liquidity that may be obtained is determined by applying a haircut (reduction) to the nominal value as a function of the quality and type of rate.

AT1 – Additional Tier 1
Additional Tier 1 capital. In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Discounting
Process of determining the present value of a payment or payment flows to be received in the future.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

AVA (Additional Valuation Adjustment)
Additional valuation adjustments necessary to adjust the fair value to the prudent value of the positions. To perform a prudent valuation of the positions measured at fair value, the EBA envisages two approaches for calculating the AVA (the Simplified approach and Core approach). The prudent valuation requirements apply to all positions measured at fair value regardless of whether they are held in the trading book or not, where the term ‘positions’ refers solely to financial instruments and commodities.

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (front office).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to “proprietary” trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
This is the difference between the buying and selling price of a given financial instrument or set of financial instruments.

Brand name
IFRS 3 considers the “brand name” a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand” is used in accounting standards with an extensive meaning and not as a synonym of “logo” or “name”. It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

Business model
The business model within which financial assets are managed.
With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed: Hold to Collect (HTC), Hold to Collect and Sell (HTCS), Others/Trading.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, the CAGR is calculated as follows: (Ending value/Beginning value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the “opportunity cost” i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
- Equity Tranche: the riskiest portion of the portfolio, it is also known as “first loss” and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
- Mezzanine Tranche: the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.

- Senior/Supersenior Tranche: the tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to “networks” or companies that operate exclusively with their parent company or group customers.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999, as amended.

STS Securitisations
Securitisations, except for ABCP programmes and ABCP transactions, that meet the requirements set out in Articles 20, 21 and 22 of Regulation 2017/2402, are considered Simple, Transparent and Standardised Securitisations. For ABCP transactions and programmes, the requirements are set out in Articles 24 and 25-26 of that Regulation. As a result of their characteristics, STS securitisations can benefit from lighter prudential treatment in accordance with Regulation 2017/2401, which allows lower risk-weight floors than for other securitisations.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

CCF - Credit Conversion Factor
In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):
a) 100% if it is a full risk item;
b) 50% if it is a medium-risk item;
c) 20% if it is a medium/low-risk item;
d) 0% if it is a low-risk item.

CCP - Central Counterparty Clearing House
A central counterparty is an institution interposed in securities trades between the two contracting parties, protecting the latter against default risk and guaranteeing the successful execution of the transaction. The central counterparty protects itself against its own risk by taking securities or cash collateral (margins) commensurate with the value and risk of the contracts guaranteed. Central counterparty services can be provided not only in the markets that expressly provide for them but also in respect of over-the-counter trading outside regulated markets.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract. Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
These are CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Commercial paper
Short-term notes issued in order to collect funds as an alternative to other forms of indebtedness.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the normally lower funding cost compared to market parameters.

Common Equity Tier 1 Ratio (CET1 Ratio)
The ratio of Common Equity Tier 1 capital (CET1) to total risk-weighted assets.

Corporate
Customer segment consisting of medium- and large-sized companies (mid-corporate, large corporate).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Transaction costs
Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. IT is a cost that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Coverage ratio
It represents the percentage coverage of the value adjustment with respect to the gross exposure.

Covered bonds
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle (case governed by Art. 7-bis of Law 130 of 30 April 1999).

CPPI (Constant Proportion Portfolio Insurance)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivatives contracts the underlying for which is the creditworthiness of a certain issuer/borrower, measured by a rating agency or defined on the basis of objective criteria, in order to transfer credit risk. The main function of credit risk derivatives is to manage the credit risk associated with a certain asset (bond and/or loan) without the asset itself being transferred. They also allow credit risk (the possibility that the borrower defaults and does not make its payments) of a certain asset to be separated from other types of risk, for example interest rate risk (the possibility that market rates may move in a direction unfavourable to the lender).

Credit enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

Credit risk adjustment
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CRM – Credit Risk Mitigation
Techniques used by institutions to reduce the credit risk associated with their exposures.

CRP (Country Risk Premium)
Country risk premium; it expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a particular country (namely the risk associated with financial, political and monetary instability).

CSA (Credit Support Annex)
A document through which counterparties trading in an over-the-counter derivative instrument establish the terms of contribution and transfer of the underlying guarantees to mitigate credit risk in the event of in-the-money position of the instrument. This document, although not mandatory for the transaction, is one of the four components that contribute to the establishment of the Master Agreement according to the standards established by the International Swaps and Derivatives Association (ISDA).

Reclassification date
The first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Default
Declared inability to honour one’s debts and/or make the relevant interest payments.

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

Desk
It usually designates an operating unit dedicated to a particular activity.

Held for trading (HFT)
Financial assets or financial liabilities that:
- are acquired or incurred principally for the purpose of selling or repurchasing them in the near term;
- on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- are derivatives other than those entered into as a designated, effective hedging instrument.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

EAD – Exposure At Default
Relating to on- or off-balance sheet positions, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach (see entry) are entitled to estimate EAD. The others are required to make reference to regulatory estimates.

ECAI – External Credit Assessment Institution
An external credit assessment institution.

ECL – Expected Credit Loss
The adoption of IFRS 9 led to a revision of the methods of determining adjustments to loans from the notion of incurred credit loss to expected credit loss. Adjustments are quantified by including forward-looking scenarios and differs as a function of the deterioration of credit quality, with a one-year time horizon for positions classified to Stage 1 and for the lifetime (lifetime ECL) of the instrument for those included in Stages 2 and 3.

EHQLA – Extremely High Quality Liquid Assets
Encumbered assets that are notionally eligible to be classified as extremely high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area. Since 2 October 2019, the Eonia rate has been calculated as the €STR (Euro Short-Term Rate, the overnight rate for euro money markets) plus 8.5 basis points. The Eonia calculated according to this method was published until 3 January 2022. It was then permanently replaced by €STR plus a fixed spread of 8.5 basis points, quantified and made official by the ECB based on historical information.

ERP (equity risk premium)
Risk premium requested by investors on the market of reference, i.e. the expected return in excess of risk-free assets. To test goodwill for impairment, ISP uses that calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2021) by New York University - Stern School of Business.

ETDs – Exchange-Traded Derivatives
Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

EVA – Economic Value Added
An indicator that measures the value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The value at which an asset could be tradedor a liability settled, in a current transaction between willing parties.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item.

Fair Value Option (FVO)
The Fair Value Option is an option for classifying a financial instrument. When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

FIFO: First In First Out
Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering units to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Forward Rate Agreement – Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

FVTOCI: Fair Value Through Other Comprehensive Income
Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss
Method of recognition of changes in the fair value of financial assets through profit or loss.

Gross Book Value (GBV)
The accounting value of a loan, considered gross of adjustments.

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

GMSLA – Global Master Securities Lending Agreement
These are margining agreements used to mitigate counterparty risk in securities lending transactions.

GMRA – Global Master Repurchase Agreement
These are margining agreements used to mitigate counterparty risk in repurchase agreements.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Grandfathering
Period of transition for the entry into force of the new composition of own funds under Basel 3 and other less significant measures. Specifically, it concerns the gradual exclusion from own funds of the old instruments admitted to Basel 2 regulatory capital and no longer contemplated by Basel 3.

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge funds
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HQLA (High Quality Liquid Asset)
Encumbered assets that are notionally eligible to be classified as high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB), the body responsible for issuing international accounting standards. The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

ICAAP (Internal Capital Adequacy Assessment Process)
The “Second Pillar” provisions require that banks implement processes and instruments of Internal Capital Adequacy Assessment Process (ICAAP), to determine the amount of internal capital needed to cover all risks, including risks different from those covered by the total capital requirement (“First Pillar”), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRS-IC (International Financial Reporting Standards Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA – Internal Models Approach
Approach for calculating the capital requirement for market risk using internal models.

IMM – Internal Model Method
Method for calculating Exposure at Default (see entry), within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.
Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
a) deductible temporary differences;
b) the carryforward of unused tax losses; and
c) the carryforward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base. There are two types of temporary difference:
a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled;
b) deductible temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Index-linked
Policies, including life policies, whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator. Policies may guarantee capital or offer a minimum return.

Internal dealing
Persons performing functions of administration, control or management (relevant persons) at a listed issuer, as well as those with close ties to such persons, must report transactions in listed financial instruments issued by the company or in derivatives of such instruments and must also abide by the restrictions on transactions in such instruments, according to the terms laid down in Art. 19 of Regulation (EU) 596/2014 on market abuse (MAR) and delegated legislation (Regulations (EU) 2016/522 and 2016/523).
The European legislation supplemented the provisions of Art. 114, paragraph 7, of Legislative Decree 58/1998 (Consolidated Law on Finance) with regard to the obligation to report transactions in securities for those who hold at least 10% of the share capital of a listed issuer and persons closely related to them.

Intraday
This refers to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (see entry) (e.g., not less than BBB- on S&P Global's index).

IRC – Incremental Risk Charge
The maximum potential loss in the trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

ISDA - International Swaps and Derivatives Association
An association of participants in the over-the-counter derivatives market. It is based in New York and has created a standard contract for entering into derivatives transactions.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g
Difference between the cash flow discounting rate and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

LCR – Liquidity Coverage Ratio
A prudential requirement intended to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that may be converted into cash to meet its liquidity needs within a period of 30 days under conditions of severe stress. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net outflows of liquidity over a stress period of 30 calendar days.

LDA - Loss Distribution Approach
Method of quantitative assessment of the operational risk profile through actuarial analysis of individual internal and external loss events; by extension, the term Loss Distribution Approach also refers to the calculation model for the historical capital per business unit.

Lead manager - Bookrunner
Lead bank of a bond issue syndicate. The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

LGD – Loss Given Default
It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
LTV measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

M–Maturity
The remaining time of an exposure, calculated according to prudential rules. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Macro-hedging
Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

Mark-down
Difference between the 1-month Euribor and interest rates on household and business current accounts.

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month Euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate customers for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

NBV – Net Book Value
The accounting value of a loan, considered net of adjustments.

Non Performing Exposure (NPE) – Non Performing Loan (NPL)
Terms used to indicate non-performing loans, i.e. loans with irregular performance. On the other hand, "performing" refers to regularly performing credit exposures.
Non-performing loans are classified into three categories:
(i) *bad loans*: loans the full collection of which is not certain because the borrowers are in a state of insolvency (including where not yet judicially established) or substantially equivalent situations;
(ii) *unlikely to pay*: exposures other than bad loans for which the bank deems it improbable that the borrower will fulfil all its credit obligations (by way of principal and/or interest) without recourse to actions such as enforcement of guarantees, regardless of the presence of any past-due instalments or amounts;
(iii) *past-due exposures*: exposures past due by more than 90 days exceeding a pre-determined materiality threshold.
The EBA has also added an additional category, transversal to the foregoing: that of exposures subject to forbearance measures. Such exposures may be forborne non performing loans or forborne performing loans. Forbearance measures consist of concessions

towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments (‘financial difficulties’) and include, for example, the renegotiation of the terms of the contract or total/partial refinancing of the debt.

NSFR – Net Stable Funding Ratio
A prudential requirement aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. The requirement is equal to the ratio of the stable funding available to the entity to the stable funding required to the entity and is expressed as a percentage.

OIS – Overnight Indexed Swap
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

O-SII (Other Systemically Important Institutions)
These are institutions whose systematic importance, referring essentially to the systemic risk they may generate in the event of bankruptcy, is defined not at the global level but at a narrower geographical level, such as the individual country level. O-SIIs must maintain a capital buffer as a percentage of their total risk-weighted exposures. In the Italian context, O-SIIs are identified by the Bank of Italy which, pursuant to the provisions of CRD IV (Directive 2013/36/UE, is required to explain the criteria for its decision, which must comply with the EBA guidelines.
G-SIIs, on the other hand, are Global Systemically Important Institutions. The method for identifying and classifying G-SIIs to the various subcategories is defined in European Commission Delegated Regulation EU/2014/1222. Classification consists of five subcategories of G-SIIs in increasing order of systemic importance, associated with increasing percent capital buffers to be maintained once fully in force.

OTC – Over The Counter
It designates transactions carried out directly between the parties outside organised markets.

Outsourcing
The transfer of business processes to external providers.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

PD – Probability of Default
The likelihood that a debtor will default within a period of one year or equal to the expected life of the financial instrument.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

POCI - Purchased or Originated Credit-Impaired Asset
Purchased or originated assets for which the lifetime expected losses are recognised upon initial recognition and which are automatically classed as Stage 3.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Pricing
Broadly speaking, it generally refers to the methods used to determine the prices of financial instruments and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund’s manager with the utmost confidentiality. The Prime Broker also acts as the fund’s lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund’s risk exposure (see entry) to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund’s cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Private banking
Business designed to provide primary customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Asset-backed commercial paper programme or ABCP programme
A programme of securitisations the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less, as defined by Regulation (EU) 2017/2402.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk These

evaluations cover, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be distributed.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk-free
Return on risk-free investments: for the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on 10-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE – Return On Equity
It expresses the return on equity in terms of net income. IT is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

RTS – Regulation Technical Standards
Regulatory technical standards.

RWA – Risk Weighted Assets
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the prudential rules issued by regulatory authorities on the calculation of capital ratios.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR – Società di gestione del risparmio (Asset management companies)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SICR – Significant Increase in Credit Risk
Criterion used to verify the transition between stages: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the lifetime expected credit losses of the instrument (lifetime ECL). The bank establishes whether there has been a significant increase in credit risk based on qualitative and quantitative information:

- the variation (beyond set thresholds) of the lifetime probability of default (PD) compared to the time of initial recognition of the financial instrument. This is an assessment made on a "relative" basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have "significantly increased" and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between stages where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

SPE/SPV
A Special Purpose Entity or Special Purpose Vehicle is a company established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB- on the S&P Global index).

SPPI (Solely Payment of Principal and Interest) Test
One of the two classification drivers (the other is the "business model") that the classification of the financial assets and the measurement basis depend on. The objective of the SPPI test is to identify the instruments, which can be defined as "basic lending arrangements" in accordance with the standard, whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets with contractual characteristics other than SPPI must be mandatorily measured at FVTPL (see entry).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SRT – Significant Risk Transfer
The originator institution of a traditional securitisation may exclude underlying exposures from its calculation of risk-weighted exposure amounts where significant credit risk associated with the underlying exposures has been transferred to third parties. According to Article 244 of Regulation (EU) 2017/2401 there is a significant transfer of credit risk in any of the following cases: (i) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in the securitisation; and (ii) if there are no mezzanine securitisation positions, the originator institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation. Article 245 of Regulation (EU) 2017/2401 sets out similar conditions for significant risk transfer through funded or unfunded credit protection securitisations also for synthetic securitisations.

Stage 1
Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

Stage 2
Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

Stage 3
Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (strike price).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export financing sector.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value (LTV) ratio is high.
On the other hand, prime mortgage loans are those which both the criteria used to grant the loan (LTV, debt-to-income, etc.) and to assess the borrower's history are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g) (see entry).

Tier 1
Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

Tier 1 Capital Ratio
The ratio of Tier 1 capital (see entry) to total risk-weighted assets (RWAs; see entry).

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to AIRB approaches (see entry).
Specific transitional provisions (grandfathering; see entry) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2; see entries). It is represented by the ratio of own funds to total risk-weighted assets (RWAs; see entry).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
It is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change (increase or decrease) in volatility.

Vintage
Term used to indicate the seniority of NPEs/NPLs (see entry). It also refers to the date of generation of the collateral underlying the securitisation, as an important factor in judging the collateral's risk level.

Expected life
This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank’s exposure to credit losses to the contractual notice period. The expected life for these credit facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional ‘maturity factor’ may be incorporated to reflect the full estimated life, based upon other experienced cases or similar cases of peers. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default (see entry) until they occur.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO’s cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Financial calendar

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GALLERIE D’ITALIA.
FOUR MUSEUMS, A NATIONWIDE CULTURAL NETWORK.

Gallerie d’Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: the art collections of the Bank, ranging from archaeological artefacts to contemporary works of art, are housed in historic buildings located in four cities, in a unique network of museums.

Gallerie d’Italia - Piazza Scala in Milan hosts, in a highly prestigious architectural setting, a selection of two hundred masterpieces of the nineteenth century in Lombardy, that are part of art collections of Fondazione Cariplo and Intesa Sanpaolo, and an exhibition dedicated to twentieth century Italian art.

Gallerie d’Italia - Palazzo Leoni Montanari, Vicenza is home to art of the region Veneto from the 1700s as well as pottery from Attica and Magna Graecia. 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. New premises within the majestic building which was formerly the Bank of Naples in Via Toledo mean that the museum space is tripled in size, increasing exhibition opportunities.

There is also the newly-open fourth location of **Gallerie d’Italia in Piazza San Carlo in Turin**, a site which is mainly dedicated to photography and the digital world.

Cover photo:

Gaspar van Wittel (also known as Gaspare Vanvitelli, or Gaspare degli Occhiali)
(Amersfoort, 1652 - Rome, 1736)
A View of the Piazza Navona in Rome, 1688-1721
oil on canvas, 62.5 x 125.5 cm
Intesa Sanpaolo Collection
Gallerie d’Italia -
Palazzo Zevallos Stigliano, Naples

A *View of the Piazza Navona in Rome* is a work by Gaspar van Wittel. A Dutch painter who relocated to Italy, he is considered the forerunner of modern vedutism, as a result of the almost topographic precision of the scene.

The painting belongs to a series of nine landscapes that van Wittel dedicated to Piazza Navona between 1688 and 1721, the largest square in Rome after St. Peter’s Square, and undoubtedly the most picturesque thanks to its market and countless related activities. The piazza, a “grand example of theatrical Baroque” was blessed in the mid-seventeenth century with an architectural renovation that gave it a reputation as one of the most beautiful squares in Rome, famous for the magnificence of its buildings and fountains. The view is from the first floor of Palazzo Lancelotti; on the left, the light highlights a series of buildings including the Church of Sant’Agnese in Agone which was rebuilt under the guidance of Francesco Borromini. On the right, in the shadows and strongly shortened, it is possible to see the sixteenth century façade of San Giacomo degli Spagnoli; the roof terrace of Palazzo Altemps stands out against the background, while in the centre there is the *Fontana dei Fiumi* by Gian Lorenzo Bernini and the sixteenth-century fountains known as *del Moro* and *dei Calderari*.
The painting excels for its splendid colours and the clarity of its lines and volumes. The sky is intensely bright with a hue of light blue that is characteristic of the Dutch artist’s best works.

The work is part of the art collections on permanent display in Gallerie d’Italia of Intesa Sanpaolo in Naples. The collection traces the most important moments of art in Naples and Campania from the early seventeenth century up to the first decades of the twentieth century, from Caravaggio and the naturalist turning point which took place with the artist’s arrival in the city in 1606, right up to the works by Vincenzo Gemito, through the pomp and splendour of the Spanish viceroyalty and the Bourbon era.