Interim statement as at 31 March 2023

Interim Statement as at 31 March 2023

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 10,368,870,930.08 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

Contents

THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

isybank

NORTH WEST	
Branches	1,133

NORTH EAST	
Branches	740

CENTRE	
Branches	761

SOUTH	
Branches	644

ISLANDS	
Branches	220

Figures as at 31 March 2023

Product Companies[1]

FIDEURAM VITA

INTESA SANPAOLO ASSICURA

INTESA SANPAOLO INSURANCE AGENCY

INTESA SANPAOLO RBM SALUTE

INTESA SANPAOLO VITA

Bancassurance and Pension Funds

PRESTITALIA

Consumer Credit[2]

EURIZON ASSET MANAGEMENT

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

1 *Factoring and Leasing activities are carried out directly by Intesa Sanpaolo S.p.A., the Parent Company*

2 *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

INTESA SANPAOLO BANK Albania

INTESA SANPAOLO BANK LUXEMBOURG

INTESA SANPAOLO BANK Romania

INTESA SANPAOLO BANK Slovenia

INTESA SANPAOLO BANKA Bosna i Hercegovina

INTESA SANPAOLO BANK IRELAND

INTESA SANPAOLO BRASIL SA

INTESA SANPAOLO WEALTH MANAGEMENT Luxembourg

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

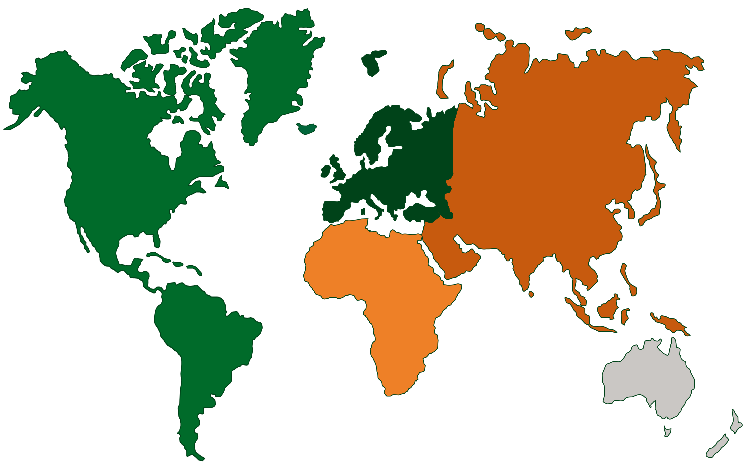
Direct Branches
Sydney

ASIA

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

EUROPE

Direct Branches	Representative Offices
Amsterdam	Brussels*
Frankfurt	Moscow
Istanbul	
London	
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Belgium	Intesa Sanpaolo Wealth Management	2
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	45
Croatia	Privredna Banka Zagreb	146
Czech Republic	VUB Banka	1
Hungary	CIB Bank	60
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Intesa Sanpaolo Wealth Management	2
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	146
Slovakia	VUB Banka	158
Slovenia	Intesa Sanpaolo Bank	41
Switzerland	Reyl Intesa Sanpaolo	3
Ukraine	Pravex Bank	43

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	173

Figures as at 31 March 2023
** European Regulatory & Public Affairs*

Product Companies

EURIZON ASSET MANAGEMENT

FIDEURAM ASSET MANAGEMENT IRELAND

INTESA INVEST Beograd

INTESA SANPAOLO LIFE

意才 YI TSAI

Wealth Management

CIB LEASING

INTESA LEASING Beograd

PBZ LEASING

VÚB OPERATING LEASING

Leasing

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

Board of Directors

Chair	Gian Maria GROS-PIETRO
Deputy Chair	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
(**) Chair 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 2023 financial calendar, Intesa Sanpaolo confirmed, pursuant to Art. 65-bis and Art. 82-ter of the Issuers' Regulation, its decision 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 2023 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, the Accounting policies, and the Report on operations. It is also complemented by information on significant events which occurred during the period in question and the main risks and uncertainties. The document contains financial information taken from or attributable to the financial statements, as well as other information – for example, figures on quarterly trends, and certain Alternative Performance Measures – not directly attributable to the financial statements. See the chapter Alternative Performance Measures in the Report on operations accompanying the 2022 Consolidated Financial Statements for a definition of these measures and their calculation methods[1], confirming that, with specific regard to the military conflict between Russia and Ukraine, in line with the ESMA guidance, no new measures have been added, nor have any changes been made to the measures used.

The Interim Statement as at 31 March 2023 is the first consolidated accounting statement drawn up by applying IFRS 17 Insurance Contracts, published by the IASB in May 2017 and subsequently amended, endorsed by Regulation (EU) no. 2036/2021 of 19 November 2021. At the same time, the Insurance Companies of the Intesa Sanpaolo Group have also applied for the first time IFRS 9 Financial Instruments, the application of which was deferred by virtue of the deferral approach.
In relation to that, in the chapter "Criteria for the preparation of the Interim Statement", a specific section of information was prepared, containing the following:

- with regard to the insurance companies' transition to the accounting standards IFRS 17 and IFRS 9, the illustration of the provisions of the standards, the choices made by the Group and the impacts deriving from the application of IFRS 17 and IFRS 9 for the companies in the Insurance Division;
- the statements of reconciliation between the account statements published in the 2022 Financial Statements applying IFRS 4 and IAS 39 to the insurance area and the new accounting statements set out in Circular 262 applying IFRS 17 and IFRS 9 (with the exception of the impairment model, applied starting on 1 January 2023), and the reconciliation of Shareholders' equity;
- the accounting policies published in the 2022 Financial Statements, updated with the methods of application of IFRS 17 and the introduction of IFRS 9 for the insurance companies.

The consolidated financial statements were changed in their structure and updated to endorse the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005[2], and the comparison periods modified following the retrospective application of the two standards. Specifically, the balance sheet balances were compared with the adjusted balance sheet as at 31 December 2022, while income statement balances were compared with the adjusted income statement for the first quarter of 2022.

To support the comments on results for the period, the Interim Statement also presents and illustrates reclassified consolidated income statement and balance sheet schedules.
In the reclassified statements, the figures are 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.

[1] The application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9, illustrated below, resulted in a change in the information content of the former caption Direct deposits from insurance business and technical reserves, now renamed Direct deposits from insurance business, and consequently of the aggregate Customer financial assets, as detailed in this report.

[2] The main changes introduced by the 8th update concern the alignment of the consolidated financial statement forms and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS. Indeed, in order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the provisions issued by IVASS with regard to IAS/IFRS insurance financial statements (the reference is to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022). In particular, full reference is made to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to insurance companies included in the consolidation.

Breakdowns of restatements and reclassifications made in accordance with the accounting schedules established in Bank of Italy Circular 262 are provided in separate reconciliation tables included in the attachments to this report, as also required by Consob in its Communication 6064293 of 28 July 2006.
With reference to the application of IFRS 17 and the related end of the period of application of the deferral approach for IFRS 9 for the Group's insurance companies, it was ensured that the reclassified schedules were in line with the approach adopted in the past, for both the captions of the Balance Sheet and those of the Income Statement. In line with the amendment, within the consolidated financial statements, of the comparative figures as a result of the retrospective application of the two standards, the comparative figures in the reclassified financial statements have also been restated on a like-for-like basis, as well as the comparative figures for the summary data and indicators presented at the beginning of the opening chapter of this Statement, unless otherwise stated.

The consolidated financial statements[3] 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, paragraph 2 of European Union Regulation 575/2013 and European Central Bank Decision 2015/656.

[3] Consolidated balance sheet, Consolidated income statement, Statement of consolidated comprehensive income, Changes in consolidated shareholders' equity and related Accounting policies.

Overview of the first quarter of 2023

Income statement figures and Alternative Performance Measures(°)

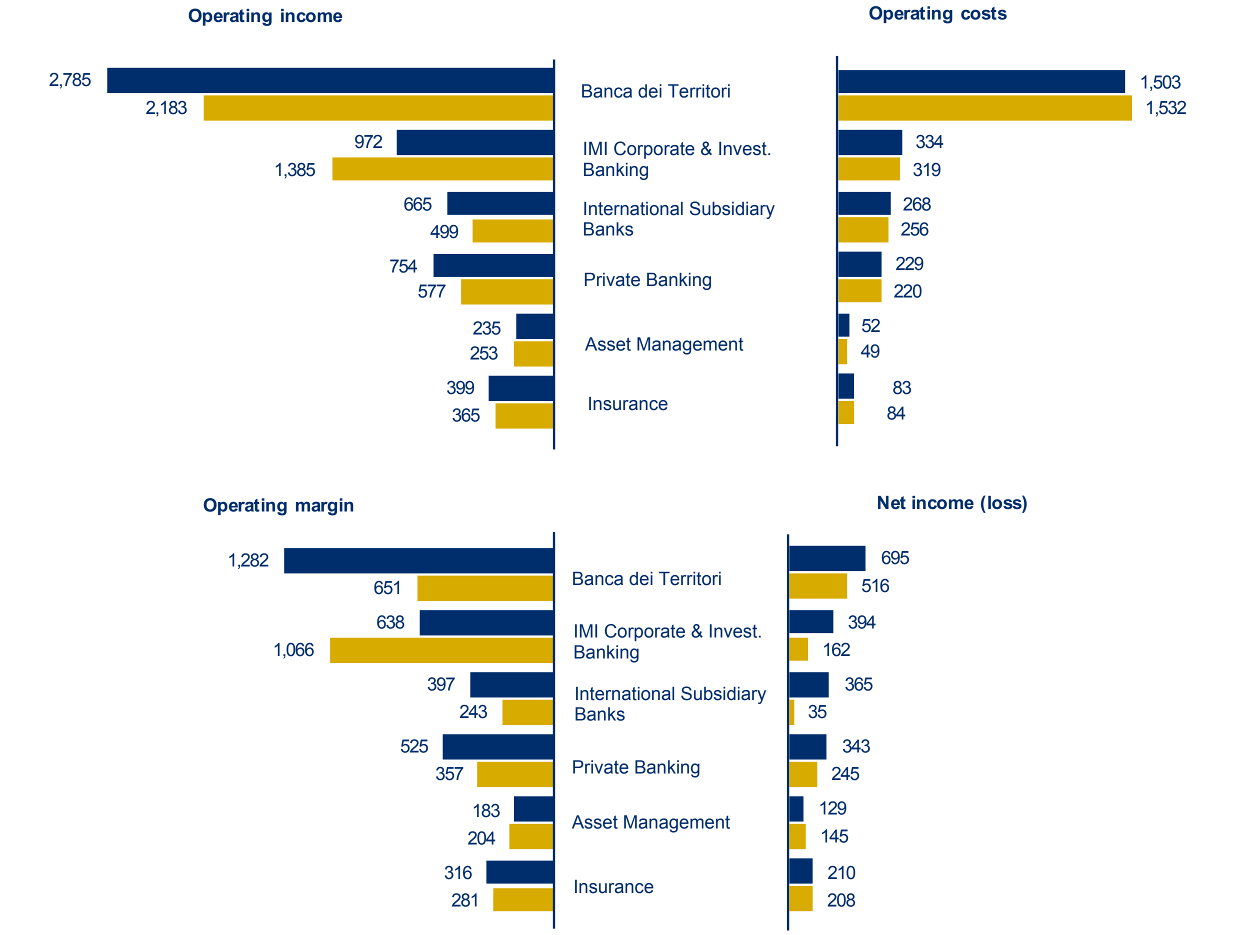
Consolidated income statement figures (millions of euro)	31.03.2023	31.03.2022	Changes amount	Changes %
Net interest income	3,254	1,957	1,297	66.3
Net fee and commission income	2,137	2,289	-152	-6.6
Income from insurance business	397	392	5	1.3
Profits (Losses) on financial assets and liabilities designated at fair value	262	769	-507	-65.9
Operating income	6,057	5,411	646	11.9
Operating costs	-2,536	-2,524	12	0.5
Operating margin	3,521	2,887	634	22.0
Net adjustments to loans	-189	-702	-513	-73.1
Net income (loss)	1,956	1,043	913	87.5

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

31.03.2023
31.03.2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report.

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".

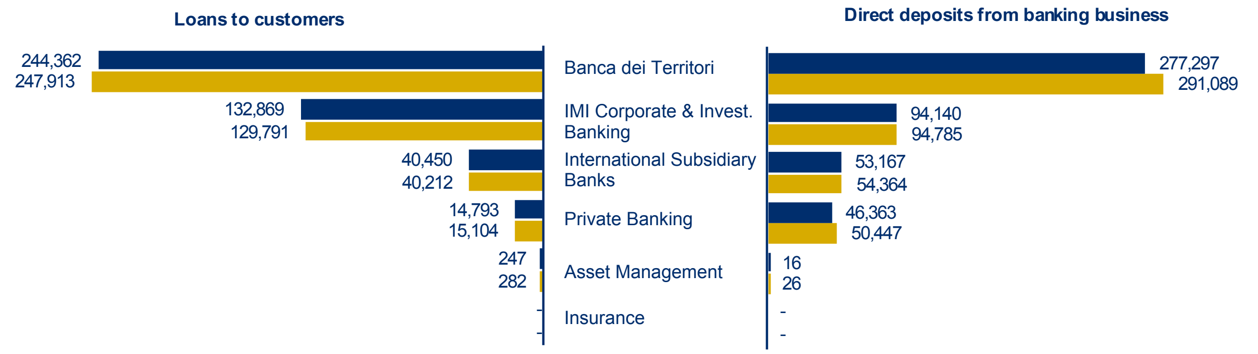
31.03.2023

31.03.2022

Balance sheet figures and Alternative Performance Measures(°)

Consolidated balance sheet figures (millions of euro)	31.03.2023	31.12.2022	Changes amount	Changes %
Financial assets	158,046	147,244	10,802	7.3
Financial assets pertaining to insurance companies	175,661	172,847	2,814	1.6
Loans to customers	449,860	446,854	3,006	0.7
Total assets	955,175	974,587	-19,412	-2.0
Direct deposits from banking business	534,462	545,386	-10,924	-2.0
Direct deposits from insurance business	175,497	173,672	1,825	1.1
Indirect deposits:	694,749	674,705	20,044	3.0
of which: Assets under management	*434,996*	*430,165*	*4,831*	*1.1*
Shareholders' equity	61,463	61,103	360	0.6
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	84.2%	81.9%		

Main balance sheet 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.

31.03.2023

31.12.2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report. The application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9 resulted in a change in the information content of the former caption Direct deposits from insurance business and technical reserves, now renamed Direct deposits from insurance business, which includes Insurance liabilities, Financial liabilities and other types of insurance deposits among which subordinated liabilities.

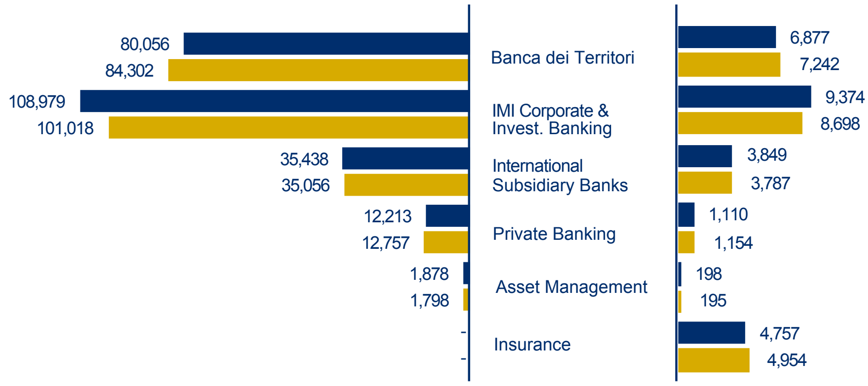
Alternative Performance Measures and other measures(°)

Consolidated capital ratios (%)

	31.03.2023	31.12.2022
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.7	13.8
TIER 1 Capital / Risk-weighted assets	16.1	16.2
Total own funds / Risk-weighted assets	19.5	19.1
Risk-weighted assets (millions of euro)	295,075	295,443
Absorbed capital (millions of euro)	29,416	29,518

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

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



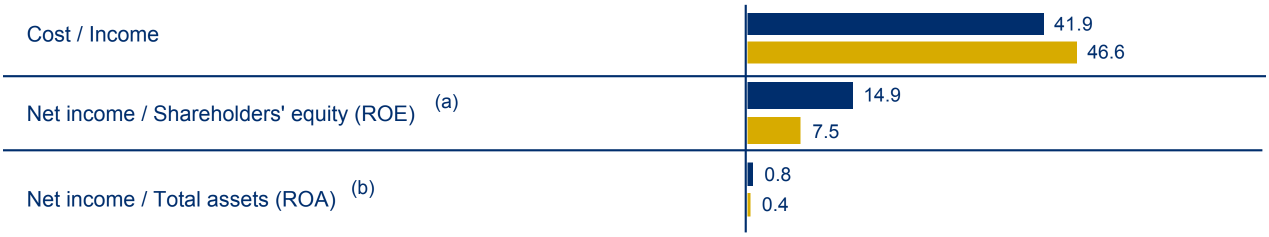
(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. The comparative figures correspond to the "IFRS 9 transitional" amounts.

31.03.2023
31.12.2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations in the 2022 Annual Report.

Consolidated profitability ratios (%)



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

(a) 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 and charity distributions in May. The figure for the period has been annualised net of the gain recognised in 2023 on the sale of the PBZ Card acquiring business line to the Nexi Group. The comparative figure has not been restated.

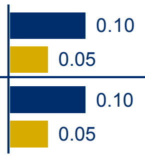
(b) Ratio between net income and total assets at the end of the period. The figure for the period has been annualised net of the gain recognised in 2023 on the sale of the PBZ Card acquiring business line to the Nexi Group. The comparative figure has not been restated.

31.03.2023
31.03.2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

Earnings per share (euro)

Basic earnings per share (basic EPS) (c)

Diluted earnings per share (diluted EPS) (d)



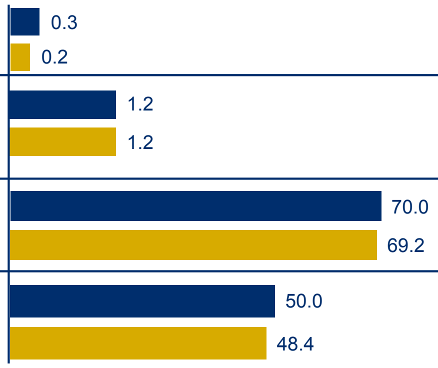
Consolidated risk ratios (%)

Net bad loans / Loans to customers

Net non-performing loans / Loans to customers

Cumulated adjustments on bad loans / Gross bad loans to customers

Cumulated adjustments on gross non-performing loans / Gross non-performing loans to customers



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

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

(d) The diluted earnings are calculated taking into account any future issuances of new ordinary shares and excluding own shares (including those purchased in execution of the buyback programme).

Operating structure	31.03.2023	31.12.2022	Changes amount
Number of employees (e)	**94,667**	**95,574**	**-907**
Italy	72,348	73,283	-935
Abroad	22,319	22,291	28
Number of financial advisors	**5,722**	**5,709**	**13**
Number of branches (f)	**4,450**	**4,565**	**-115**
Italy	3,498	3,611	-113
Abroad	952	954	-2

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

(e) 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.

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

31.03.2023
31.03.2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

The first quarter of 2023

Economic trends

In the initial months of 2023, the global economy was characterised by contrasting forces. On the one hand, the easing of health restrictions led to a strong recovery of economic activity in China; on the other hand, monetary tightening by central banks in many advanced countries started to dampen domestic demand, while high inflation reduced household real disposable income and slowed down consumption. Overall, world GDP growth, and even more so growth in international trade, was weak.

In the US, the rise in official interest rates and the reduction of the central bank's securities portfolio have already led to a reduction in fixed investment and a fall in real estate prices. However, GDP growth of 0.3% in the first quarter compared to the previous quarter has so far been sufficient to keep the unemployment rate stable and wage growth steady. Inflation fell to 5% year-on-year, but remains well above the Federal Reserve's target. Moreover, the fall in the index without food and energy appears to be much slower. In March, the central bank raised the fed funds target to 4.75-5.00%, while also continuing the balance sheet reduction. In the same month, the crisis of several medium-sized local banks linked to the technology sector intensified the reduction in bank deposits in favour of money market funds, increasing the demand for reserves by the banking system.

In the euro area, GDP grew by 0.1% in the first quarter compared to the last quarter of 2022, a result that was better than expected a few months ago. The business activity indicators recovered, particularly for services, while the performance for manufacturing was weak. The rapid monetary tightening implemented by the European Central Bank from the summer of 2022 is starting to affect the most interest rate-sensitive demand component, and residential construction in particular. In addition, consumption trends are being adversely affected by the erosion of households' real disposable income due to high inflation. Although it is falling, inflation still stood at 6.9% in March, well above the Central Bank's target. Moreover, the change in the index without food and energy, which is more indicative of the underlying pressures, was still 7.5%.

In Italy, industrial production fell across the board in the first two months of the year, although the confidence of manufacturing companies appeared to be recovering. In construction, activity levels remain high and rising: on the backdrop of a decline in building permits and residential construction confidence, construction activity appeared to accelerate in early 2023. Lastly, economic surveys show an improving climate of confidence in services. GDP grew by 0.5% compared to the previous quarter. The unemployment rate is stable at around 8%, in an environment of increasing labour force participation rates. The trend in households' real disposable income is still negative, as wage growth is far from offsetting inflation.

The European Central Bank has continued the tightening of monetary policy. Official interest rates were raised by a total of 100 basis points between February and March, bringing the depositi facility rate to 3.0% and the rate on main refinancing operations to 3.5%. After the end of the quarter, the official rates were raised by another 25 basis points on 4 May. In addition, in March the ECB started the reduction of the APP (Asset Purchase Programme) portfolio at an average rate of 15 billion euro per month, through the reduction of the reinvestment of the principal payments from maturing securities.
The rise in official rates had little effect on medium- and long-term yields, as these were offset by lower expectations regarding future interest rate trends. The ten-year spread between BTP and Bund fell from 211 to 178 basis points during the quarter. The performance of the main financial markets was positive, although affected by wide price fluctuations, in the wake of an uncertain macroeconomic environment and the recent turmoil related to the crisis of several US regional banks and Credit Suisse. For the stock markets, after a strong start to the year, the aforementioned crises created temporary tensions in the first half of March. For bonds, despite some periods of high volatility, the first quarter ended with positive performance.

The macroeconomic scenario of the countries with ISP subsidiaries remains subject to high uncertainty mainly due to the evolution of the conflict in Ukraine. The reduction in pressures on energy prices led to a partial improvement in the outlook compared to expectations at the end of 2022. On the other hand, inflation is easing slowly in several countries, consequently fuelling the debate in some central banks about the optimal end point for the monetary restriction.
In the fourth quarter of 2022, the year-on-year performance of GDP in the CEE (Central and Eastern Europe) and SEE (South Eastern Europe) area reached its lowest level of the year (1.3% and 3.6%, respectively), mainly due to weak demand for final consumption and investment. The high-frequency economic indicators point to a further economic slowdown in the first quarter of this year for both regions.
Although there are differences between countries, inflationary pressures still appear persistent in CEE and SEE areas and the dynamics of the core component have not yet shown convincing signs of cooling. At aggregate level (weighted average), despite falling energy prices, inflation remained high in the CEE (16.4 % in March) and SEE (13.3 % in February) areas. In the EE (Eastern Europe) countries there was a sharp drop in inflation in March (5.1%) due to the figure for Russia (3.5%), which was conditioned by the comparison with the very high figure for the previous year.

With the gradual transmission of the monetary tightening to lending rates, the slowdown in lending to the Italian private sector continued in the first quarter. The growth of loans to households for house purchases decelerated, due to the contraction in volumes for new mortgage contracts in light of the significant increase in lending rates, with the average rate on mortgage flows rising to 4% in March. As a result of moderately tighter supply conditions, also due to banks' perception of higher risks, and reduced demand for credit, lending to non-financial companies has fallen slightly since February. In parallel, businesses

have intensified the use of liquidity deposited with banks. Overall, bank deposits fell for the first time after eleven years of robust growth. The use of liquidity linked to the inflationary environment was accompanied by the diversification of household savings towards more remunerative forms, with a return to direct investment in Italian government bonds. Similarly, the decline in overnight deposits was partly offset by a shift towards time deposits.
With the outflow from deposits, the long negative trend for debt instruments in custody was reversed and returned to growth. In contrast, in an environment of significantly higher bond yields, assets under management remained weak. In the first quarter, net flows into mutual funds were slightly negative, despite inflows into equity and bond funds. The new business for life insurance was still down in the first two months, due to the continued contraction of unit-linked policies, while there was a recovery in the placement of traditional policies.

Consolidated results of Intesa Sanpaolo

The Interim Statement as at 31 March 2023 is the first financial report prepared in application of IFRS 17 Insurance contracts. At the same time, the Insurance Companies of the Intesa Sanpaolo Group have also applied IFRS 9 Financial Instruments for the first time, as the deferral period under the deferral approach has ended.
The commentary on the results for the first quarter therefore refers to the reclassified consolidated income statement, which presents the comparative figures for the first three months of 2022 adjusted in relation to the retrospective application of the two standards and the remaining quarters of 2022 restated accordingly. For the aspects more strictly related to the application of the two standards, see the “Accounting Policies” section of this document. For the impacts on the structure and contents of the reclassified consolidated income statement and balance sheet, see the chapters “Economic results” and “Balance sheet aggregates” of the Report on operations.

The consolidated income statement for the first quarter of 2023 posted a *net income* of 1,956 million euro, up significantly on 1,043 million euro for the same period of 2022 (+913 million euro; +87.5%). This growth was enabled by the positive operating performance, particularly on the revenue side, but also by the lower adjustments to loans, following the significant provisions that were made in 2022 in relation to the exposures to Russian and Ukrainian counterparties. Specifically, the first three months of 2022 recorded adjustments totalling 822 million euro gross (646 million euro net of tax).
Also in comparison with the last three months of 2022, the net income for the first quarter of 2023 was up by 81.8%.

More specifically, *operating income* rose to 6,057 million euro, with a positive trend both year-on-year (+646 million euro; +11.9% on the first quarter of 2022) and on a quarterly basis (+390 million euro; +6.9% on the fourth quarter of 2022).
The performance of the various revenue items in comparison with the first three months of 2022 was as follows:
– against a backdrop of repeated hikes in key interest rates decided by the ECB from July 2022 onwards[4], net interest income increased by 66.3% to 3,254 million euro, representing almost 54% of total income (36% in the first quarter of 2022). Within the aggregate, customer dealing continued to be the driving component, alongside the increased contributions from interest on financial assets in the portfolio, which more than doubled also as a result of the net investments made during the period, and other net interest income, in addition to a small reduction in the negative differentials on hedging derivatives. In contrast, the contribution from relations with banks decreased significantly, due to the effects of ordinary interbank transactions in very different market interest rate environments in the two periods compared;
– net fee and commission income fell to 2,137 million euro (-6.6%). The segment relating to management, dealing and consultancy activities was affected by the volatility of the markets, which dampened the revenue items related to the assets under management in particular, while the fee and commission income from commercial banking activities, especially collection/payment services and debit/credit cards, held up. Other net fee and commission income was also down, mainly in the active component related to loans;
– the income from insurance business rose to 397 million euro (+1.3%) due to the higher contribution from the non-life business;
– the profits (losses) on financial assets and liabilities designated at fair value, amounting to 262 million euro, were down 65.9%, but significantly up on the previous quarter. The decrease in this caption compared to the first three months of 2022 was attributable, on the one hand, to the “Profits (losses) on trading and on financial instruments under fair value option”, due to the decrease in profits from foreign exchange and interest rate transactions, and, on the other hand, to the profits on the disposal of assets, in relation to the different volumes of debt securities disposed in the two periods;
– the caption other operating income (expenses), which includes profits on investments carried at equity and other income/expenses from continuing operations, recorded a net positive balance of 7 million euro, compared to +4 million euro in the first quarter of 2022, and included profits on investments carried at equity for 11 million euro, down from 13 million euro in the comparison quarter.

Operating costs remained essentially stable at 2,536 million euro (+0.5%) despite the inflationary environment and higher depreciation related to investments in technology and growth.
Within the aggregate, personnel expenses decreased by 1%, mainly as a result of the reduction in the average workforce (-2,289 people; -2.4%) only partially offset by higher contractual and operating costs, whereas the increases concerned both administrative expenses (+1.6%) and amortisation and depreciation (+5.7%). The latter incorporated an increase in the component related to intangible assets, essentially investments in technology, against a reduction in the component related to property and equipment, due to the effects of the real estate rationalisation underway.
Compared to the fourth quarter of 2022, operating costs, in contrast, decreased significantly (-19%), specifically administrative expenses – due to the particular characteristics of the last few months of the year, not only in terms of the seasonality of certain expense items but also in terms of specific projects/initiatives – and personnel expenses, as a result of

[4] The quarterly average of the 1-month Euribor rose from -0.55% in the first quarter of 2022 to +2.36% in the first quarter of 2023.

the reduction in the average workforce (-1,063 people; -1.1%) and, above all, due to the fact that in the final three months the variable component of remuneration correlated to the Group's results had a higher weight, in addition to the payment of 36 million euro envisaged by the trade union agreement of 22 November.

As a result of the revenue and cost performance described above, the *operating margin* increased to 3,521 million euro (+634 million euro; +22%) and the cost/income ratio fell by a 4.7 percentage points, from 46.6% to 41.9%. The growth was even stronger on a quarterly basis: in comparison with the fourth quarter of 2022, the operating margin was up 38.8%, while the cost/income ratio decreased by more than 13 percentage points.

Net adjustments to loans fell to 189 million euro from 702 million euro in the first three months of 2022 (-513 million euro; -73.1%), which included, among others, the valuation effects related to the Russia-Ukraine risk of 801 million euro, only partially mitigated by an initial reduction in the management overlays to cover the vulnerability of the moratoria.
The decrease was concentrated at the level of Stage 2 (-376 million euro), Stage 1 (-129 million euro) and provisions for credit risk associated with commitments and financial guarantees given (-109 million euro), all of which recorded recoveries mainly due to the reduction in volumes. There was an increase in adjustments (+110 million euro) to loans classified in Stage 3.
The comparison with the final months of 2022 shows an even sharper fall in the caption (-84.1%), due to the fact that in the fourth quarter valuations were made, also through specific management overlays, to capture the risks of the prospective scenario and to favour de-risking.
The cost of risk, represented as the ratio of net adjustments to net loans, consequently fell, in annualised terms, to 17 basis points compared to 70 basis points for the full year 2022 (30 basis points when excluding adjustments for the Russia-Ukraine exposure and the additional adjustments for overlays and to favour de-risking, net of the partial release of generic provisions set aside in 2020 for expected COVID-19 impacts).

Other net provisions and net impairment losses on other assets rose to 70 million euro (+34.6%) as a combined effect of increased net provisions (including 19 million euro for the write-off of the value of the Russian equity investment in the consolidated financial statements, which increased in the quarter as a result of positive operating results, in addition to the 80 million euro already provisioned in December 2022) and lower net impairment losses on other assets, which in the first quarter of 2022 were partly attributable to assessments of the Russia and Ukraine risk on securities and real estate.
Other income (expenses), which include realised profits (losses) on investments, equity investments and financial assets at amortised cost other than loans, as well as income/expenses not strictly related to operations, had a positive balance of 101 million euro, including the 116 million euro gain from the sale of the PBZ Card acquiring business line to Nexi (the caption amounted to -4 million euro in the opening three months of 2022).
As a result of the accounting entries described above, *gross income* showed significant improvement to 3,363 million euro (+1,234 million euro; +58% compared to the first quarter of 2022; +2,070 million euro; +160.1% compared to the last three months of 2022).
The change in the taxable base led to an increase in *taxes on income* for the period to 1,084 million euro (+308 million euro; +39.7%), determining a tax rate of 32.2% (36.4% in the first three months of 2022). In the fourth quarter of 2022, on the other hand, the tax expense had practically fallen to nil (45 million euro), partly as a result of the recognition of deferred tax assets of 320 million euro relating to tax losses carried forward of the former UBI Banca.

The following were recognised after tax:
- *charges for integration and exit incentives* of 42 million euro (16 million euro in the first quarter of 2022; 78 million euro in the last three months of 2022, which incorporated the effects of discounting exit allowances);
- *negative effects of purchase price allocation* of 46 million euro (-34 million euro in the first three months of 2022; -50 million euro in the last three months of 2022);
- *charges aimed at maintaining the stability of the banking industry* of 228 million euro (330 million euro before tax). The amount includes, almost in its entirety, the cost for the full year 2023, estimated on the basis of the preliminary indications provided by the Single Resolution Board, of the ordinary contributions to the single resolution fund for the Group banks.

After the allocation of the net income of 7 million euro to minority interests (losses of 6 million euro in the first quarter of 2022; profits of 12 million euro in the fourth quarter of 2022), the consolidated income statement closed, as already stated, with net income of 1,956 million euro, up 87.5% on 1,043 million euro in the same period of 2022.

With regard to the balance sheet aggregates, loans to customers stood at 449.9 billion euro as at 31 March 2023, up by 3 billion euro (+0.7%) compared to December 2022. This performance was driven by short-term loans of financial nature, which rose to 19.9 billion euro (+4.5 billion euro; +29.5%) and consisted of repurchase agreements, by nature subject to a certain degree of variability during the year. Commercial banking loans fell slightly to 418.4 billion euro (-1.3 billion euro; -0.3%) mainly attributable to businesses which, in the presence of rapidly rising interest rates, preferred to use available liquidity to limit their use of bank credit. In terms of technical forms, the reduction in the medium/long-term component (-1%), where repayments predominated over new disbursements, was offset by a slight increase for the short-term technical forms (+2.4% current accounts; +0.3% advances and other loans).
The remaining components of the total aggregate showed a decrease: -1.4% to 6.2 billion euro for loans represented by securities, and -2.1% to 5.4 billion euro for non-performing loans, following the significant de-risking operations completed during 2022.
In terms of credit quality, the NPL to total loan ratio remained stable at 2.4% in gross terms (2.3% at the end of 2022) and 1.2% in net terms (1.2% in December 2022)[5], while their coverage ratio increased from 48.4% to 50%.

[5] Based on the EBA definition, as at 31 March 2023 the proportion of non-performing loans was 2% in gross terms and 1% in net terms (respectively, 1.9% and 1% in December 2022).

On the funding side, at the end of the quarter, direct deposits from banking business were down at 534.5 billion euro (-10.9 billion euro, or -2%). The reduction in the quarter, which reflects an ongoing trend also at industry level, was attributable to the technical form of current accounts and deposits (-5.6% to 408.7 billion euro), which is being affected by both a growing use of liquidity by businesses and a greater diversification of household savings.
All the other technical forms, on the other hand, showed a positive trend: bonds (+10.3% to 57.7 billion euro), subordinated liabilities (+8.6% to 13.5 billion euro as a result of a Lower Tier 2 issuance for a nominal 1 billion euro in February), certificates of deposit (+11.7% to 2.3 billion euro), and financial funding in the form of repurchase agreements (+156.7% to 3.3 billion euro). Other deposits were also up (+10.4% to 48.8 billion euro), due to the increased stock of commercial paper issued by Intesa Sanpaolo Bank Luxembourg, the margins from customers trading in derivatives, the values of which are increasing as interest rates rise, and the positive performance of the component measured at fair value, almost entirely made up of investment certificates, which rose by 15.1% to 19.1 billion euro.

Direct deposits from insurance business in March 2023 totalled 175.5 billion euro, up 1.8 billion euro in the three months (+1.1%). Over 68% of the aggregate was made up of insurance liabilities, which rose to 119.8 billion euro (+2.2 billion euro; +1.9%) in the quarter due to the positive performance of the distribution of insurance policies, particularly in the life business.
On the other hand, financial liabilities, which were affected by the volatility of the financial markets, remained substantially stable at 54.1 billion euro (-113 million euro; -0.2%). Entirely represented by unit-linked investment contracts included under Financial liabilities designated at fair value, they represent around 31% of total direct deposits from insurance business.
Lastly, the remaining portion consists of other insurance deposits, included in the caption Financial liabilities pertaining to insurance companies measured at amortised cost, which also incorporates subordinated liabilities. They decreased by 16% to 1.6 billion euro (-302 million euro).

At the end of the quarter, indirect customer deposits, valued at market prices, reached almost 695 billion euro, up 20 billion euro (+3%) from the end of December. The environment of steadily rising interest rates influenced customers' investment choices, changing the trends that had previously characterised the two main components of the aggregate. Indeed, the early months of 2023 saw a significant recovery in assets under administration, now close to 260 billion euro, with an increase of 15.2 billion euro (+6.2%). Assets under management, which rose to 435 billion euro, on the other hand experienced a more moderate trend (+4.8 billion euro; +1.1%), which involved all the captions: funds (+1.3% to 151.7 billion euro), insurance liabilities and insurance financial liabilities (-0.1% to 171.6 billion euro), portfolio management schemes (+2.4% to 75.4 billion euro), pension funds (+3.5% to 12.4 billion euro) and relations with institutional customers (+4.4% to 23.9 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 military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:
- *Joint-Stock Company Banca Intesa (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 886 staff. The Group's presence in Russia dates back almost 50 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 regional branch network extends from Kaliningrad to Vladivostok;
- *Pravex Bank Joint-Stock Company*, 100%-owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 43 branches mainly in the Kyiv region and employs 733 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

The analyses made in the 2022 Annual Report concerning Intesa Sanpaolo's continued control over the two entities still apply in full, for all the aspects examined at that time, also in light of the absence of any changes in the Russian regulations in this regard.

Risk management

In light of the continuing military conflict between Russia and Ukraine, during the first quarter of 2023 the Group did not ease the internal controls that it implemented after the outbreak of hostilities in February 2022, as described in detail in the introductory chapter of the Report on operations of the 2022 Consolidated Financial Statements, which should be referred to for more details.
The two Task Forces – "Risk Management and Control" and "Operational Resilience", respectively chaired by the Chief Risk Officer and the Head of the International Subsidiary Banks Division – continued to meet with the aim, among others, of preparing relevant information for the Top Management, which was also shared with the ECB's Joint Supervisory Team (JST), as necessary.
The situation continues to be 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.
Appropriate information is also always prepared for the Board Committees and the Board of Directors.

The Risk Management and Control Task Force and the Crisis Unit
All the main actions carried out since the start of the emergency, both from an operational perspective and with specific regard to the monitoring of credit risk, in particular under the Credit Action Plan, were described in the above-mentioned introductory chapter of the Report on operations of the 2022 Consolidated Financial Statements.
There are no significant new developments to report for the first quarter of 2023.
In line with the third and fourth quarters of 2022, no specific initiatives were implemented under the Credit Action Plan dedicated to the Russia-Ukraine crisis. However, the specific diagnostic initiatives designed to prevent flows into non-performing status for exposures showing signs of difficulty, but without being past due, are still being implemented for companies in the energy and gas sectors that are particularly sensitive to fluctuations in the cost of energy, also linked to the current geopolitical crisis.
In light of the further tightening of the already heavy sanctions imposed on Russia by Western countries, in order to ensure regulatory compliance, the monitoring, started in 2022, continued 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. As at 31 March 2023, the exposure to Russian counterparties subject to sanctions included in the OFAC SDN and/or EU asset freeze lists amounted to 0.35 billion euro (0.38 billion euro at the end of December).
Since the beginning of the conflict, the Group has continued to carefully monitor 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. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess, these analyses confirm the Group's ability 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
The actions and initiatives implemented from the initial stages of the conflict in relation to Pravex Bank's employees, in particular with regard to supporting the expatriation of these employees and their families, when required, are described in the above-mentioned introductory chapter of the Report on operations of the Consolidated Financial Statements 2022, to which refer for more details. Since the beginning of March 2023, also as a result of the improvement of the situation, particularly in Kyiv, it is observed a small but steady return to Ukraine of colleagues and their families who have been hosted abroad. There are currently 148 colleagues and their families hosted in Italy in the 41 Group-owned flats and in the residential facilities made

available in Bergamo. They are mainly female staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law.
With regard to business continuity in Ukraine, thanks to the actions taken in 2022 (in particular, the transfer of the copy of the data to a cloud data centre in Germany from September[6]), operations have always been guaranteed and the business is continuing without any disruptions.
To overcome the power supply problems that spread throughout the country in late 2022, it was decided in early 2023 to provide Starlink satellite equipment to ensure data connection, along with power banks distributed to the headquarters and colleagues with critical and strategic tasks. Power generators were also provided to all the operational branches. However, there were no disruptions in our customer services.
The supply of electricity in the country returned steady again since February, partly due to the possibility of using several power plants that have been put into operation. This allowed, in the first quarter of 2023, the number of branches opened daily gradually increased to around 90% of the available branches. No further branches were damaged following the six that were damaged in 2022.
At Banca Intesa Russia, the systems have always remained up and running since the beginning of the hostilities and the branches have continued to work without any operational problems, also in the early months of 2023.
In 2022, monitoring was set up on the operations of Banca Comerciala Eximbank, the Group's Moldovan subsidiary. Despite the worsening of the war situation in the area, there have not been any problems for the company's operations, including in the early months of 2023.
In terms of cybersecurity, the monitoring and threat intelligence activities are continuing, alongside the strengthening of the cybersecurity controls throughout the Intesa Sanpaolo Group, particularly in relation to security checks and authentication methods for access to the corporate network.
Specific educational initiatives on cyber risks, with a focus on phishing, continue to be regularly implemented to raise awareness among all the Group's staff.
The additional costs incurred for business continuity and losses resulting from physical damage to premises/branches located in the conflict zone form part of the monitoring of the exposure to operational risk, including that relating to the Risk Appetite Framework.

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

The main accounting issues arising from the ongoing conflict between the Russian Federation and Ukraine and the Intesa Sanpaolo Group's approach to addressing them are summarised below. The situation of the Russian/Ukrainian crisis has been the subject of close attention since the outbreak of hostilities at the end of February 2022. In addition to cross-border exposures to counterparties resident in the Russian Federation, the Group has two direct subsidiaries in the warring countries, which are therefore particularly exposed to the consequences of the conflict: Pravex Bank Public Joint-Stock Company and Banca Intesa Russia.

Within this context, at the outbreak of conflict, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers (net of Export Credit Agency - ECA guarantees). The de-risking, which the Group has been carrying out since the second half of last year, has therefore focused on reducing these exposures. By the end of 2022, the total of these exposures had already been significantly reduced, with gross on-balance sheet exposures to counterparties resident in Russia and Ukraine (customers, banks and securities) falling by 2,493 million euro (-47% compared to the end of 2021). Further, although more limited, de-risking operations continued in the first quarter of 2023. These additional de-risking manoeuvres and the continuing significant adjustments to the residual positions led to a further decrease in the overall net exposure (customers, banks and securities) as at 31 March 2023 to counterparties resident in Russia and Ukraine, which now amounts to 2,069 million euro (2,613 million euro gross), down by 89 million euro (176 million euro gross) from 31 December 2022 (-4% for the net and -6% for the gross).

More specifically, as at 31 March 2023, the remaining exposures amounted, in terms of gross values, to 321 million euro (176 million euro net) for Banca Intesa Russia (figures as at 31 March 2023, as described below) and 1,209 million euro (928 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 764 million euro (752 million euro net) and in securities totalling 16 million euro (16 million euro net)[7]. Exposures to customers resident in Ukraine amounted to 210 million euro (108 million euro net[8]), of which 101 million euro (book value nil in net terms) related to the subsidiary Pravex Bank (figures as at 31 December 2022, as described below), in addition to exposures to banks and in securities totalling 93 million euro (89 million euro net).

That said, the situation as at 31 March 2023 is essentially the same as that described in the Annual Report as at 31 December 2022, given that:
- the two subsidiaries have continued to operate on the basis of the Parent Company's instructions in their respective environments;
- there are no new regulatory provisions with respect to those already considered for the 2022 Annual Report.

[6] The physical back-up of the data of Banca Comerciala Eximbank, a Moldovan subsidiary of the Group, was also carried out at the same data cloud in Germany in 2022, following the authorisation granted by the Central Bank of Moldova.

[7] There were also off-balance sheet exposures to customers and banks of 115 million euro (106 million euro net) at Banca Intesa Russia, 222 million euro (179 million euro net) in cross-border exposures to customers resident in Russia (net of ECA) and a total of 130 million euro (128 million euro net) relating to cross-border positions with Russian resident banks.

[8] The cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, these mainly relate to exposures disbursed by the subsidiary VUB to Ukrainian families with permanent residence in Slovakia.

Consequently, the main methodological choices – both in terms of consolidation of the two investees and valuation of the credit exposures – are essentially the same as those used in the 2022 Annual Report and duly described therein.
Before outlining the valuation choices regarding the two investee companies (for the valuation of the cross-border exposures, see the chapter on "Risk Management" in the Report on operations), a few preliminary observations need to be made about how Pravex Bank and Banca Intesa Russia contributed to the preparation of the consolidated financial statements as at 31 March 2023. In particular, for this Interim Statement, while it was possible to consolidate an accounting situation aligned to that of the Parent Company for Banca Intesa Russia (therefore, consolidated with reference to the results as at 31 March 2023), for Pravex, the specific situation in the city of Kyiv (where the bank is based) from October onwards led to the conclusion that – in order to contain the "operational" risk – it was considered more appropriate to use the accounting situation produced by Pravex as at 31 December 2022 for the consolidation. The results of Pravex are therefore incorporated by means of the line-by-line consolidation of a consolidation package prepared in accordance with the IAS/IFRS for the previous quarter, in keeping with the approach already adopted for the 2022 Annual Report. However, it is worth recalling here that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group. The above method of consolidation is also supported by the fact that the balance sheet management data as at 31 March 2023 do not show any significant differences – in the total aggregates – compared to those reported as at 31 December 2022.

With regard to the valuation choices, for Pravex Bank, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of measuring the Bank's loan portfolio, of a specific approach, significantly based on prudent rationales, in light of the continuation of the conflict and the consequent repercussions on the Ukrainian economy. For the purposes of the Interim Statement as at 31 March 2023, as in the 2022 Consolidated Financial Statements, it was considered appropriate to maintain the full write down of Pravex Bank's on-balance sheet loans to customers, with consequent classification to Stage 3. As a result of that choice, for the purposes of the Group's consolidated financial statements, the equity of the subsidiary has been reduced to zero.

Also for Banca Intesa Russia, an approach to classifying and measuring performing loans continued to be adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, as was already the case in the 2022 Annual Report, the assessments carried out as at 31 March 2023 on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 40% of their gross value, in line with the coverage as at 31 December 2022. In addition, in light of the ongoing deterioration of relations between the main Western countries (including Italy) and the Russian Federation, the provision aimed at writing off the equity of the investee company, which had already been made in the 2022 Annual Report, was also maintained in the preparation of this Interim Statement.

The significant adjustments on the credit exposures of Banca Intesa Russia and Pravex Bank, made on a prudential basis, reflect the war situation that generates the need for careful consideration of the above-mentioned country risk, with appropriate measurement of the risk that the capital invested abroad is exposed to, connected to the possibility that political or economic circumstances may result in non-repayment of the loan (irrespective of the specific credit risk of the individual counterparty).

Given that there were no substantial changes in valuations compared to the 2022 Annual Report, in the first quarter of 2023 the Group did not experience any significant impacts resulting from exposures to Russian or Ukrainian counterparties. With regard to the first quarter of 2022, you are reminded that the valuation processes established immediately after the outbreak of the conflict led to the recognition, gross of tax effects, of 801 million euro in adjustments to loans and 21 million euro in adjustments to securities and real estate, whereas in the full year 2022, again gross of tax effects, net charges were recognised totalling 1,415 million euro, of which 1,298 million euro in adjustments to loans, 36 million euro in adjustments to securities and 81 million euro in adjustments to other accounting items, including the provision made upon consolidation of the investee Banca Intesa Russia, mainly to write off its equity contribution to the Group's consolidated financial statements.

Other highlights

The other 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.

On 1 January 2023, the amendment to the Articles of Association of Banca 5 S.p.A. took effect, changing the name of the company to Isybank S.p.A. This is the first formal step in the project being implemented for the creation of the Group's new digital bank, as envisaged in the 2022-2025 Business Plan.
The amendment, approved by the ECB on 10 October 2022, was approved by the Extraordinary Shareholders' Meeting of Banca 5 of 28 October 2022..

Also on 1 January 2023 the Extraordinary Shareholders' Meetings of the two companies approved the merger by incorporation of Fideuram Bank (Luxembourg) S.A. into Compagnie de Banque Privée Quilvest S.A. (CBPQ), which took the name Intesa Sanpaolo Wealth Management S.A., with statutory, accounting and tax effects on the same date.
You are reminded that on 30 June 2022, Fideuram - Intesa Sanpaolo Private Banking, through its Luxembourg subsidiary Fideuram Bank (Luxembourg) S.A., acquired full control of CBPQ, a Luxembourg-based private bank with branches also in Belgium, with the strategic aim of creating an additional European hub for the Private Banking Division, alongside Reyl & Cie in Switzerland.

As part of the agreements between Risanamento, a company controlled by Intesa Sanpaolo with a 48.88% stake, and LendLease, a leading international operator, and the lending banks for the development of the real estate initiative called Milano Santa Giulia, on 2 February 2023 the Board of Directors of Intesa Sanpaolo approved a complex transaction, aimed at enabling the following, as part of a plan to ensure the economic and financial equilibrium of the Risanamento Group pursuant to Article 56 of the Insolvency Code ("IC"): (i) the obtainment by the Risanamento Group of the financial resources necessary to fulfil its commitments made to the public authorities and third parties in relation to the completion of both the reclamation of the area and the execution of the Olympic infrastructure works under the Variant Agreement; and (ii) the transfer of the Milano Santa Giulia area at values in line with its book value to a mutual fund, whose units will be held by the lending banks or their assignees, with the concurrent novation to the aforementioned fund of the financial debt due to the lending banks (or their assignees) from the Risanamento Group and the payment to Risanamento, under particular terms and conditions, of the additional amount with respect to the values referred to above.
The Termsheets concerning the main terms and conditions of the transaction were signed by the parties on 22 March 2023. Completion of the transaction, subject to the usual conditions precedent for this type of transaction, is scheduled for the second quarter of the year.

With reference to the programme of purchase of own shares for annulment (buyback), approved by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022 and authorised by the ECB with decision notified on 24 June 2022, for a maximum total outlay of 3,400 million euro and a number of shares not exceeding 2,615,384,615 Intesa Sanpaolo ordinary shares, after the initial programme launched on 4 July and concluded on 11 October 2022 for an outlay of 1,700 million euro and the purchase of 988,632,803 shares (all of them annulled), on 3 February 2023 the Board of Directors of Intesa Sanpaolo resolved to implement the execution of the remaining part of the programme for a maximum outlay of 1,700 million euro and a number of shares not exceeding 1,626,751,812.
The purchases started on 13 February 2023 and ended on 4 April 2023. During the period, a total of 706,004,171 shares were purchased, equal to around 3.72% of the share capital, at an average purchase price of 2.4079 euro per share, for a total countervalue of 1,699,999,999.33 euro.
The transactions took place on the regulated market Euronext Milan managed by Borsa Italiana through the third-party intermediary appointed to execute the programme, in full independence and without any involvement of the Intesa Sanpaolo Group, in compliance with the terms authorised by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022.
The annulment of the shares took place on 2 May 2023. While the share capital remained unchanged at 10,368,870,930.08 euro, the number of ordinary shares with no nominal value decreased from 18,988,803,160 to 18,282,798,989. The Articles of Association amended to reflect said annulment were filed with the Turin Company Register on 3 May.

As stated in the 2022 Annual Report, in line and in keeping with the transactions carried out in 2020 and 2021 regarding the acquiring businesses of Intesa Sanpaolo and the former UBI Banca, in 2022 the Group undertook a project initiative aimed at expanding the strategic partnership with the Nexi Group at international level, through the transfer to Nexi Payments of the merchant acquiring business line of the Croatian subsidiary PBZ Card. As with the two previous transactions, the agreement provided for: i) the sale of the PBZ Card acquiring business line (including all agreements with the Croatian merchants) to the Nexi Group; and ii) the establishment of a commercial partnership between PBZ Group and the buyer on an exclusive basis in line with the terms of the transactions concluded in Italy.
The transaction was completed on 28 February 2023, resulting in a gross capital gain, recognised in the consolidated income statement for the first quarter of 2023, of 116 million euro (95 million euro net of the tax effect).

On 1 March 2023, the Board of Directors of Intesa Sanpaolo Vita, following the resolution passed by the Board of Directors of the Parent Company Intesa Sanpaolo on 28 February 2023, approved a settlement and share purchase agreement between RBHold S.p.A., pertaining to the Favaretto family (non-controlling shareholder of Intesa Sanpaolo RBM Salute S.p.A.) and Intesa Sanpaolo Vita which provided for:

- the amicable settlement, without any recognition of the mutually asserted claims, of the Arbitration initiated in July 2022 by the Favaretto family at the Chamber of Arbitration of Milan, agreeing to formalise the waiver of the respective claims at the Chamber;
- the purchase by Intesa Sanpaolo Vita of the entire equity investment held in Intesa Sanpaolo RBM Salute by the non-controlling shareholder, amounting to 26.21%, with the simultaneous termination of office of the members of the Board of Directors of Intesa Sanpaolo RBM Salute appointed by RBHold and termination of the put and call mechanisms originally

subscribed. The purchase price was set at the market value of 360 million euro, the amount of which was confirmed by an independent third-party fairness opinion.

The signing of a new agreement (partially amending the one previously in force) was also envisaged for the service contract between Intesa Sanpaolo RBM Salute and Previmedical, aimed at strengthening Intesa Sanpaolo RBM Salute's oversight and control of the activities outsourced to Previmedical, providing the company greater protection in the event of unsatisfactory service levels towards customers in the management of the insurance portfolio assigned to Previmedical.

The settlement agreement was signed by the parties on 1 March 2023 and the purchase of the non-controlling interest in Intesa Sanpaolo RBM Salute by Intesa Sanpaolo Vita was completed on the same date. As a result of this transaction, Intesa Sanpaolo Vita became the owner of 100% of the share capital of the company.

With regard to the non-performing loans that were reclassified as assets held for sale as at 31 December 2022, all the related project activities, within the scope of the 2021-2022 de-risking plans, were completed in March 2023. As stated in the 2022 Annual Report, this was mainly a portfolio consisting of small ticket UTPs with a gross value of around 0.75 billion euro. Given the characteristics of this portfolio, the structure of the transaction identified involved the transfer to two Alternative Investment Funds (AIFs) via a solution that would ensure credit management policies primarily aimed at returning the borrowers to performing status. The transactions took place at values in line with the net book values that had already been aligned with the prices expected from the disposals in the 2022 Annual Report.

Lastly, to complete the disclosure for the first quarter of 2023, the continuation is confirmed of the voluntary exits plan in accordance with the trade union agreements of 29 September 2020 and 16 November 2021.

There were 1,234 voluntary exits in the first three months of the year for a total of 6,092 exits from the beginning of 2021, against the 9,200 exits expected to take place by the first quarter of 2025 under the terms of the two above- mentioned trade union agreements.

In the same period, there were around 500 hires as part of those agreements, for a total of around 1,800 from the beginning of 2021 compared with the 4,600 planned by the end of 2025.

As already announced in the 2022 Annual Report, new flexible work initiatives have been introduced on a voluntary basis from 1 January 2023, which are being welcomed by the potentially affected staff. These envisage: (i) the possibility of working from home up to a maximum of 120 days per year (140 days for those working in shifts), with no more monthly limits, when planned and authorised in advance (the limits may not apply to people with certified disabilities or serious illnesses, or frail individuals), accompanied by the allocation of a daily meal voucher in electronic form for each day worked from home, and the launch of a trial in around 200 branches aimed at ensuring the use of a minimum number of flexible working days; and (ii) the possibility of working between Monday and Friday on 4 days for 9 hours with equal pay (so-called short week, with variable day off, started on a trial basis in twelve large branches), as well as alternating the short week with weeks of 7.5 hours a day on 5 days, together with the possibility, for staff not working in shifts, of having flexible start times for their working day.

Again as part of the Next Way of Working project – aimed at implementing a new working model based on strengthening individual responsibility and improving work-life balance – activities are also continuing for the preliminary real estate and technological interventions aimed at constructing new workspaces designed to enhance the moments of presence in the office. The Next Way of Working model will be gradually extended throughout Italy in 2023. While the construction and fitting out of the interior spaces in the complex at 22 Via Melchiorre Gioia in Milan continues, the design activities for the premises in Como and Naples have been started and completed. The design work for the offices in Bergamo is also currently being completed.

The renovation of the spaces will continue to be accompanied by the implementation of technological tools (release of the space booking function in the planning and reservation tool), together with specific targeted communication campaigns.

After the end of the quarter, with regard to the strategic partnership between Intesa Sanpaolo Vita and Reale Group (through Blue Assistance, a service company of the Reale Group specialising in healthcare assistance) in the new company InSalute Servizi[9], the transfer of Blue Assistance's business line became effective on 1 April 2023, which implemented the reserved capital increase of InSalute Servizi. On the same date, the sale of certain InSalute Servizi shares issued as part of the above-mentioned capital increase was completed in order to achieve the corporate structure agreed between the parties. The company is now 65% owned by Intesa Sanpaolo Vita and 35% by Blue Assistance.

InSalute Servizi operates within Intesa Sanpaolo's Insurance Division for the management of claims and the development of a network of healthcare facilities with agreements (TPA - Third Party Administrator) in support of Intesa Sanpaolo RBM Salute's insurance offering, of which it will manage 75% of the portfolio in 2026. The company is engaged in the management of health and welfare services for Intesa Sanpaolo's captive customers, supplementary health funds, welfare funds, public health services, companies and other entities operating in the supplementary health and welfare sectors, confirming the strategy of Intesa Sanpaolo's Insurance Division and its development plan for health insurance, launched in 2020 with the acquisition of Intesa Sanpaolo RBM Salute. In parallel with this joint venture, the service company of the Reale Group will continue its activities with the Intesa Group insurance companies and the non-captive business, without any change in commitment to the planned strategies.

[9] The company, which was established in February 2022 with the original name of Newco TPA S.p.A., changed its name to InSalute Servizi in the third quarter. As at 31 March 2023, as was the case at the end of 2022, it was included in the scope of line-by-line consolidation as it was wholly owned by Intesa Sanpaolo Vita.

In line with the objectives of simplifying and streamlining the Intesa Sanpaolo Group's corporate structures set out in the 2022-2025 Business Plan, on 3 April 2023, the deed was signed for the merger by incorporation into Intesa Sanpaolo S.p.A. of the wholly owned subsidiary Intesa Sanpaolo Provis S.p.A., a registered financial intermediary pursuant to Article 106 of Legislative Decree 385 of 1 September 1993 (Consolidated Law on Banking), which acted as the Group's specialist centre for the management of legal lease credit recovery procedures and the value enhancement and sale of real estate and movable assets underlying terminated leases. The transaction took legal effect from 17 April with accounting and tax effects from 1 January 2023. As a merger involving a wholly owned company, it was carried out in the simplified manner provided for in Article 2505 of the Italian Civil Code.

On 28 April 2023, the Ordinary 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 No. 18 dated 17 March 2020, converted by Law No. 27 dated 24 April 2020 (whose effects were most recently extended by Law No. 14 dated 24 February 2023) counted 3,167 holders of voting rights attached to 10,897,630,179 ordinary shares without nominal value representing 57.38977% of the share capital. The Shareholders' Meeting voted in favour of all the items on the agenda.
The resolutions concerned:

- *the approval of the Parent Company's 2022 financial statements and the proposal for the allocation of net income, with the distribution to the shareholders of a remaining dividend for 2022 corresponding to 8.68 euro cents per ordinary share, subject to increase as a result of the execution of the programme of purchase of own shares for annulment (buyback).* Following the annulment of the shares announced at the beginning of May[10], from 24 May 2023 (with coupon presentation on 22 May and record date of 23 May), the amount of 1,647,280,188.91 euro, corresponding to 9.01 euro cents for each of the 18,282,798,989 ordinary shares constituting the share capital, will be paid as a remaining dividend on the 2022 net income, for a total dividend distribution, taking into account the interim dividend of 1,399,608,167.99 euro paid in November[11], of 3,047 million euro, corresponding to a payout ratio of 70% of the consolidated net income;
- *the remuneration policies and incentive plans*. In particular, the Shareholders' Meeting approved the remuneration and incentive policies for 2023 as described respectively in chapters 4 and 1 of Section I of the Report on remuneration policy and compensation paid; it passed a resolution agreeing on the Disclosure on compensation paid in 2022 as described in Section II of the same Report; and it approved the 2023 Annual Incentive Plan, which provides for the assignment, for free, of Intesa Sanpaolo ordinary shares, to be purchased on the market;
- *the authorisation to purchase and dispose of own shares to serve the incentive plans and for trading purposes.*

[10] In this regard, see the details provided above.

[11] Interim dividends are considered net of the portion not distributed to own shares held by the Bank at the record date, which is equal to 1,765,505.22 euro.

Outlook

GDP growth is expected to continue to be positive in the coming months, but at a moderate pace. Inflation is expected to fall rapidly during 2023. The phase of official rate hikes should be almost over in the US, while further increases of 25 to 75 basis points are expected from the European Central Bank.

For the Intesa Sanpaolo Group, the formula of the 2022-2025 Business Plan is confirmed and the related industrial initiatives are well underway, with a clear and strong upside for the 6.5 billion euro net income target in 2025 deriving from the interest rate increase.

For 2023, operating margin is expected to significantly increase, as a result of solid revenue growth driven by net interest income (2023 net interest income expected to exceed 13 billion euro) coupled with a continuous focus on cost management, and net adjustments to loans are expected to strongly decrease, triggering net income growth to around 7 billion euro.

A strong value distribution is envisaged:
- a cash payout ratio of 70% of the consolidated net income for each year of the Business Plan;
- any additional distribution to be evaluated on a yearly basis.

A solid capital position is envisaged, with the fully loaded Common Equity Tier 1 ratio – confirming the Basel 3/Basel 4 target of above 12% over the 2022-2025 Business Plan horizon – expected to stand in 2025 at around 14.5% pre Basel 4, around 14% post Basel 4 and around 15% post Basel 4 including the absorption of DTAs (the vast majority of which will be absorbed by 2028), taking into account the above-mentioned payout ratio envisaged for the years covered by the Business Plan and not considering any additional distribution.

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.03.2023	31.12.2022	Changes amount	Changes %
10.	Cash and cash equivalents	77,700	112,924	-35,224	-31.2
20.	Financial assets measured at fair value through profit or loss	150,161	150,616	-455	-0.3
	a) financial assets held for trading	*41,690*	*42,607*	*-917*	*-2.2*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*108,470*	*108,008*	*462*	*0.4*
30.	Financial assets measured at fair value through other comprehensive income	127,345	119,508	7,837	6.6
40.	Financial assets measured at amortised cost	536,501	528,081	8,420	1.6
	a) due from banks	*31,997*	*32,884*	*-887*	*-2.7*
	b) loans to customers	*504,504*	*495,197*	*9,307*	*1.9*
50.	Hedging derivatives	9,112	10,075	-963	-9.6
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,038	-9,752	-714	-7.3
70.	Investments in associates and companies subject to joint control	2,395	2,013	382	19.0
80.	Insurance assets	513	151	362	
	a) insurance contracts issued that are assets	*298*	*18*	*280*	
	b) reinsurance contracts held that are assets	*215*	*133*	*82*	*61.7*
90.	Property and equipment	10,361	10,505	-144	-1.4
100.	Intangible assets	9,101	9,237	-136	-1.5
	of which:				
	- goodwill	*3,623*	*3,626*	*-3*	*-0.1*
110.	Tax assets	17,104	18,130	-1,026	-5.7
	a) current	*3,195*	*3,520*	*-325*	*-9.2*
	b) deferred	*13,909*	*14,610*	*-701*	*-4.8*
120.	Non-current assets held for sale and discontinued operations	243	638	-395	-61.9
130.	Other assets	23,677	22,461	1,216	5.4
Total assets		**955,175**	**974,587**	**-19,412**	**-2.0**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.03.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	638,954	670,127	-31,173	-4.7
	a) due to banks	*120,715*	*138,132*	*-17,417*	*-12.6*
	b) due to customers	*432,880*	*454,595*	*-21,715*	*-4.8*
	c) securities issued	*85,359*	*77,400*	*7,959*	*10.3*
20.	Financial liabilities held for trading	45,682	46,512	-830	-1.8
30.	Financial liabilities designated at fair value	64,992	63,007	1,985	3.2
40.	Hedging derivatives	5,216	5,517	-301	-5.5
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,292	-8,031	-739	-9.2
60.	Tax liabilities	1,964	2,021	-57	-2.8
	a) current	*457*	*303*	*154*	*50.8*
	b) deferred	*1,507*	*1,718*	*-211*	*-12.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
80.	Other liabilities	18,610	10,763	7,847	72.9
90.	Employee termination indemnities	824	852	-28	-3.3
100.	Allowances for risks and charges	4,806	4,960	-154	-3.1
	a) commitments and guarantees given	*673*	*711*	*-38*	*-5.3*
	b) post-employment benefits	*140*	*139*	*1*	*0.7*
	c) other allowances for risks and charges	*3,993*	*4,110*	*-117*	*-2.8*
110.	Insurance liabilities	119,815	117,575	2,240	1.9
	a) insurance contracts issued that are liabilities	*119,796*	*117,561*	*2,235*	*1.9*
	b) reinsurance contracts held that are liabilities	*19*	*14*	*5*	*35.7*
120.	Valuation reserves	-2,214	-2,458	-244	-9.9
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,214	7,211	3	0.0
150.	Reserves	19,243	15,073	4,170	27.7
155.	Interim dividend (-)	-1,400	-1,400	-	-
160.	Share premium reserve	27,996	28,053	-57	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Treasury shares (-)	-1,701	-124	1,577	
190.	Minority interests (+/-)	141	166	-25	-15.1
200.	Net income (loss) (+/-)	1,956	4,379	-2,423	-55.3
Total liabilities and shareholders' equity		**955,175**	**974,587**	**-19,412**	**-2.0**

Consolidated income statement

(millions of euro)

		31.03.2023	31.03.2022	Changes amount	Changes %
10.	Interest and similar income	6,620	3,127	3,493	
	of which: interest income calculated using the effective interest rate method	*5,962*	*2,964*	*2,998*	
20.	Interest and similar expense	-2,896	-695	2,201	
30.	**Interest margin**	**3,724**	**2,432**	**1,292**	**53.1**
40.	Fee and commission income	2,586	2,905	-319	-11.0
50.	Fee and commission expense	-668	-690	-22	-3.2
60.	**Net fee and commission income**	**1,918**	**2,215**	**-297**	**-13.4**
70.	Dividend and similar income	123	100	23	23.0
80.	Profits (Losses) on trading	33	441	-408	-92.5
90.	Fair value adjustments in hedge accounting	-14	2	-16	
100.	Profits (Losses) on disposal or repurchase of:	111	192	-81	-42.2
	a) financial assets measured at amortised cost	*52*	*205*	*-153*	*-74.6*
	b) financial assets measured at fair value through other comprehensive income	*51*	*-6*	*57*	
	c) financial liabilities	*8*	*-7*	*15*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	919	-1,195	2,114	
	a) financial assets and liabilities designated at fair value	*-908*	*1,035*	*-1,943*	
	b) other financial assets mandatorily measured at fair value	*1,827*	*-2,230*	*4,057*	
120.	**Net interest and other banking income**	**6,814**	**4,187**	**2,627**	**62.7**
130.	Net losses/recoveries for credit risks associated with:	-297	-716	-419	-58.5
	a) financial assets measured at amortised cost	*-257*	*-640*	*-383*	*-59.8*
	b) financial assets measured at fair value through other comprehensive income	*-40*	*-76*	*-36*	*-47.4*
140.	Profits (Losses) on changes in contracts without derecognition	6	-2	8	
150.	**Net income from banking activities**	**6,523**	**3,469**	**3,054**	**88.0**
160.	Insurance service result	663	294	369	
	a) insurance revenue arising from insurance contracts issued	*6,162*	*3,095*	*3,067*	*99.1*
	b) insurance service expenses arising from insurance contracts issued	*-5,495*	*-2,769*	*2,726*	*98.4*
	c) insurance revenue arising from reinsurance contracts held	*41*	*15*	*26*	
	d) insurance service expenses arising from reinsurance contracts held	*-45*	*-47*	*-2*	*-4.3*
170.	Balance of financial income and expenses related to insurance operations	-1,532	787	-2,319	
	a) net financial expenses/revenue related to insurance contracts issued	*-1,533*	*787*	*-2,320*	
	b) net financial expenses/revenue related to reinsurance contracts held	*1*	*-*	*1*	
180.	**Net income from banking and insurance activities**	**5,654**	**4,550**	**1,104**	**24.3**
190.	Administrative expenses:	-2,741	-2,715	26	1.0
	a) personnel expenses	*-1,507*	*-1,482*	*25*	*1.7*
	b) other administrative expenses	*-1,234*	*-1,233*	*1*	*0.1*
200.	Net provisions for risks and charges	-17	-55	-38	-69.1
	a) commitments and guarantees given	*35*	*-74*	*109*	
	b) other net provisions	*-52*	*19*	*-71*	
210.	Net adjustments to / recoveries on property and equipment	-164	-161	3	1.9
220.	Net adjustments to / recoveries on intangible assets	-228	-199	29	14.6
230.	Other operating expenses (income)	239	249	-10	-4.0
240.	**Operating expenses**	**-2,911**	**-2,881**	**30**	**1.0**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-9	3	-12	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	3	-	3	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	122	2	120	
290.	**Income (Loss) before tax from continuing operations**	**2,859**	**1,674**	**1,185**	**70.8**
300.	Taxes on income from continuing operations	-896	-628	268	42.7
310.	**Income (Loss) after tax from continuing operations**	**1,963**	**1,046**	**917**	**87.7**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**1,963**	**1,046**	**917**	**87.7**
340.	Minority interests	-7	-3	4	
350.	**Parent Company's net income (loss)**	**1,956**	**1,043**	**913**	**87.5**
	Basic EPS - Euro	**0.10**	**0.05**		
	Diluted EPS - Euro	**0.10**	**0.05**		

Statement of consolidated comprehensive income

(millions of euro)

		31.03.2023	31.03.2022	Changes	
				amount	%
10.	**Net income (Loss)**	**1,963**	**1,046**	**917**	**87.7**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-102**	**-231**	**-129**	**-55.8**
20.	Equity instruments designated at fair value through other comprehensive income	-50	-292	-242	-82.9
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-54	30	-84	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-21	-21	-	-
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	23	52	-29	-55.8
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
100.	Financial revenue and expenses related to insurance contracts issued	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**259**	**-681**	**940**	
110.	Hedges of foreign investments	2	-1	3	
120.	Foreign exchange differences	-80	-103	-23	-22.3
130.	Cash flow hedges	83	63	20	31.7
140.	Hedging instruments (not designated elements)	-	-	-	
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	1,630	-3,120	4,750	
160.	Non-current assets held for sale and discontinued operations	-	-	-	
170.	Share of valuation reserves connected with investments carried at equity	-10	8	-18	
180.	Financial revenue and expenses related to insurance contracts issued	-1,361	2,475	-3,836	
190.	Financial revenue and expenses related to reinsurance contracts held	-5	-3	2	66.7
200.	**Total other comprehensive income (net of tax)**	**157**	**-912**	**1,069**	
210.	**Total comprehensive income (captions 10 + 200)**	**2,120**	**134**	**1,986**	
220.	**Total consolidated comprehensive income pertaining to minority interests**	**-21**	**-20**	**1**	**5.0**
230.	**Total consolidated comprehensive income pertaining to the Parent Company**	**2,141**	**154**	**1,987**	

Changes in consolidated shareholders' equity as at 31 March 2023

(millions of euro)

	31.03.2023												
	Share capital		Share premium reserve	Reserves		Valuation reserves	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 31.12.2022	10,537	-	28,068	14,254	904	-2,583	7,211	-1,400	-124	4,402	61,269	61,103	166
Changes in opening balances	-	-	-	-59	-	59	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2023	10,537	-	28,068	14,195	904	-2,524	7,211	-1,400	-124	4,402	61,269	61,103	166
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	-	-	-	4,402	-	-	-	-	-	-4,402	-	-	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-	-	-	-
CHANGES IN THE PERIOD													
Changes in reserves	-	-	-57	-	99	-	-	-	-	-	42	42	-
Operations on shareholders' equity													
Issue of new shares	-	-	-	-	-	-	-	-	1	-	1	1	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,578	-	-1,578	-1,578	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	3	-	-	-	3	3	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-253	-	-	-	-	-	-	-253	-249	-4
Total comprehensive income for the period	-	-	-	-	-	157	-	-	-	1,963	2,120	2,141	-21
SHAREHOLDERS' EQUITY AS AT 31.03.2023	10,537	-	28,011	18,344	1,003	-2,367	7,214	-1,400	-1,701	1,963	61,604	61,463	141
- Group	10,369	-	27,996	18,240	1,003	-2,214	7,214	-1,400	-1,701	1,956	61,463		
- minority interests	168	-	15	104	-	-153	-	-	-	7	141		

(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 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**
Reclassify	**-**	**-**	**-**	**-**	**-**	**476**	**-476**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in opening balances	**-**	**-**	**-**	**-847**	**-**	**-138**	**-**	**-**	**-**	**-**	**-**	**-985**	**-985**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,089**	**1,089**	**-419**	**-**	**6,282**	**-1,399**	**-136**	**4,043**	**63,081**	**62,790**	**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	-	-	-105	-	-	-	-	-	-	-	-64	-68	4
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-912**	**-**	**-**	**-**	**-**	**1,046**	**134**	**154**	**-20**
SHAREHOLDERS' EQUITY AS AT 31.03.2022	**10,264**	**-**	**27,310**	**20,012**	**1,126**	**-1,331**	**-**	**7,220**	**-1,399**	**-129**	**1,046**	**64,119**	**63,859**	**260**
- Group	**10,084**	**-**	**27,287**	**19,887**	**1,126**	**-1,260**	**-**	**7,220**	**-1,399**	**-129**	**1,043**	**63,859**		
- 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.

Report on operations

Economic results

General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. To guarantee comparison on a like-for-like basis, the income statement data referring to previous periods were restated, where necessary and if material. In particular, the amounts are provided as consistently 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.

Even with the application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9, the presentation in the 2023 reclassified income statement remains the same: there were no changes to the schedule, either at structure level or in terms of the name of the captions, as the insurance items still mainly flow into Income from insurance business, thus retaining the separate representation of the income for the segment.
As the reclassified income statement has not been changed, the detailed tables also show no significant changes, with the exception of the table regarding the Income from insurance business and the one on insurance production, which show information structures in line with the new standard and the provisions issued by IVASS.

In line with the change of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the comparison data presented in the reclassified schedules have also been restated on a like-for-like basis.
Moreover, the first two quarters of 2022 have been restated to take account of the changes in the scope of consolidation, and specifically:

- the entry of Compagnie de Banque Privée Quilvest (Fideuram Group)[12] at the end of June 2022, resulting in the start of the consolidation of the income statement figures from July 2022, and
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022,

with the attribution by convention of net income to the caption Minority interests.
Lastly, the first quarter of 2022 includes the restatement of the costs of several incentive systems for employees of the Group's distribution networks from personnel expenses to fee and commission expense (the systems in question are funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues at issue). With effect from the second quarter of 2022, these costs have been reclassified from personnel expenses to fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors.

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

The reclassifications and aggregations of captions of the reclassified 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;
- insurance companies' portions of Net interest income, Dividends, Profits (Losses) on financial assets and liabilities designated at fair value, Net losses/recoveries for credit risk, associated with financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income, are posted, along with the Insurance service result and the Balance of financial income and expenses related to insurance operations, in the specific caption Income from insurance business. The Insurance service result is considered excluding the related operating costs (personnel expenses, administrative expenses and amortisation/depreciation) and the fees and commissions paid to financial advisors of the Private Banking Division for placing and managing insurance products which, in line with representation of costs by the nature of the expense, are attributed to the specific captions;
- 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;
- net fee and commission income, which includes the above-mentioned fees and commissions paid to financial advisors of the Private Banking Division for placing and managing insurance products, in line with the representation of costs by the nature of the expense;
- Profits (losses) on trading, Fair value adjustments in hedge accounting, Profits (losses) on other 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 the portion of the disposal or repurchase of financial

[12] On 1 January 2023, along with the incorporation of Fideuram Bank (Luxembourg) S.A., Compagnie de Banque Privée Quilvest S.A. took on the name Intesa Sanpaolo Wealth Management S.A.

liabilities that contributes to the banking segment, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value, except for amounts relating to adjustments on several portions of loans mandatorily measured at fair value, which relate to measurements of credit positions and are therefore reported in the caption Net adjustments to loans in order to provide a single presentation of the adjustments relating to the same position;

- 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 trading and Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss 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 and costs of entities operating in sectors entirely distinct from banking and finance, synthetically 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 costs of several incentive systems for employees of the Group's distribution networks, where funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues concerned, which are reclassified from Personnel expenses to Fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors;
- 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, with regard to the CIB Group, the expenses associated with the "bank tax" quarterly paid to the Hungarian treasury, along with the extraordinary windfall tax, levied by Hungary on bank profits which - given their nature - are accounted for as Taxes on income;
- operating costs, which include the above operating costs relating to the Insurance service result attributed to the specific captions (personnel expenses, administrative expenses and amortisation/depreciation), in line with the representation of costs by the nature of the expense;
- 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 losses/recoveries for credit risk, contributed by the banking segment, 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 caption also includes the amounts relating to credit risk adjustments to several portions of loans mandatorily measured at fair value, which, as they relate to the measurement of credit positions, are reclassified to the caption Net adjustments to loans to permit unitary representation of adjustments relating to the same position;
- 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/recoveries 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, also 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, which have been reclassified 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, Administrative expenses and other captions of the income statement to a separate caption;
- the (purely accounting) economic 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)

	31.03.2023	31.03.2022	Changes	
			amount	%
Net interest income	3,254	1,957	1,297	66.3
Net fee and commission income	2,137	2,289	-152	-6.6
Income from insurance business	397	392	5	1.3
Profits (Losses) on financial assets and liabilities designated at fair value	262	769	-507	-65.9
Other operating income (expenses)	7	4	3	75.0
Operating income	**6,057**	**5,411**	**646**	**11.9**
Personnel expenses	-1,560	-1,576	-16	-1.0
Administrative expenses	-644	-634	10	1.6
Adjustments to property, equipment and intangible assets	-332	-314	18	5.7
Operating costs	**-2,536**	**-2,524**	**12**	**0.5**
Operating margin	**3,521**	**2,887**	**634**	**22.0**
Net adjustments to loans	-189	-702	-513	-73.1
Other net provisions and net impairment losses on other assets	-70	-52	18	34.6
Other income (expenses)	101	-4	105	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**3,363**	**2,129**	**1,234**	**58.0**
Taxes on income	-1,084	-776	308	39.7
Charges (net of tax) for integration and exit incentives	-42	-16	26	
Effect of purchase price allocation (net of tax)	-46	-34	12	35.3
Levies and other charges concerning the banking industry (net of tax)	-228	-266	-38	-14.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-7	6	-13	
Net income (loss)	**1,956**	**1,043**	**913**	**87.5**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2023	2022			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	3,254	3,064	2,387	2,092	1,957
Net fee and commission income	2,137	2,222	2,153	2,255	2,289
Income from insurance business	397	395	439	449	392
Profits (Losses) on financial assets and liabilities designated at fair value	262	-2	51	560	769
Other operating income (expenses)	7	-12	-12	-12	4
Operating income	**6,057**	**5,667**	**5,018**	**5,344**	**5,411**
Personnel expenses	-1,560	-1,921	-1,632	-1,613	-1,576
Administrative expenses	-644	-865	-695	-718	-634
Adjustments to property, equipment and intangible assets	-332	-344	-313	-309	-314
Operating costs	**-2,536**	**-3,130**	**-2,640**	**-2,640**	**-2,524**
Operating margin	**3,521**	**2,537**	**2,378**	**2,704**	**2,887**
Net adjustments to loans	-189	-1,185	-496	-730	-702
Other net provisions and net impairment losses on other assets	-70	-114	-42	-62	-52
Other income (expenses)	101	55	4	147	-4
Income (Loss) from discontinued operations	-	-	-	-	-
Gross income (loss)	**3,363**	**1,293**	**1,844**	**2,059**	**2,129**
Taxes on income	-1,084	-45	-560	-699	-776
Charges (net of tax) for integration and exit incentives	-42	-78	-23	-23	-16
Effect of purchase price allocation (net of tax)	-46	-50	-32	-30	-34
Levies and other charges concerning the banking industry (net of tax)	-228	-32	-266	-12	-266
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Minority interests	-7	-12	-6	8	6
Net income (loss)	**1,956**	**1,076**	**957**	**1,303**	**1,043**

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

Operating income

The Intesa Sanpaolo Group achieved an excellent performance in this first period of the year in terms of profitability, liquidity and capital position. The Intesa Sanpaolo Group's operating income amounted to 6,057 million euro in the first quarter, up sharply (+11.9%) from 5,411 million euro in the same period of 2022. That trend was caused by the sharp increase in net interest income, which benefited from the interest rate hikes by the ECB, which more than offset the profits (losses) on financial assets and liabilities designated at fair value and net fee and commission income. Income from insurance business and other net operating income also increased, though to a smaller extent.

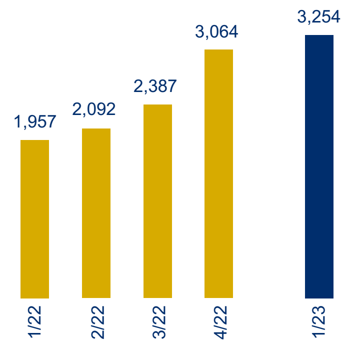
Net interest income

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Relations with customers	3,189	1,897	1,292	68.1
Securities issued	-596	-421	175	41.6
Customer dealing	**2,593**	**1,476**	**1,117**	**75.7**
Instruments measured at amortised cost which do not constitute loans	235	147	88	59.9
Other financial assets and liabilities designated at fair value through profit or loss	45	-53	98	
Other financial assets designated at fair value through other comprehensive income	279	181	98	54.1
Financial assets and liabilities	**559**	**275**	**284**	
Relations with banks	**22**	**207**	**-185**	**-89.4**
Differentials on hedging derivatives	**-122**	**-125**	**-3**	**-2.4**
Other net interest income	**202**	**124**	**78**	**62.9**
Net interest income	**3,254**	**1,957**	**1,297**	**66.3**

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

Quarterly development
Net interest income
(millions of euro)



Net interest income was 3,254 million euro, showing significant growth (+66.3%) on the first quarter of 2022. Specifically, increased contributions were made by customer dealing (+75.7%, equal to +1.1 billion euro), due to the increase in interest income on customer accounts, and financial assets, equal to 559 million euro, which more than doubled on the first three months of 2022, due to the positive performance of other financial assets measured at fair value through other comprehensive income and through profit and loss, as well as securities measured at amortised cost. Among other components, there was a slight improvement in negative differentials on hedging derivatives (-2.4%), while net interest income on relations with banks decreased sharply (-89.4%), due to ordinary interbank operations in highly different contexts of market rates between the two periods compared.
As a result of the sudden change of direction of monetary policy started from the second half of 2022, TLTRO operations with the ECB, amounting to 76.1 billion euro at the end of March, gave rise to negative interest of 471 million euro during the quarter, compared to interest income of 328 million euro recorded in the first three months of 2022 (referring to a stock of loans of 132 billion euro as at 31 March 2022), which still benefited from the special interest rate period, with a rate of -1% applied. The excess liquidity deposited with the Central Bank resulted in interest income of around 630 million euro in the first quarter of 2023, benefiting from the rise in benchmark interest rates and, in any event, aligned with the cost of funding in TLTRO, compared with interest expense of 145 million euro in the first quarter of 2022.

Lastly, other net interest income made a positive contribution of 202 million euro, compared to 124 million euro in the same period of the previous year.

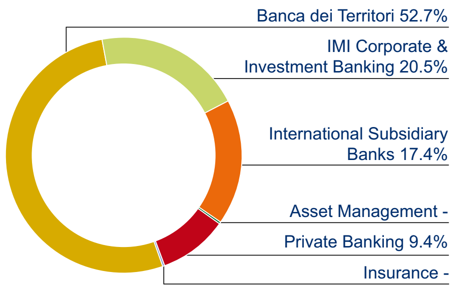
The net interest income flow recorded in the first quarter of 2023 was higher than the fourth quarter of 2022, accelerating sharply on the other quarters of the previous year, essentially due to the greater contribution of interest income on business with customers, which also benefited from the ECB's increase in interest rates.

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Banca dei Territori	1,573	960	613	63.9
IMI Corporate & Investment Banking	611	469	142	30.3
International Subsidiary Banks	519	345	174	50.4
Private Banking	280	49	231	
Asset Management	1	-	1	-
Insurance	-	-	-	-
Total business areas	**2,984**	**1,823**	**1,161**	**63.7**
Corporate Centre	270	134	136	
Intesa Sanpaolo Group	**3,254**	**1,957**	**1,297**	**66.3**

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

Business areas
Net interest income



The Banca dei Territori Division, which accounts for 52.7% of operating business area results, recorded net interest income of 1,573 million euro, up sharply on the first quarter of 2022 (+63.9%, or +613 million euro), essentially due to customer deposits, which benefited from the performance of market rates, favouring the increase in the mark-down. Increased contributions to net interest income were also made by the Private Banking Division (+231 million euro), whose assets significantly benefited from the increase in interest rates, the International Subsidiary Banks Division (+50.4%, or +174 million euro), due primarily to the favourable performance of subsidiaries operating in Croatia, Hungary and Slovakia, and the IMI Corporate & Investment Banking Division (+30.3%, or +142 million euro), mainly attributable to the greater contribution from coupons of the Global Market securities portfolio.
The Corporate Centre's net interest income grew (+136 million euro), benefiting from the significant rise of market rates and their repositioning at positive levels.

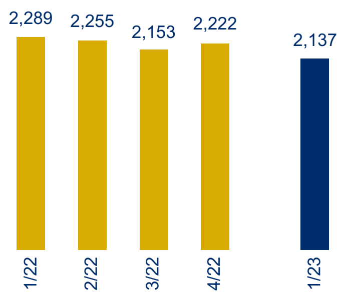
Net fee and commission income

(millions of euro)

	31.03.2023			31.03.2022			Changes	
	Income	Expense	Net	Income	Expense	Net	amount	%
Guarantees given / received	123	-89	34	107	-60	47	-13	-27.7
Collection and payment services	189	-33	156	175	-36	139	17	12.2
Current accounts	341	-	341	346	-	346	-5	-1.4
Credit and debit cards	207	-113	94	186	-103	83	11	13.3
Commercial banking activities	**860**	**-235**	**625**	**814**	**-199**	**615**	**10**	**1.6**
Dealing and placement of securities	297	-67	230	301	-73	228	2	0.9
Currency dealing	3	-1	2	4	-2	2	-	-
Portfolio management	864	-250	614	947	-243	704	-90	-12.8
Distribution of insurance products	396	-	396	403	-	403	-7	-1.7
Other	108	-51	57	115	-40	75	-18	-24.0
Management, dealing and consultancy activities	**1,668**	**-369**	**1,299**	**1,770**	**-358**	**1,412**	**-113**	**-8.0**
Other net fee and commission income	**273**	**-60**	**213**	**339**	**-77**	**262**	**-49**	**-18.7**
Net fee and commission income	**2,801**	**-664**	**2,137**	**2,923**	**-634**	**2,289**	**-152**	**-6.6**

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

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



The net fee and commission income earned in the first quarter of 2023 amounted to 2,137 million euro, down by 6.6% from the 2,289 million euro recorded in the same period of 2022.
That result was mainly due to the reduction in fees and commissions on management, dealing and consultancy activities (-8%, or -113 million euro). In detail, the contribution from portfolio management schemes decreased (-12.8%, or -90 million euro), and specifically collective portfolio management which was impacted by the decrease in management and subscription fees and commissions. To a lesser extent, other management and dealing commissions decreased (-24%, or -18 million euro) as well as those related to the distribution of insurance products (-1.7%, or -7 million euro). Dealing and placement of securities was substantially stable (+2 million euro).
Other net fee and commission income also decreased (-18.7%, or -49 million euro), due to the decrease in the income components, specifically those relating to loans granted, only partly offset by the performance of expense items, primarily related to other banking services.
Commercial banking activities recorded an increase (+1.6%, or +10 million euro), due to increases on collection and payment services (+17 million euro) and credit and debit cards (-11 million euro), which more than offset the decrease in guarantees given/received (-13 million euro) and current accounts (-5 million euro).

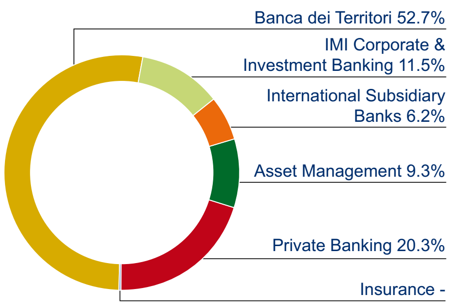
In the first three months of 2023, the caption reported a lower figure than in the quarters of 2022.

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Banca dei Territori	1,182	1,191	-9.0	-0.8
IMI Corporate & Investment Banking	258	292	-34.0	-11.6
International Subsidiary Banks	138	140	-2.0	-1.4
Private Banking	455	512	-57.0	-11.1
Asset Management	209	241	-32.0	-13.3
Insurance	1	1	-	-
Total business areas	**2,243**	**2,377**	**-134.0**	**-5.6**
Corporate Centre	-106	-88	18.0	20.5
Intesa Sanpaolo Group	**2,137**	**2,289**	**-152.0**	**-6.6**

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

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for 52.7% of the fee and commission income of the business units, recorded a slight decrease (-0.8%, or -9 million euro) in fee and commission income in the first quarter of 2023, specifically that deriving from assets under management and bancassurance, conditioned by the decrease in volumes due to the market context. Fee and commission income decreased also for Private Banking (-11.1%, or -57 million euro), specifically recurring fee and commission income, due to the decrease in average assets under management, Asset Management (-13.3%, or -32 million euro), which was impacted by the decrease in management fees related to the reduction in assets under management and placements and, to a lesser extent, performance fees collected during the period, as well as IMI Corporate & Investment Banking (-11.6%, or -34 million euro), due to the performance of commercial banking and structured finance operations. Fee and commission income of the International Subsidiary Banks also decreased slightly (-1.4%, or -2 million euro).
The increase in fee and commission expense of the Corporate Centre was mainly attributable to the increase in costs relating to synthetic securitisations carried out to optimise the Group's capital profile.

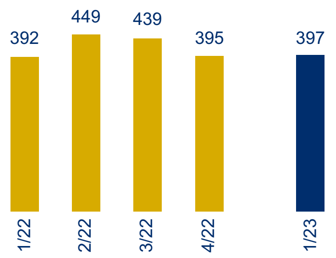
Income from insurance business

(millions of euro)

Captions	31.03.2023			31.03.2022			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
INCOME FROM INSURANCE BUSINESS	**276**	**121**	**397**	**278**	**114**	**392**	**5**	**1.3**

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

Quarterly development
Income from insurance business
(millions of euro)



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 2023, it was 397 million euro, up by 1.3% on the same period in 2022 (392 million euro). This trend is attributable to the increase in the non-life business, which amounted to 121 million euro (+7 million euro), while the life business decreased slightly (-2 million euro), from 278 million euro in the first quarter 2022 to 276 million euro in the first three months of 2023.

In the first three months of 2023, income from insurance business, including both the life and non-life/health business, amounted to a value slightly higher than in the first and fourth quarters of 2022 and lower than in the second and third quarters.

(millions of euro)

Business	31.03.2023	*of which new business*	31.03.2022
Life insurance business	**4,107**	***4,021***	**2,255**
Premiums issued on traditional products	3,355	*3,318*	1,436
Premiums issued on unit-linked products	299	*255*	645
Premiums issued on multi-line products	247	*244*	-
Premiums issued on pension funds	206	*204*	172
Premiums issued on capitalisation products	-	*-*	2
Non-life insurance business	**407**	*80*	**394**
Premiums issued	407	*80*	394
Premiums ceded to reinsurers	**-47**	**-**	**-28**
Net premiums issued from insurance products	**4,467**	***4,101***	**2,621**
Business on unit-linked contracts	521	*513*	1,608
Total business from investment contracts	**521**	***513***	**1,608**
Total business	**4,988**	***4,614***	**4,229**

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

In the first three months of 2023, business in the insurance segment amounted to 5 billion euro, up on the business recorded in the same period of 2022 (4.2 billion euro). The increase is mainly attributable to traditional products in the life business (+1.9 billion euro), partially offset by the downturn in unit-linked contracts, both class III products of a primarily financial nature (-1.1 billion euro) and those of a primarily insurance nature (-0.3 billion euro). New non-life business, in which the non-motor segment performed well, recorded moderate growth. New business totalled 4.6 billion euro, accounting for over 90% of the total collected premiums of the Group's insurance companies.

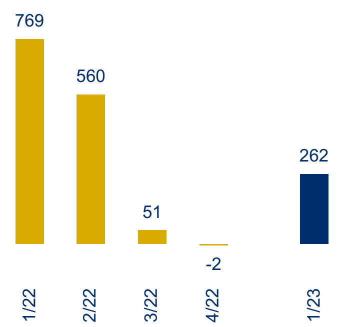
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Profits (losses) on trading and on financial instruments under fair value option	-4	306	-310	
Profits (losses) on hedges under hedge accounting	-14	2	-16	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	94	66	28	42.4
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	179	403	-224	-55.6
Profits (losses) on the buyback of financial liabilities	7	-8	15	
Profits (Losses) on financial assets and liabilities designated at fair value	**262**	**769**	**-507**	**-65.9**

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

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



In the first quarter of 2023, profits on financial assets and liabilities designated at fair value, amounting to 262 million euro, declined sharply on the same period in 2022.
The decrease, amounting to 65.9%, is attributable to profits (losses) on trading and on financial instruments under fair value option (-310 million euro), specifically foreign exchange and interest rate transactions as well as the lack of positive impact from the debt value adjustment (DVA), and the profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (-224 million euro), which in the first three months of 2022 benefited from higher gains on the sale of debt securities, mainly government securities. Profits (losses) on hedges under hedge accounting fell moderately (-16 million euro). Profits (losses) on assets mandatorily measured at fair value through profit or loss performed positively (+28 million euro), and so did the profits (losses) on the repurchase of financial liabilities, which rose to 7 million euro compared to a negative value of 8 million euro recorded in the first quarter of 2022.

The results of the first three months of 2023 show an amount higher than in the last two quarters of 2022, mainly due to the trend in profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost, and lower than the first and second quarters of the previous year.

Other operating income (expenses)

In the first quarter of 2023, other net operating income came to 7 million euro, compared to 4 million euro in the same period of 2022. 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 increase is attributable to the reduction in other operating expenses, which amounted to -4 million euro in the first three months of 2023 (-9 million euro in the same period of the previous year), while the contribution from profits on investments carried at equity decreased to 11 million euro (13 million euro in the first three months of 2022).

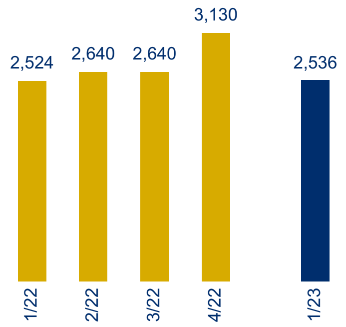
Operating costs

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Wages and salaries	1,079	1,096	-17	-1.6
Social security charges	279	285	-6	-2.1
Other	202	195	7	3.6
Personnel expenses	**1,560**	**1,576**	**-16**	**-1.0**
Information technology expenses	199	191	8	4.2
Management of real estate assets expenses	92	72	20	27.8
General structure costs	99	96	3	3.1
Professional and legal expenses	54	66	-12	-18.2
Advertising and promotional expenses	19	18	1	5.6
Indirect personnel costs	37	32	5	15.6
Other costs	101	122	-21	-17.2
Indirect taxes and duties	50	46	4	8.7
Recovery of expenses and charges	-7	-9	-2	-22.2
Administrative expenses	**644**	**634**	**10**	**1.6**
Property and equipment	141	144	-3	-2.1
Intangible assets	191	170	21	12.4
Adjustments	**332**	**314**	**18**	**5.7**
Operating costs	**2,536**	**2,524**	**12**	**0.5**

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

Quarterly development
Operating costs
(millions of euro)



In the first three months of 2023, despite the continued high levels of inflation, operating costs amounted to 2,536 million euro, slightly higher than the figure recorded in the first quarter of 2022 (+0.5%). Personnel expenses of 1,560 million euro were down by 1%, mainly due to the effect of savings on negotiated exits, partially offset by higher contractual and operating costs.
Administrative expenses amounted to 644 million euro, up by 1.6%. Specifically, the increases were mainly recorded in property management expenses, information technology expenses and indirect personnel costs, against savings on other expenses, especially on services rendered by third parties. Adjustments to property, equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+5.7%) on the first quarter of 2022, due to the intangible assets, followed by technology investments.
In the first quarter of 2023, the cost/income ratio reached a record low of 41.9%, further improving on the value of the same period of 2022 (46.6%).

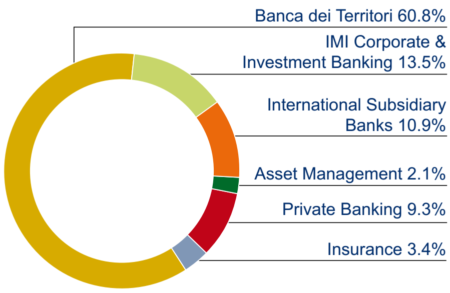
The quarterly comparison confirms the trend of cost containment, with the exception of the amount in the fourth quarter of 2022, which was impacted by the usual seasonal effects.

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Banca dei Territori	-1,503	-1,532	-29	-1.9
IMI Corporate & Investment Banking	-334	-319	15	4.7
International Subsidiary Banks	-268	-256	12	4.7
Private Banking	-229	-220	9	4.1
Asset Management	-52	-49	3	6.1
Insurance	-83	-84	-1	-1.2
Total business areas	**-2,469**	**-2,460**	**9**	**0.4**
Corporate Centre	-67	-64	3	4.7
Intesa Sanpaolo Group	**-2,536**	**-2,524**	**12**	**0.5**

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

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for over 60% of all costs for the business areas, reported savings compared to the first three months of 2022 (-1.9%, or -29 million euro), attributable to personnel expenses, relating to the decrease in the workforce as a result of negotiated exits, and to administrative expenses. By contrast, there were cost increases in IMI Corporate & Investment Banking (+4.7%, or +15 million euro) and International Subsidiary Banks (+4.7%, or +12 million euro) in relation to greater administrative and personnel expenses, and in Private Banking (+4.1%, or +9 million euro), specifically for personnel expenses. Asset Management also increased (+6.1%, or +3 million euro), mainly due to administrative expenses. Operating costs in Insurance decreased slightly (-1.2%, -1 million euro). Lastly, the Corporate Centre showed a modest increase in costs (+3 million euro).

Operating margin

The operating margin in the period in question amounted to 3,521 million euro, up by 22% on the amount recorded in the first quarter of 2022, due to an increase in revenues, with operating costs remaining substantially stable.

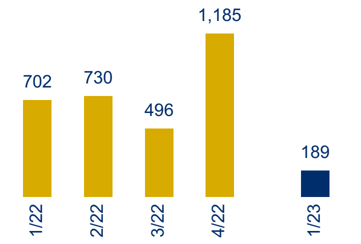
Net adjustments to loans

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Bad loans	-90	-10	80	
Unlikely to pay	-205	-202	3	1.5
Past due loans	-61	-34	27	79.4
Stage 3 loans	**-356**	**-246**	**110**	**44.7**
of which debt securities	*-*	*-*	*-*	*-*
Stage 2 loans	**111**	-265	**376**	
of which debt securities	*-2*	*-5*	*-3*	*-60.0*
Stage 1 loans	**15**	**-114**	**129**	
of which debt securities	*12*	*-*	*12*	*-*
Net losses/recoveries on impairment of loans	**-230**	**-625**	**-395**	**-63.2**
Profits/losses from changes in contracts without derecognition	**6**	**-3**	**9**	
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**35**	**-74**	**109**	
Net adjustments to loans	**-189**	**-702**	**-513**	**-73.1**

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

Quarterly development
Net adjustments to loans
(millions of euro)



Net adjustments to loans amounted to 189 million euro, down sharply from the 702 million euro recorded in the first quarter of 2022, which included the valuation effects connected with the Russia-Ukraine risk.
The trend in this caption took the form of recoveries on Stage 2 loans for 111 million euro (adjustments of -265 million euro in the first three months of 2022), Stage 1 loans for 15 million euro (adjustments of -114 million euro in the same period of 2022) and on commitments and guarantees given for 35 million euro (net adjustments of -74 million euro recorded in the first quarter of 2022). Conversely, adjustments to Stage 3 non-performing loans increased (+110 million euro), as the result of an increase in adjustments to bad loans (+80 million euro), to past-due loans (+27 million euro) and to unlikely-to-pay loans (+3 million euro).
In March 2023, the ratio of gross non-performing loans to total loans was 2.4%, substantially in line with the December 2022 figure.
The annualised cost of credit, expressed as the ratio of net adjustments to net loans, decreased to 17 basis points in the first quarter of 2023 compared with 70 basis points for the year in 2022 (30 basis points when excluding the adjustments for the Russia-Ukraine exposure, the additional adjustments to capture the elements of risk inherent in the current scenario and those relating to the overlays and to favour derisking, net of the release of generic provisions set aside in 2020 for the expected impacts of COVID-19). In March 2023, the coverage of non-performing loans was 50%. In detail, bad loans required net adjustments of 90 million euro, compared to 10 million euro in the first three months of 2022, with a coverage ratio of 70%. Net impairment losses on unlikely-to-pay loans, totalling 205 million euro, were up slightly (+1.5%) compared to 202 million euro recorded in the first quarter of 2022, with a coverage ratio of 40%. Net adjustments to past due loans amounted to 61 million euro (34 million euro in the same period of 2022), with a coverage ratio of 25.8%. The coverage ratio for forborne positions within the non-performing loans category was 42.6%. Finally, the coverage of performing loans was 0.6% and incorporated the physiological risk inherent in the loan portfolio.

At the quarterly level, the first quarter of 2023 showed a particularly low amount of adjustments to loans on the quarters in 2022, which specifically incorporated the greater provisions for exposure to Russia and Ukraine.

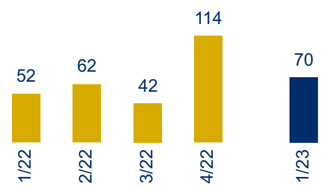
Other net provisions and net impairment losses on other assets

(millions of euro)

	31.03.2023	31.03.2022	Changes	
			amount	%
Other net provisions	-36	-9	27	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-37	-34	3	8.8
Net impairment losses on other assets	3	-9	12	
Other net provisions and net impairment losses on other assets	**-70**	**-52**	**18**	**34.6**

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

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



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 2023, other net provisions and net impairment losses on other assets amounted to 70 million euro, higher than the 52 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 2023, other income came to 101 million euro, which included 116 million euro in gains on the sale to Nexi of the acquiring business line of the subsidiary operating in Croatia, compared with expenses of 4 million euro recorded in the first quarter of 2022.

Gross income (loss)

In the first three months of 2023, income before tax from continuing operations came to 3,363 million euro, up sharply compared to the 2,129 million euro in the same period in 2022.

Taxes on income

Current and deferred taxes came to 1,084 million euro, for an effective tax rate of 32.2%, lower than in the first quarter of 2022 (36.4%).

Charges (net of tax) for integration and exit incentives

This caption rose to 42 million euro, mainly due to the adjustments to property, equipment and intangible assets, compared with 16 million euro recorded in the first three months of 2022, which included positive effects referring to personnel expenses.

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 2023, this caption came to 46 million euro, compared to the 34 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 2023, these charges came to 228 million euro, compared to the 266 million euro recorded in the same period of the previous year.
The charges recognised during the reporting period may be broken down as follows: 227 million euro attributable to resolution funds, 1 million euro to deposit guarantee funds, 5 million euro to levies recognised by international subsidiary banks and 5 million euro to a positive effect from the revaluation of the Atlante Fund.

Minority interests

In the first three months of 2023, the caption included, with a negative sign, 7 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 6 million euro (net losses attributable to minority interests) relating to the first quarter of 2022.

Net income (loss)

In a challenging market context, the Intesa Sanpaolo Group closed the first quarter of 2023 with net income nearing 2 billion euro (1,956 million euro), up significantly on the same period of 2022 (+87.5%). That result is the highest quarterly value since 2007, confirming the diversified, efficient business model. The sharp annual increase is attributable to the positive trend in revenues, driven by the interest component, the small flow of adjustments to loans and the focused management of operating costs.

Balance sheet aggregates

General aspects

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

Even with the application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9, the structure of the Reclassified balance sheet remained unchanged, preserving the separate indication of the balance sheet captions pertaining to the insurance segment from those regarding banking operations, also for the component now valued based on the same accounting standard, IFRS 9. More specifically, with regard to the main balance sheet captions common to the banking and insurance segments:

- the financial assets and liabilities of the insurance segment continue to be presented separately, without detailed sub-captions, but condensing the amounts in dedicated rows of the Reclassified balance sheet;
- hedging derivatives related to insurance captions are presented within the insurance captions (different from those relating to banking captions, which are included in the captions “Other assets” and “Other liabilities”);
- the technical reserves of the insurance segment were replaced (in line with the balance sheet schedule) with Insurance liabilities under IFRS 17;
- the valuation reserves of financial instruments of insurance companies continue to be presented separately, including both the IFRS 17 component and the IFRS 9 component of insurance captions.

The substantially unchanged presentation of the Reclassified balance sheet schedule is also matched by the continued separate presentation of comments between balance sheet captions of banking operations, substantially in complete continuity, and insurance operations, whose tables breaking down the captions have been aligned with the provisions of IFRS 17 and the application of IFRS 9.

In addition to the amounts relating to 31 March 2023, the Reclassified balance sheet also presents the comparison data relating to 31 December 2022, restated in accordance with the application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9. The restatement of the balance sheet data for the first three quarters of 2022 will be presented on publication of the Half-yearly Report as at 30 June 2023.

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 this report, as also required by Consob in its Communication 6064293 of 28 July 2006.

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

- the separate presentation of financial assets of the banking segment 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 of the banking segment 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 of the insurance segment, grouped based on the valuation method adopted for the purposes of IFRS 9 (fair value or amortised cost);
- 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 of the banking segment under Other assets/Other liabilities;
- the inclusion of Insurance assets in Other assets;
- the separate presentation of Due to banks at amortised cost of the banking segment;
- the aggregation of Due to customers at amortised cost and Securities issued of the banking segment 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 own shares.

Reclassified balance sheet

(millions of euro)

Assets	31.03.2023	31.12.2022	Changes	
			amount	%
Cash and cash equivalents	77,700	112,924	-35,224	-31.2
Due from banks	30,468	31,273	-805	-2.6
Loans to customers	449,860	446,854	3,006	0.7
Loans to customers measured at amortised cost	*447,419*	*444,244*	*3,175*	*0.7*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,441*	*2,610*	*-169*	*-6.5*
Financial assets measured at amortised cost which do not constitute loans	58,744	52,690	6,054	11.5
Financial assets at fair value through profit or loss	45,988	46,546	-558	-1.2
Financial assets at fair value through other comprehensive income	53,314	48,008	5,306	11.1
Financial assets pertaining to insurance companies measured at amortised cost	3	3	-	-
Financial assets pertaining to insurance companies measured at fair value through profit or loss	103,096	103,052	44	-
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	72,562	69,792	2,770	4.0
Investments in associates and companies subject to joint control	2,395	2,013	382	19.0
Property, equipment and intangible assets	19,462	19,742	-280	-1.4
Assets owned	*17,995*	*18,248*	*-253*	*-1.4*
Rights of use acquired under leases	*1,467*	*1,494*	*-27*	*-1.8*
Tax assets	17,104	18,130	-1,026	-5.7
Non-current assets held for sale and discontinued operations	243	638	-395	-61.9
Other assets	24,236	22,922	1,314	5.7
Total Assets	**955,175**	**974,587**	**-19,412**	**-2.0**

Liabilities	31.03.2023	31.12.2022	Changes	
			amount	%
Due to banks at amortised cost	120,018	137,489	-17,471	-12.7
Due to customers at amortised cost and securities issued	515,369	528,795	-13,426	-2.5
Financial liabilities held for trading	45,681	46,512	-831	-1.8
Financial liabilities designated at fair value	10,893	8,795	2,098	23.9
Financial liabilities pertaining to insurance companies measured at amortised cost	2,275	2,522	-247	-9.8
Financial liabilities held for trading pertaining to insurance companies	111	171	-60	-35.1
Financial liabilities pertaining to insurance companies designated at fair value	54,099	54,212	-113	-0.2
Tax liabilities	1,964	2,021	-57	-2.8
Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
Other liabilities	17,716	9,399	8,317	88.5
of which lease payables	*1,292*	*1,321*	*-29*	*-2.2*
Insurance liabilities	119,815	117,575	2,240	1.9
Allowances for risks and charges	5,630	5,812	-182	-3.1
of which allowances for commitments and financial guarantees given	*673*	*711*	*-38*	*-5.3*
Share capital	10,369	10,369	-	-
Reserves	45,538	43,002	2,536	5.9
Valuation reserves	-1,794	-1,939	-145	-7.5
Valuation reserves pertaining to insurance companies	-420	-519	-99	-19.1
Interim dividend	-1,400	-1,400	-	-
Equity instruments	7,214	7,211	3	-
Minority interests	141	166	-25	-15.1
Net income (loss)	1,956	4,379	-2,423	-55.3
Total liabilities and shareholders' equity	**955,175**	**974,587**	**-19,412**	**-2.0**

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)

	31.03.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	23,530	5.2	22,970	5.1	560	2.4
Mortgages	239,973	53.3	242,299	54.3	-2,326	-1.0
Advances and other loans	154,917	34.5	154,477	34.6	440	0.3
Commercial banking loans	**418,420**	**93.0**	**419,746**	**94.0**	**-1,326**	**-0.3**
Repurchase agreements	**19,903**	**4.4**	**15,366**	**3.4**	**4,537**	**29.5**
Loans represented by securities	**6,158**	**1.4**	**6,246**	**1.4**	**-88**	**-1.4**
Non-performing loans	**5,379**	**1.2**	**5,496**	**1.2**	**-117**	**-2.1**
Loans to customers	**449,860**	**100.0**	**446,854**	**100.0**	**3,006**	**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 came to approximately 450 billion euro as at 31 March 2023, marking a moderate growth year-to-date (+0.7%). That trend was the result of repurchase agreements, up by 4.5 billion euro (+29.5%), which more than offset the reduction in trade receivables (-0.3%, or -1.3 billion euro), primarily attributable to businesses which, in the presence of a quick hike in interest rates, decided to use their liquidity to limit the use of bank credit. The evolution of trade receivables was the result of the decline in mortgage loans to businesses and individuals (-1%, or -2.3 billion euro), only partly offset by the increase in current accounts (+2.4%, or +0.6 billion euro) and short-term loans in the form of advances and loans (+0.3%, or +0.4 billion euro). However, both non-performing loans and loans represented by securities decreased slightly, by -2.1% (-0.1 billion euro) and -1.4% (-0.1 billion euro), respectively.

In the domestic medium-/long-term loan market, disbursements to households in the first three months of 2023 (including the small business accounts having similar needs to family businesses) amounted to approximately 3.8 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 3 billion euro. Loans granted by the Agribusiness segment amounted to 461 million euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 2.3 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 Prestitalia exceeded 9.7 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 14.7 billion euro.
As at 31 March 2023, the Intesa Sanpaolo Group’s share of the Italian domestic market was estimated at 19.1% 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.

With reference to the specific measures to support the production system set out due to the COVID-19 pandemic, it is highlighted that 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 2023, a total of 49 billion euro[13] of loans backed by government guarantee had been granted, also through the SME Fund, since the beginning of the pandemic (in application of the “*Liquidità*” Law Decree no. 23 of 8 April 2020), of which 13 billion euro SACE and 36 billion euro the SME Fund, without significant changes compared to December 2022. The data regarding the monitoring of the guarantees from the “Fondo Centrale di Garanzia” (Central Guarantee Fund) do not present significant risks, thanks to careful and timely management.
At consolidated level, also considering the operations in the other countries where the Group has a presence, at the end of March 2023 the residual debt of exposures subject to government guarantee schemes, for which the process has been completed for both the acquisition of guarantees and for disbursement, which may not coincide with each other, totalled 31.2 billion euro, compared to 33.2 billion euro in December 2022. The decrease, essentially attributable to the Parent Company, was correlated with the redemptions during the period.

As part of its mission to support Italy’s economy, also note that, in relation to the measures established by the “*Rilancio*” Decree (Law Decree 34/2020) for the relaunch of the construction sector, the Intesa Sanpaolo Group has developed specific solutions not only for those who want to transfer their tax 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. The process of acquiring tax credits is subject to comprehensive controls that allow the Bank to demonstrate the effective fulfilment of the specific due diligence requirements.

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

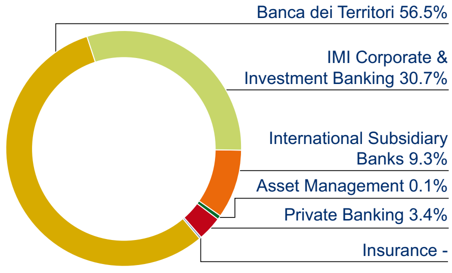
In light of the regulations issued during 2022, that permit banks to carry out the sale of the receivables in question to their private professional customers, a project was defined to expand the offering. Under this, a portion of the tax credits acquired may be subsequently resold to third parties who commit to making purchases within the limits of their own tax payables that can be offset in each situation. This project saw the first resale contracts entered into with customers starting in October 2022, and was implemented with the first sales starting at the beginning of January 2023.
From the start of the operations – carried out through the Banca dei Territori and IMI Corporate & Investment Banking Divisions – to the end of March 2023, the tax credits already purchased or subscribed totalled 22.3 billion euro (16.6 billion euro finalised and 5.7 billion euro subscribed), in addition to credits being acquired for 6.2 billion euro. Net of decreases of 3.5 billion euro (attributable to offsetting carried out during the period, deferrals recognised, resales carried out and the revaluation at fair value, where required), as at 31 March 2023 tax credits of 13.1 billion euro were recognised in the financial statements, under caption 130 Other assets of the Consolidated Balance Sheet.

(millions of euro)

	31.03.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	244,362	247,913	-3,551	-1.4
IMI Corporate & Investment Banking	132,869	129,791	3,078	2.4
International Subsidiary Banks	40,450	40,212	238	0.6
Private Banking	14,793	15,104	-311	-2.1
Asset Management	247	282	-35	-12.4
Insurance	-	-	-	-
Total business areas	**432,721**	**433,302**	**-581**	**-0.1**
Corporate Centre	17,139	13,552	3,587	26.5
Intesa Sanpaolo Group	**449,860**	**446,854**	**3,006**	**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 56.5% of the aggregate of the Group's business areas, recorded a decrease year-to-date (-1.4%, or -3.6 billion euro), mainly attributable to loans to SMEs, which used their liquidity to reduce their credit facilities and, to a lesser extent, loans to retail customers. Conversely, the IMI Corporate & Investment Banking Division grew by 3.1 billion euro (+2.4%), mainly due to Global Markets short-term loans and those to global corporate and financial institution customers. The loans in the International Subsidiary Banks Division also increased slightly (+0.6%), correlated with a greater contribution from subsidiaries operating in Croatia, Hungary and Slovakia, only partly offset by the downturn recorded 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 (-2.1%), mainly comprised of short-term credit facilities, and the Asset Management Division (-12.4%).
Loans on central assets of the Corporate Centre increased in relation to repurchase agreements.

Loans to customers: credit quality

(millions of euro)

	31.03.2023		31.12.2022		Change
	Net exposure	**% breakdown**	**Net exposure**	**% breakdown**	**Net exposure**
Bad loans	1,159	0.3	1,131	0.2	28
Unlikely to pay	3,812	0.8	3,952	0.9	-140
Past due loans	408	0.1	413	0.1	-5
Non-Performing Loans	**5,379**	**1.2**	**5,496**	**1.2**	**-117**
Non-performing loans in Stage 3 (subject to impairment)	*5,329*	*1.2*	5,463	*1.2*	*-134*
Non-performing loans measured at fair value through profit or loss	*50*	-	*33*	-	*17*
Performing loans	**438,238**	**97.4**	**435,026**	**97.4**	**3,212**
Stage 2	*41,221*	*9.2*	*43,865*	*9.8*	*-2,644*
Stage 1	*396,080*	*88.0*	*390,278*	*87.4*	*5,802*
Performing loans measured at fair value through profit or loss	*937*	*0.2*	*883*	*0.2*	*54*
Performing loans represented by securities	**6,158**	**1.4**	**6,246**	**1.4**	**-88**
Stage 2	*883*	*0.2*	*815*	*0.2*	*68*
Stage 1	*5,275*	*1.2*	*5,431*	*1.2*	*-156*
Loans held for trading	**85**	**-**	**86**	**-**	**-1**
Total loans to customers	**449,860**	**100.0**	**446,854**	**100.0**	**3,006**
of which forborne performing	***6,223***		***6,920***		***-697***
of which forborne non-performing	***2,030***		***2,063***		***-33***
Loans to customers classified as non-current assets held for sale	**1**		**368**		**-367**

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

As at 31 March 2023, the Group's net non-performing loans amounted to 5.4 billion euro, an all-time low. The decrease from the beginning of the year (-2.1%) continued the virtuous performance recorded in previous years, confirmed by gross inflows of non-performing loans in the quarter lower than those of all the quarters of 2022. The non-performing loans percentage of total net loans to customers amounted to 1.2% (1% based on the EBA definition), a low amount, at the same level as December 2022, with a coverage ratio of non-performing loans increasing significantly to 50% (48.4% in December 2022).

In further detail, at the end of March 2023, bad loans came to 1.2 billion euro (+2.5%), net of adjustments, and represented 0.3% of total net loans. As at that same date, the coverage ratio came to 70%. Loans included in the unlikely-to-pay category amounted to 3.8 billion euro, down by 3.5%, accounting for 0.8% of total net loans to customers, with a coverage ratio of 40%. Past due loans amounted to 408 million euro (-1.2%), with a coverage ratio of 25.8%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2 billion euro, with a coverage ratio of 42.6%, while forborne exposures in the performing loan category amounted to 6.2 billion euro.

The coverage ratio of performing loans remained stable at 0.6% compared to December 2022.

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					
31.03.2023	8,116	37,562	36,175	**81,853**	X
31.12.2022	7,511	33,959	29,523	**70,993**	X
Changes amount	605	3,603	6,652	**10,860**	X
Changes %	8.1	10.6	22.5	**15.3**	X
Other debt securities					
31.03.2023	3,450	14,479	22,569	**40,498**	X
31.12.2022	3,075	12,701	23,167	**38,943**	X
Changes amount	375	1,778	-598	**1,555**	X
Changes %	12.2	14.0	-2.6	**4.0**	X
Equities					
31.03.2023	1,495	1,273	X	**2,768**	X
31.12.2022	1,352	1,348	X	**2,700**	X
Changes amount	143	-75	X	**68**	X
Changes %	10.6	-5.6	X	**2.5**	X
Quotas of UCI					
31.03.2023	4,081	X	X	**4,081**	X
31.12.2022	3,739	X	X	**3,739**	X
Changes amount	342	X	X	**342**	X
Changes %	9.1	X	X	**9.1**	X
Due to banks and to customers					
31.03.2023	X	X	X	**X**	-7,356
31.12.2022	X	X	X	**X**	-7,241
Changes amount	X	X	X	**X**	115
Changes %	X	X	X	**X**	1.6
Financial derivatives					
31.03.2023	27,341	X	X	**27,341**	-28,593
31.12.2022	29,933	X	X	**29,933**	-30,540
Changes amount	-2,592	X	X	**-2,592**	-1,947
Changes %	-8.7	X	X	**-8.7**	-6.4
Credit derivatives					
31.03.2023	1,505	X	X	**1,505**	-1,532
31.12.2022	936	X	X	**936**	-935
Changes amount	569	X	X	**569**	597
Changes %	60.8	X	X	**60.8**	63.9
TOTAL 31.03.2023	**45,988**	**53,314**	**58,744**	**158,046**	**-37,481**
TOTAL 31.12.2022	**46,546**	**48,008**	**52,690**	**147,244**	**-38,716**
Changes amount	**-558**	**5,306**	**6,054**	**10,802**	**-1,235**
Changes %	**-1.2**	**11.1**	**11.5**	**7.3**	**-3.2**

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 those pertaining to 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 of the banking segment amounted to approximately 158 billion euro, up by 10.8 billion euro compared to the beginning of the year (+7.3%). Financial liabilities held for trading decreased (-3.2%), amounting to approximately 37.5 billion euro.

The increase in total financial assets is mainly due to the performance of debt securities (+12.4 billion euro). The decline in financial liabilities held for trading was fully attributable to financial derivatives (-1.9 billion euro).

Financial assets measured at fair value through profit or loss amounted to approximately 46 billion euro, recording a decrease (-1.2%, or -0.6 billion euro), due to the decline in financial derivatives, largely offset by the growth in other components.
Instruments measured at amortised cost which do not constitute loans amounted to almost 59 billion euro, up by 11.5%, due to the performance of debt securities issued by governments. HTC debt securities have primarily been classified to Stage 1 (87.8%).
Conversely, financial assets measured at fair value through other comprehensive income amounted to approximately 53 billion euro, up by 11.1% compared to the beginning of the year, owing to debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (99.3%).

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			
31.03.2023	51,662	51,559	**103,221**
31.12.2022	46,475	49,502	**95,977**
Changes amount	5,187	2,057	**7,244**
Changes %	11.2	4.2	**7.5**
Stage 2			
31.03.2023	379	7,177	**7,556**
31.12.2022	185	3,180	**3,365**
Changes amount	194	3,997	**4,191**
Changes %			
Stage 3			
31.03.2023	-	8	**8**
31.12.2022	-	8	**8**
Changes amount	-	-	**-**
Changes %	-	-	**-**
TOTAL 31.03.2023	**52,041**	**58,744**	**110,785**
TOTAL 31.12.2022	**46,660**	**52,690**	**99,350**
Changes amount	**5,381**	**6,054**	**11,435**
Changes %	**11.5**	**11.5**	**11.5**

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

Customer financial assets

(millions of euro)

	31.03.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	534,462	43.4	545,386	44.7	-10,924	-2.0
Direct deposits from insurance business	175,497	14.2	173,672	14.2	1,825	1.1
Indirect customer deposits	694,749	56.3	674,705	55.2	20,044	3.0
Netting (a)	-171,617	-13.9	-171,872	-14.1	-255	-0.1
Customer financial assets	**1,233,091**	**100.0**	**1,221,891**	**100.0**	**11,200**	**0.9**

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

(a) The netting relates to components of indirect customer deposits that also constitute types of direct deposits (financial liabilities of the insurance segment measured at fair value and insurance liabilities).

As at 31 March 2023, customer financial assets amounted to 1,233 billion euro, up year-to-date (+0.9%, or +11.2 billion euro), essentially due to indirect customer deposits (+3%, or +20 billion euro) and, to a lesser extent, direct deposits from insurance business (+1.1%, or +1.8 billion euro), only partly offset by the decrease in direct deposits from banking business (-2%, or -10.9 billion euro).

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)

	31.03.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	408,744	76.5	432,976	79.4	-24,232	-5.6
Repurchase agreements and securities lending	3,296	0.6	1,284	0.2	2,012	
Bonds	57,740	10.8	52,364	9.6	5,376	10.3
Certificates of deposit	2,338	0.5	2,094	0.4	244	11.7
Subordinated liabilities	13,544	2.5	12,474	2.3	1,070	8.6
Other deposits	48,800	9.1	44,194	8.1	4,606	10.4
of which designated at fair value (*)	*19,093*	*3.6*	*16,591*	*3.0*	*2,502*	*15.1*
Direct deposits from banking business	**534,462**	**100.0**	**545,386**	**100.0**	**-10,924**	**-2.0**

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 2023, this caption consisted of 8,200 million euro of certificates classified under “Financial liabilities held for trading” and 10,893 million euro of certificates (10,889 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- as at 31 December 2022, this caption consisted of 7,796 million euro of certificates classified under “Financial liabilities held for trading” and 8,795 million euro of certificates (8,791 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”.

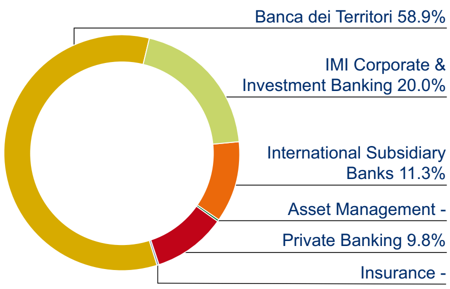
The Group’s direct deposits from banking business came to 534.5 billion euro, down year to date (-2%, or -10.9 billion euro).
In a scenario of progressive increases in interest rates, companies used their liquidity to reduce their use of bank loans, and retail customers redirected a portion of their available funds on current accounts to more remunerative investment products, such as government and corporate bond issues, which increased the dossiers of assets under administration. The decrease in current accounts and deposits must be understood in this sense (-24.2 billion euro), against the growth in other funding, specifically certificates, as well as assets under administration (+15.2 billion euro). The various forms of direct time deposits (bonds, subordinated bonds, repurchase agreements and certificates of deposit) also increased, by a total of 8.7 billion euro.
As at 31 March 2023, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented an estimated share of the domestic market of 21.7%. 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)

	31.03.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	277,297	291,089	-13,792	-4.7
IMI Corporate & Investment Banking	94,140	94,785	-645	-0.7
International Subsidiary Banks	53,167	54,364	-1,197	-2.2
Private Banking	46,363	50,447	-4,084	-8.1
Asset Management	16	26	-10	-38.5
Insurance	-	-	-	-
Total business areas	**470,983**	**490,711**	**-19,728**	**-4.0**
Corporate Centre	63,479	54,675	8,804	16.1
Intesa Sanpaolo Group	**534,462**	**545,386**	**-10,924**	**-2.0**

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 58.9% of the aggregate attributable to the Group's operating companies, came in below the levels of the beginning of the year (-4.7%, or -13.8 billion euro) due to the decrease in amounts due to customers, as businesses used their liquidity to reduce their use of bank credit, and retail customers redirected a portion of their available funds from current accounts to more remunerative investment products.
Decreases were also seen in Private Banking (-8.1%, or -4.1 billion euro), related to the reduction in current account deposits, International Subsidiary Banks (-2.2%, or -1.2 billion euro), mainly attributable to the subsidiaries operating in Egypt and Croatia, and IMI Corporate & Investment Banking (-0.7%, or -0.6 billion euro), in relation to the decrease in amounts due to global corporate and financial institution customers.
The growth in funding of the Corporate Centre was largely attributable to wholesale securities.

Indirect customer deposits

(millions of euro)

	31.03.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds [a]	151,682	21.8	149,790	22.2	1,892	1.3
Open-ended pension funds and individual pension plans	12,403	1.8	11,986	1.8	417	3.5
Portfolio management	75,349	10.8	73,591	10.9	1,758	2.4
Insurance liabilities and insurance financial liabilities	171,617	24.7	171,872	25.5	-255	-0.1
Relations with institutional customers	23,945	3.5	22,926	3.4	1,019	4.4
Assets under management	**434,996**	**62.6**	**430,165**	**63.8**	**4,831**	**1.1**
Assets under administration and in custody	**259,753**	**37.4**	**244,540**	**36.2**	**15,213**	**6.2**
Indirect customer deposits	**694,749**	**100.0**	**674,705**	**100.0**	**20,044**	**3.0**

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 insurance liabilities and insurance financial liabilities, and the funds established by third parties and managed by Group companies, whose values are included in assets under administration and in custody.

As at 31 March 2023, indirect customer deposits, which amounted to around 695 billion euro, were up by 3% year-to-date. That trend is attributable to both assets under administration and, to a lesser extent, assets under management.
Assets under management, which, with 435 billion euro, constitute almost two-thirds of the total aggregate, recorded growth (+1.1%, or +4.8 billion euro), attributable to mutual funds (+1.9 billion euro), portfolio management schemes (+1.8 billion euro), relations with institutional customers (+1 billion euro), and open pension funds and individual pension policies (+0.4 billion euro). Insurance liabilities and insurance financial liabilities remained substantially stable (-0.3 billion euro). In the first three months of 2023, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 4.5 billion euro. Assets under administration, amounting to 259.8 billion euro, increased (+6.2%, or +15.2 billion euro), concentrated in securities and third-party products in custody.

Amounts due from and to banks - net interbank position

Due to the increase in policy interest rates, starting in September 2022, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under "Due from banks", but in on-demand deposits (overnight deposits) at the Central Bank that are reported in the caption "Cash and cash equivalents". At the end of the first quarter of 2023, that amount was 56 billion euro (89 billion euro in December 2022).
Calculated considering the above liquidity, as at 31 March 2023 the net interbank position stood at net debt of 34 billion euro compared to 17 billion euro at the end of 2022. The change reflects a significant reduction in cash and cash equivalents and due from banks (-28.1%), against a lesser decline in due to banks of 12.7%, the latter including early repayments, correlated with TLTRO operations, undertaken during the year.

As at 31 March 2023, outstanding TLTRO III refinancing amounted to a nominal value of 76.1 billion euro – almost fully pertaining to Intesa Sanpaolo – compared to 96.1 billion euro at the end of 2022. In January, Intesa Sanpaolo made early repayments of 20 billion euro in nominal value: 4 billion euro obtained at the March 2020 auction and maturing in March 2023, and 16 billion euro as a partial repayment of funds obtained in the June 2020 auction and maturing in June 2023.

INSURANCE BUSINESS

Financial assets and liabilities pertaining to insurance companies

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value through profit or loss and Hedging derivatives	Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	Financial assets pertaining to insurance companies measured at amortised cost	TOTAL Financial assets pertaining to insurance companies	Due to Banks and Financial Derivatives pertaining to insurance companies (*)	
Debt securities issued by Governments						
31.03.2023	2,873	57,207	-	**60,080**	X	
31.12.2022	2,754	55,283	-	**58,037**	X	
Changes amount	119	1,924	-	**2,043**	X	
Changes %	4.3	3.5	-	**3.5**	X	
Other debt securities						
31.03.2023	3,920	15,349	-	**19,269**	X	
31.12.2022	3,640	14,502	-	**18,142**	X	
Changes amount	280	847	-	**1,127**	X	
Changes %	7.7	5.8	-	**6.2**	X	
Equities						
31.03.2023	5,255	6	-	**5,261**	X	
31.12.2022	5,004	7	-	**5,011**	X	
Changes amount	251	-1	-	**250**	X	
Changes %	5.0	-14.3	-	**5.0**	X	
Quotas of UCI						
31.03.2023	90,473	-	-	**90,473**	X	
31.12.2022	90,680	-	-	**90,680**	X	
Changes amount	-207	-	-	**-207**	X	
Changes %	-0.2	-	-	**-0.2**	X	
Due from banks and loans to customers						
31.03.2023	509	-	3	**512**	X	
31.12.2022	876	-	3	**879**	X	
Changes amount	-367	-	-	**-367**	X	
Changes %	-41.9	-	-	**-41.8**	X	
Due to banks						
31.03.2023	X	X	X	**X**	692	(**)
31.12.2022	X	X	X	**X**	637	(**)
Changes amount	X	X	X	**X**	55	
Changes %	X	X	X	**X**	8.6	
Financial derivatives						
31.03.2023	66	-	-	**66**	111	(***)
31.12.2022	98	-	-	**98**	171	(***)
Changes amount	-32	-	-	**-32**	-60	
Changes %	-32.7	-	-	**-32.7**	-35.1	
Credit derivatives						
31.03.2023	-	-	-	**-**	-	(***)
31.12.2022	-	-	-	**-**	-	(***)
Changes amount	-	-	-	**-**	-	
Changes %	-	-	-	**-**	-	
TOTAL 31.03.2023	**103,096**	**72,562**	**3**	**175,661**	**803**	
TOTAL 31.12.2022	**103,052**	**69,792**	**3**	**172,847**	**808**	
Changes amount	**44**	**2,770**	**-**	**2,814**	**-5**	
Changes %	**-**	**4.0**	**-**	**1.6**	**-0.6**	

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

(*) This amount does not include "Financial liabilities pertaining to insurance companies 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".

(***) Value included in the Balance Sheet under “Financial liabilities held for trading pertaining to insurance companies".

Financial assets and due to banks, and financial derivatives pertaining to insurance companies, summarised in the table above, amounted to 176 billion euro and 803 million euro, respectively. Financial assets increased on the beginning of the year (+1.6%, or +2.8 billion euro), mainly due to the growing trend in financial assets measured at fair value through other comprehensive income (+4%, or +2.8 billion euro), specifically on government debt securities and other debt securities. Financial assets measured at fair value through profit or loss and hedging derivatives remained stable.

Direct deposits from insurance business

(millions of euro)

	31.03.2023				31.12.2022				Changes	
	Life	**Non-life**	**Total**	**% breakdown**	**Life**	**Non-life**	**Total**	**% breakdown**	**amount**	**%**
Liabilities for remaining coverage (*)	117,015	1,170	118,185	67.4	115,236	1,042	116,278	67.0	1,907	1.6
of which: Present value of cash flows	*107,135*	*272*	*107,407*	*61.2*	*106,227*	*216*	*106,443*	*61.3*	*964*	*0.9*
of which: Adjustment for non-financial risks	*302*	*1*	*303*	*0.2*	*268*	*1*	*269*	*0.2*	*34*	*12.6*
of which: Contractual service margin	*9,578*	*297*	*9,875*	*5.6*	*8,741*	*328*	*9,069*	*5.2*	*806*	*8.9*
Liabilities for incurred claims	962	668	1,630	0.9	758	539	1,297	0.7	333	25.7
Total Insurance liabilities	**117,977**	**1,838**	**119,815**	**68.3**	**115,994**	**1,581**	**117,575**	**67.7**	**2,240**	**1.9**
Investment contracts										
Unit linked (**)	54,099	-	54,099	30.8	54,212	-	54,212	31.2	-113	-0.2
Total Financial liabilities	**54,099**	**-**	**54,099**	**30.8**	**54,212**	**-**	**54,212**	**31.2**	**-113**	**-0.2**
Other insurance deposits (***)	**1,582**	**1**	**1,583**	**0.9**	**1,885**	**-**	**1,885**	**1.1**	**-302**	**-16.0**
Direct deposits from insurance business	**173,658**	**1,839**	**175,497**	**100.0**	**172,091**	**1,581**	**173,672**	**100.0**	**1,825**	**1.1**

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

(*) The value of the Liabilities for remaining coverage in the Non-Life columns also includes the liabilities measured using the simplified Premium Allocation Approach, which does not require the opening in the individual breakdown captions.

(**) Values included in the Balance Sheet under “Financial liabilities pertaining to insurance companies designated at fair value”.

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

Direct deposits from insurance business reached 175.5 billion euro as at 31 March 2023, up (+1.1%, or +1.8 billion euro) on the end of December 2022. This trend is attributable to the increase in insurance liabilities (+1.9%, +2.2 billion euro), primarily the liability for remaining coverage, with a substantial stability in financial liabilities (-0.1 billion euro), composed of unit-linked products, fully attributable to the life business. There was a decrease in other insurance funding, which includes subordinated liabilities, down by 0.3 billion euro (-16%).

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 2023, assets held for sale amounted to 243 million euro, while no associated liabilities were recognised. Assets held for sale as at 31 March 2023 mainly included the investment in Zhong Ou Asset Management Co. Ltd., whose sale is expected to be finalised in the next few months.

SHAREHOLDERS' EQUITY

As at 31 March 2023, the Group's shareholders' equity, including the net income for the period, came to 61,463 million euro compared to the 61,103 million euro at the beginning of the year. The moderate growth is essentially attributable to the performance of reserves. The aggregate incorporates 1,956 million euro in income accrued in the first three months of the current year, on one hand, and the effects (-1,578 million euro) of the buyback of own shares in execution of the buyback programme, on the other.
The Group assigned net income of 4,379 million euro for the year 2022 to reserves, pending distribution in May 2023 of the remaining cash amount to shareholders (1.6 billion euro), for a total payout ratio, including interim dividend and remaining amount, of 70% of 2022 consolidated net income.

Valuation reserves

(millions of euro)

	Reserve 31.12.2022	Change of the period	Reserve 31.03.2023
Financial assets designated at fair value through other comprehensive income (debt instruments)	-1,774	275	-1,499
Financial assets designated at fair value through other comprehensive income (equities)	-258	-50	-308
Property and equipment	1,749	-17	1,732
Foreign investment hedges	-10	2	-8
Cash flow hedges	-466	33	-433
Foreign exchange differences	-1,247	-56	-1,303
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-45	-54	-99
Actuarial profits (losses) on defined benefit pension plans	-238	22	-216
Portion of the valuation reserves connected with investments carried at equity	39	-10	29
Legally-required revaluations	311	-	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-1,939**	**145**	**-1,794**
Valuation reserves pertaining to insurance companies	**-519**	**99**	**-420**

Banking valuation reserves had a negative value (-1,794 million euro), down on 31 December 2022 (-1,939 million euro), mainly due to reserves on debt securities (+275 million euro). Valuation reserves of the insurance companies amounted to -420 million euro, compared to -519 million euro at the end of 2022.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	**31.03.2023**	**31.12.2022**	
	(*)	IFRS9 "Fully loaded"	IFRS9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	40,434	40,019	40,772
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,207	7,207	7,207
TIER 1 CAPITAL	**47,641**	**47,226**	**47,979**
Tier 2 capital net of regulatory adjustments	9,824	9,127	8,381
TOTAL OWN FUNDS	**57,465**	**56,353**	**56,360**
Risk-weighted assets			
Credit and counterparty risks	258,108	259,924	259,528
Market and settlement risk	11,318	10,338	10,338
Operational risks	25,486	25,486	25,486
Other specific risks (a)	163	91	91
RISK-WEIGHTED ASSETS	**295,075**	**295,839**	**295,443**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.7%	13.5%	13.8%
Tier 1 capital ratio	16.1%	16.0%	16.2%
Total capital ratio	19.5%	19.0%	19.1%

(*) The IFRS 9 transition period ended on 31 December 2022 and the amounts shown in the column as at 31 March 2023 are therefore comparable with the previous IFRS9 fully loaded period.

(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 2023 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) 876/2019 (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.
With reference to IFRS 9, the transitional period (2018-2022) introduced by Regulation (EU) no. 2395/2017, of which the Group applied the “static” approach, ended on 31 December 2022.
With regard to the effects of the application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9 for the insurance companies, refer to the section “Accounting policies” of this document, below.

Own funds

As at 31 March 2023, Own funds amounted to 57,465 million euro.
Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - 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 were fully included in the elements to be deducted from own funds, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.
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) 630/2019 of 17 April 2019.
As at 31 March 2023, own funds take account of the deduction following the authorisation from the ECB to purchase own shares for annulment (buyback), as approved by the Shareholders' Meeting on 29 April 2022, for a total amount of 3.4 billion euro[14].
For the purposes of calculating own funds as at 31 March 2023, the net income for the first quarter was considered, less the related dividend and other foreseeable charges[15].

[14] As reported in the first chapter of this Report, the initial programme was executed in 2022 for 1.7 billion euro, while the remainder of the programme, also for 1.7 billion euro, was begun on 13 February 2023 and ended on 4 April 2023.

[15] Coupons accrued on the Additional Tier 1 issues.

Risk-weighted assets
As at 31 March 2023, risk-weighted assets came to 295,075 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risks.
Common Equity Tier 1 Capital and risk-weighted assets as at 31 March 2023 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) no. 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 2023 amounted to a Common Equity ratio of 13.7%, a Tier 1 ratio of 16.1% and a total capital ratio of 19.5%.
Finally, on 15 December 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 January 2023, 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 8.93%, inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[16] requirements.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.03.2023	31.12.2022
Group Shareholders' equity	61,463	61,655
Minority interests	141	166
Shareholders' equity as per the Balance Sheet	**61,604**	**61,821**
Interim dividend (a)	1,400	1,400
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,207	-7,207
- Minority interests eligible for inclusion in AT1	-	-
- Minority interests eligible for inclusion in T2	-	-
- Ineligible minority interests on full phase-in	-141	-166
- Ineligible net income for the period (b)	-1,471	-3,165
- Treasury shares included under regulatory adjustments (c)	1,748	169
- Other ineligible components on full phase-in (d)	-3,171	-100
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,762**	**52,752**
Regulatory adjustments (including transitional adjustments) (e)	**-12,328**	**-11,980**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**40,434**	**40,772**

(a) As at 31 March 2023 and 31 December 2022, the Shareholders' equity as per the Balance Sheet did not include the interim dividend of 1,400 million euro (net of the undistributed portion in respect of the own shares held at the record date).

(b) Common Equity Tier 1 capital as at 31 March 2023 includes the net income for the period, less the related dividend and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects).

(c) The amount includes, in addition to the book value of own shares, the unused portion of the ceiling for which the Bank has received the buyback authorisations.

(d) The amount as at 31 March 2023 primarily includes the dividend and the portion intended for charitable donations relating to 2022 net income, as approved by the Shareholders' Meeting on 28 April 2023.

(e) The regulatory adjustments as at 31 March 2023 no longer include the impact of the application of the IFRS9 transitional filter – the applicability of which ended in 2022 – and, as at 31 December 2022, take into account – among other things – the book value of own shares and those for which the Group has already received buyback authorisation amounting to 1.7 billion euro.

[16] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 31 March 2023 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 2024, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for H1 2023).

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.

The Intesa Sanpaolo Group

Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (*)

(*) 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.

With regard to the application of IFRS 17 and the correlated end of the period of application of the deferral approach for IFRS 9 for the Group's insurance companies, in line with the change of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the division data for the periods presented for comparison were also restated on a like-for-like basis.
Moreover, 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. In particular, the restatements involved:

- the inclusion in the Private Banking Division of the income statement and balance sheet results of the Luxembourg private bank Compagnie de Banque Privée Quilvest[17], consolidated at the end of June 2022;
- the allocation of the income statement and balance sheet results of UBI Leasing to the divisions, following the merger by incorporation into the Parent Company in the second quarter of 2022;
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.
- the reclassification from the caption Personnel expenses to the caption Net fee and commission income, of the charges relating to several incentive systems for employees of the Banca dei Territori Division and the Private Banking Division, where funded through fee and commission income generated based on deterministic quantification criteria correlated with that income, in line with the accounting treatment envisaged for the incentive systems for non-employee financial advisors (reclassification made from the second quarter 2022).

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2023 compared to the like-for-like comparison 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) 876/2019 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 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.

[17] On 1 January 2023, along with the incorporation of Fideuram Bank (Luxembourg) S.A., Compagnie de Banque Privée Quilvest S.A. took on the name Intesa Sanpaolo Wealth Management S.A.

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								
31.03.2023	2,785	972	665	754	235	399	247	6,057
31.03.2022	2,183	1,385	499	577	253	365	149	5,411
% change	27.6	-29.8	33.3	30.7	-7.1	9.3	65.8	11.9
Operating costs								
31.03.2023	-1,503	-334	-268	-229	-52	-83	-67	-2,536
31.03.2022	-1,532	-319	-256	-220	-49	-84	-64	-2,524
% change	-1.9	4.7	4.7	4.1	6.1	-1.2	4.7	0.5
Operating margin								
31.03.2023	1,282	638	397	525	183	316	180	3,521
31.03.2022	651	1,066	243	357	204	281	85	2,887
% change	96.9	-40.2	63.4	47.1	-10.3	12.5		22.0
Net income (loss)								
31.03.2023	695	394	365	343	129	210	-180	1,956
31.03.2022	516	162	35	245	145	208	-268	1,043
% change	34.7			40.0	-11.0	1.0	-32.8	87.5

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
31.03.2023	244,362	132,869	40,450	14,793	247	-	17,139	449,860
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
% change	-1.4	2.4	0.6	-2.1	-12.4	-	26.5	0.7
Direct deposits from banking business								
31.03.2023	277,297	94,140	53,167	46,363	16	-	63,479	534,462
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
% change	-4.7	-0.7	-2.2	-8.1	-38.5	-	16.1	-2.0
Risk-weighted assets								
31.03.2023	80,056	108,979	35,438	12,213	1,878	-	56,511	295,075
31.12.2022	84,302	101,018	35,056	12,757	1,798	-	60,512	295,443
% change	-5.0	7.9	1.1	-4.3	4.4	-	-6.6	-0.1
Absorbed capital								
31.03.2023	6,877	9,374	3,849	1,110	198	4,757	3,251	29,416
31.12.2022	7,242	8,698	3,787	1,154	195	4,954	3,488	29,518
% change	-5.0	7.8	1.6	-3.8	1.5	-4.0	-6.8	-0.3

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

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	31.03.2023	31.03.2022	changes	
			amount	%
Net interest income	1,573	960	613	63.9
Net fee and commission income	1,182	1,191	-9	-0.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	32	30	2	6.7
Other operating income (expenses)	-2	2	-4	
Operating income	**2,785**	**2,183**	**602**	**27.6**
Personnel expenses	-802	-826	-24	-2.9
Other administrative expenses	-701	-706	-5	-0.7
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-1,503**	**-1,532**	**-29**	**-1.9**
Operating margin	**1,282**	**651**	**631**	**96.9**
Net adjustments to loans	-209	141	-350	
Other net provisions and net impairment losses on other assets	-7	-15	-8	-53.3
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,066**	**777**	**289**	**37.2**
Taxes on income	-351	-258	93	36.0
Charges (net of tax) for integration and exit incentives	-13	-2	11	
Effect of purchase price allocation (net of tax)	-7	-8	-1	-12.5
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	7	-7	
Net income (loss)	**695**	**516**	**179**	**34.7**

(millions of euro)

	31.03.2023	31.12.2022	changes	
			amount	%
Loans to customers	244,362	247,913	-3,551	-1.4
Direct deposits from banking business	277,297	291,089	-13,792	-4.7
Risk-weighted assets	80,056	84,302	-4,246	-5.0
Absorbed capital	6,877	7,242	-365	-5.0

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 2,785 million euro in the first quarter of 2023, amounting to 46% of the Group's consolidated revenues, showing significant growth (+27.6%) on the same period of the previous year.
In detail, net interest income rose sharply (+63.9%), essentially due to customer deposits, which benefited from the trend in market rates, favouring the increase of the mark-down. Net fee and commission income decreased slightly (-0.8%), specifically due to assets under management and bancassurance, conditioned by the downturn in the volumes as a result of the evolution of the markets. That trend was attenuated by the growth in fees on the placement of certificates and on dealing in securities. As part of commercial banking fees, loans and guarantees decreased due to lower disbursements, more than offset by cards and other payment services. The other revenue components, which provide a marginal contribution to the Division's operating income, Profits (Losses) on financial assets and liabilities designated at fair value came to 32 million euro (+6.7%) and other operating expenses to 2 million euro. Operating costs, equal to 1,503 million euro, were down by 1.9%, thanks to savings on personnel expenses, mainly attributable to the reduction of the workforce following negotiated exits and the containment of administrative expenses. Due to the phenomena described, the operating margin amounted to 1,282 million euro, almost double the 651 million euro in the first three months of 2022. Gross income came to 1,066 million euro, up by 37.2% on the same period of the previous year, which had also benefited from the release of generic adjustments made in 2020 for the expected impacts of COVID-19, mainly on performing positions under moratoria. Lastly, after allocation to the Division of taxes of 351 million euro, charges for integration of 13 million euro, the effects of purchase price allocation

for 7 million euro, net income came to 695 million euro, a figure 34.7% higher than the 516 million euro in the same period of 2022.

In terms of quarterly development, there was a sharp increase in the operating margin on the fourth quarter of 2022, attributable to the growth in revenues and the decrease in operating costs. There was also a positive trend in gross income and net income, which, in the last quarter of 2022 were negatively impacted by significant adjustments to loans.

The balance sheet figures at the end of March 2023 showed a decline in total intermediated volumes of loans and deposits from the beginning of the year (-3.2%). In detail, loans to customers, amounting to 244,362 million euro, decreased (-1.4%, or -3.6 billion euro), mainly due to the trend in loans to businesses which, in the presence of a rapid rise in interest rates, decided to use their liquidity to limit the use of bank credit, and, to a lesser extent, due to loans to individuals. Direct deposits from banking business, amounting to 277,297 million euro, were lower than the beginning of the year (-4.7%, or -13.8 billion euro), due to the decrease in amounts due to customers. This was due to business customers that used their liquidity to reduce the use of bank credit, and individuals who redirected a portion of their available funds on current accounts to more remunerative investment products, such as government and corporate bond issues, which increased the dossiers of assets under administration.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	31.03.2023	31.03.2022	changes	
			amount	%
Net interest income	611	469	142	30.3
Net fee and commission income	258	292	-34	-11.6
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	103	624	-521	-83.5
Other operating income (expenses)	-	-	-	-
Operating income	**972**	**1,385**	**-413**	**-29.8**
Personnel expenses	-118	-115	3	2.6
Other administrative expenses	-211	-199	12	6.0
Adjustments to property, equipment and intangible assets	-5	-5	-	-
Operating costs	**-334**	**-319**	**15**	**4.7**
Operating margin	**638**	**1,066**	**-428**	**-40.2**
Net adjustments to loans	10	-723	733	
Other net provisions and net impairment losses on other assets	-58	-25	33	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**590**	**318**	**272**	**85.5**
Taxes on income	-190	-151	39	25.8
Charges (net of tax) for integration and exit incentives	-6	-5	1	20.0
Effect of purchase price allocation (net of tax)	-	-	-	-
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)	**394**	**162**	**232**	

(millions of euro)

	31.03.2023	31.12.2022	changes	
			amount	%
Loans to customers	132,869	129,791	3,078	2.4
Direct deposits from banking business (a)	94,140	94,785	-645	-0.7
Risk-weighted assets	108,979	101,018	7,961	7.9
Absorbed capital	9,374	8,698	676	7.8

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 2023, the **IMI Corporate & Investment Banking Division** recorded operating income of 972 million euro (representing 16% of the Group's consolidated total), down 29.8% compared to the same period of last year.
In detail, net interest income, amounting to 611 million euro, grew by 30.3%, mainly attributable to the greater contribution from coupons of the Global Market securities portfolio. Net fee and commission income, amounting to 258 million euro, decreased by 11.6% due to the trend in the commercial banking and structured finance segments, as a result of lower operating volumes. Conversely, positive performance was demonstrated by investment banking fees, which in the first quarter of 2022 were impacted by the consequences of the events in Russia and Ukraine. The profits (losses) on financial assets and liabilities designated at fair value, amounting to a profit of 103 million euro, were down sharply (-83.5%), mainly due to the lower gains on the sale of HTCS debt securities and the negative impact of the debt value adjustment (DVA). Operating costs amounted to 334 million euro, an increase of 4.7%, attributable to administrative expenses and, to a lesser extent, personnel expenses. As a result of the above revenue and cost trends, the operating margin decreased by 40.2% compared to the value recorded in the first quarter of last year, amounting to 638 million euro. Gross income, amounting to 590 million euro, increased significantly (+85.5%) on the value in the first three months of 2022, which included significant adjustments allocated in relation to the events in Russia and Ukraine. Lastly, net income came to 394 million euro, more than double the 162 million euro realised in the same period of the previous year.

The IMI Corporate & Investment Banking Division saw sustained growth in the operating margin in the first quarter of 2023 compared to the fourth quarter of 2022, due to higher revenues from financial assets and liabilities designated at fair value, which benefited from the positive impact of the debt value adjustment (DVA) and greater earnings on securities, as well as lower operating costs. The gross income and net income also showed positive performance, benefiting from the recoveries on loans recognised in the quarter.

The Division's intermediated volumes increased compared to the beginning of the year (+1.1%). In detail, loans to customers, amounting to 132,869 million euro, grew by 3.1 billion euro (+2.4%), mainly due to short-term loans to customers in the Global Market area as well as to global corporate and financial institution customers. Direct deposits from banking business, amounting to 94,140 million euro, remained at levels slightly lower than the beginning of the year (-0.7%), due to the decrease in amounts due to global corporate and financial institution customers.

International Subsidiary Banks

(millions of euro)

Income statement	31.03.2023	31.03.2022	changes amount	changes %
Net interest income	519	345	174	50.4
Net fee and commission income	138	140	-2	-1.4
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	21	27	-6	-22.2
Other operating income (expenses)	-13	-13	-	-
Operating income	**665**	**499**	**166**	**33.3**
Personnel expenses	-138	-133	5	3.8
Other administrative expenses	-102	-95	7	7.4
Adjustments to property, equipment and intangible assets	-28	-28	-	-
Operating costs	**-268**	**-256**	**12**	**4.7**
Operating margin	**397**	**243**	**154**	**63.4**
Net adjustments to loans	-	-136	-136	
Other net provisions and net impairment losses on other assets	-4	-5	-1	-20.0
Other income (expenses)	120	1	119	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**513**	**103**	**410**	
Taxes on income	-130	-49	81	
Charges (net of tax) for integration and exit incentives	-10	-9	1	11.1
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-6	-10	-4	-40.0
Impairment (net of tax) of goodwill and other intangible assets	-1	-	1	-
Minority interests	-1	-	1	-
Net income (loss)	**365**	**35**	**330**	

(millions of euro)

	31.03.2023	31.12.2022	changes amount	changes %
Loans to customers	40,450	40,212	238	0.6
Direct deposits from banking business	53,167	54,364	-1,197	-2.2
Risk-weighted assets	35,438	35,056	382	1.1
Absorbed capital	3,849	3,787	62	1.6

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 2023, the Division's operating income came to 665 million euro, up sharply on the same period of the previous year (+33.3%, +46.2% at constant exchange rates). A detailed analysis shows that net interest income came to 519 million euro (+50.4%), primarily due to the favourable performance of PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+53 million euro) –, CIB Bank and VUB Banka (+46 million euro each). Net fee and commission income, amounting to 138 million euro, decreased slightly (-1.4%). Within other income components, there was a decrease in profits (losses) on financial assets and liabilities designated at fair value (-6 million euro) and substantial stability in other operating expenses.
Operating costs of 268 million euro increased (+4.7%, +13.1% at constant exchange rates), due to administrative and personnel expenses.
As a result of the above revenue and cost trends, the operating margin increased by 63.4%, amounting to 397 million euro. Gross income amounted to 513 million euro, compared to 103 million euro in the first three months of the previous year, benefiting from net adjustments to loans substantially at zero and greater other income, on which a gross capital gain was recorded in the first quarter of 2023, referring to the Privredna Banka Zagreb Group. The Division closed the first quarter of 2023 with net income of 365 million euro, compared to 35 million euro in the same period of the previous year.

At quarterly level, the first three months of 2023 showed a positive trend in the operating margin compared to the fourth quarter of 2022, attributable to both higher revenues, driven by the increase in net interest income, and savings on operating costs, which at the end of the previous year were impacted by the usual seasonal effects. Gross income and net income more than doubled on the previous quarter, benefiting from lower adjustments to loans and higher other income.

At the end of March 2023, the Division's intermediated volumes decreased (-1%) compared to the beginning of the year, attributable to direct deposits from banking business (-2.2%), specifically the component of amounts due to customers, against a slight increase in loans to customers (+0.6%). The trend in deposits is mainly attributable to the subsidiaries operating in Egypt and Croatia, while in terms of loans, the growth recognised by the subsidiaries operating in Croatia, Hungary and Slovakia was partly offset by the decrease in loans in Egypt.

Private Banking

(millions of euro)

Income statement	31.03.2023	31.03.2022	changes	
			amount	%
Net interest income	280	49	231	
Net fee and commission income	455	512	-57	-11.1
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	20	13	7	53.8
Other operating income (expenses)	-1	3	-4	
Operating income	**754**	**577**	**177**	**30.7**
Personnel expenses	-117	-110	7	6.4
Other administrative expenses	-91	-90	1	1.1
Adjustments to property, equipment and intangible assets	-21	-20	1	5.0
Operating costs	**-229**	**-220**	**9**	**4.1**
Operating margin	**525**	**357**	**168**	**47.1**
Net adjustments to loans	-6	2	-8	
Other net provisions and net impairment losses on other assets	-6	3	-9	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**513**	**362**	**151**	**41.7**
Taxes on income	-158	-104	54	51.9
Charges (net of tax) for integration and exit incentives	-6	-8	-2	-25.0
Effect of purchase price allocation (net of tax)	-6	-5	1	20.0
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)	**343**	**245**	**98**	**40.0**

(millions of euro)

	31.03.2023	31.12.2022	changes	
			amount	%
Assets under management (1)	150,614	150,112	502	0.3
Risk-weighted assets	12,213	12,757	-544	-4.3
Absorbed capital	1,110	1,154	-44	-3.8

(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 - Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR, IW Private Investments SIM, SIREF Fiduciaria, Fideuram Asset Management (Ireland), the Swiss banking group Reyl (present in Switzerland, the United Kingdom, Singapore, the United Arab Emirates and Malta) and Intesa Sanpaolo Wealth Management, a Luxembourg private bank with branches also in Belgium, created through the merger of Fideuram Bank (Luxembourg) into Compagnie de Banque Privée Quilvest S.A.

In the first quarter of 2023, the Division achieved gross income of 513 million euro, up by 151 million euro (+41.7%) compared to the amount in the first three months of 2022. The operating margin showed a positive trend (+168 million euro), attributable to the increase in operating income (+177 million euro), with a slight increase in operating costs (+9 million euro). The revenue performance is mainly attributable to net interest income which, in a scenario of growing market interest rates, rose to 280 million euro, due to the greater contribution from investments in securities and intermediation with banks and customers. The analysis of the quarterly performance shows a significant acceleration of interest income starting in the second half of 2022, which benefited from the progressive rise in interest rates by the ECB. Profits (Losses) on financial assets and liabilities designated at fair value grew to a lesser extent (+7 million euro). Net fee and commission income moved in the opposite direction (-57 million euro), specifically recurring fees and commissions, in relation to the reduction in average assets under management, as well as other operating income (expenses) (-4 million euro). The Division closed the first quarter of 2023 with net income of 343 million euro, up by 40% on the same period of 2022.

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 2023, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 279.8 billion euro (+7.3 billion euro since the beginning of the year). This performance was due to both the market performance, which had a favourable impact on assets, as well as to positive net inflows. The assets under management component amounted to 150.6 billion euro (+0.5 billion euro).

Asset Management

(millions of euro)

Income statement	31.03.2023	31.03.2022	Changes	
			amount	%
Net interest income	1	-	1	-
Net fee and commission income	209	241	-32	-13.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	8	-5	13	
Other operating income (expenses)	17	17	-	-
Operating income	**235**	**253**	**-18**	**-7.1**
Personnel expenses	-23	-23	-	-
Other administrative expenses	-27	-25	2	8.0
Adjustments to property, equipment and intangible assets	-2	-1	1	
Operating costs	**-52**	**-49**	**3**	**6.1**
Operating margin	**183**	**204**	**-21**	**-10.3**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-2	-	2	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**181**	**204**	**-23**	**-11.3**
Taxes on income	-51	-57	-6	-10.5
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	-	-	-	-
Net income (loss)	**129**	**145**	**-16**	**-11.0**

(millions of euro)

	31.03.2023	31.12.2022	changes	
			amount	%
Assets under management	309,516	303,829	5,687	1.9
Risk-weighted assets	1,878	1,798	80	4.4
Absorbed capital	198	195	3	1.5

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 for the first quarter of 2023, amounting to 235 million euro, was down by 7.1% on the same period of the previous year, due to the performance of net fee and commission income (-32 million euro, or -13.3%), which was impacted by the decrease in management fees related to the decrease in assets managed and placement and, to a lesser extent, the performance fees collected during the period. Within the other revenue components, the contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested was a positive 8 million euro (-5 million euro in the first quarter of 2022). The Chinese subsidiary Penghua, consolidated at equity, provided a positive contribution to operating income of 17 million euro, an amount in line with that recorded in the same period of the previous year. The performance of operating costs (+6.1%) is mainly attributable to the increase in administrative expenses, associated with the emerging costs due to the adoption of the new system of portfolio management and risk management. As a result of the above revenue and cost trends, the operating margin came to 183 million euro, down 10.3% on the first three months of 2022. The Division closed the first quarter of 2023 with net income of 129 million euro (-11%).

As at 31 March 2023, assets under management of the Asset Management Division came to 309.5 billion euro, up by 5.7 billion euro (+1.9%) compared to the end of December 2022. This trend is attributable to the revaluation of assets under management, correlated with the positive performance of the markets, which more than offset the net outflows (-1.9 billion euro). The outflows mainly regard mandates on insurance and pension products (-1.8 billion euro), mutual funds (-0.4 billion euro) and portfolio management schemes for retail and private customers (-0.2 billion euro), only partly offset by net inflows on products targeted to institutional customers (+0.5 billion euro).

As at 31 March 2023, Eurizon Capital's Italian market share of assets under management was 17% (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 17.7%.

Insurance

(millions of euro)

Income statement	31.03.2023	31.03.2022	Changes	
			amount	%
Net interest income	-	-	-	-
Net fee and commission income	1	1	-	-
Income from insurance business	399	367	32	8.7
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-1	-3	-2	-66.7
Operating income	**399**	**365**	**34**	**9.3**
Personnel expenses	-35	-33	2	6.1
Other administrative expenses	-40	-44	-4	-9.1
Adjustments to property, equipment and intangible assets	-8	-7	1	14.3
Operating costs	**-83**	**-84**	**-1**	**-1.2**
Operating margin	**316**	**281**	**35**	**12.5**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	2	-	2	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**318**	**281**	**37**	**13.2**
Taxes on income	-102	-68	34	50.0
Charges (net of tax) for integration and exit incentives	-2	-2	-	-
Effect of purchase price allocation (net of tax)	-2	-2	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-2	-1	1	
Net income (loss)	**210**	**208**	**2**	**1.0**

(millions of euro)

	31.03.2023	31.12.2022	changes	
			amount	%
Direct deposits from insurance business (1)	175,497	173,672	1,825	1.1
Risk-weighted assets	-	-	-	-
Absorbed capital	4,757	4,954	-197	-4.0

(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 (which absorbed Cargeas Assicurazioni from 1 October 2022) and Intesa Sanpaolo RBM Salute, 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 InSalute Servizi.

In the first quarter of 2023, the Division reported income from insurance business of 399 million euro, up (+8.7%, or +32 million euro) compared to the same period of 2022. This trend is attributable to the increase in the non-life business. Gross income, amounting to 318 million euro, was up (+13.2%) due to the increase in operating income and the slight decrease in operating costs against limited growth in other net provisions and net impairment losses on other assets.
The cost/income ratio, at 20.8%, remained at very good levels, lower than those recorded in the first quarter of 2022.
Lastly, net income came to 210 million euro (+1%) after the attribution of taxes of 102 million euro, charges for integration and exit incentives of 2 million euro, effects of purchase price allocation for 2 million euro and minority interests for 2 million euro.

Direct deposits from insurance business, amounting to 175,497 million euro, grew (+1.1%, or +1.8 billion euro) on the beginning of the year, attributable to insurance liabilities.

The Division's collected premiums for life policies and pension products, amounting to 4.6 billion euro, increased by 19.8% compared to the first three months of last year, due to traditional products, which more than doubled, and pension products (+7%). Conversely, premiums on unit-linked products decreased (-52.3%).

Collected premiums for the protection business totalled 407 million euro, up by 3% on the same period of 2022.
Premiums in the non-motor business (excluding CPI – Credit Protection Insurance) rose by 9.5%, mainly driven by the Business and Accident Lines of Business (LoB) (+21% and +24.4%, respectively), against a decrease in the other components (motor and credit-related).

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 Corporate Centre Departments generated an operating margin of 180 million euro in the first quarter of 2023, compared to 85 million euro in the same period of the previous year. That performance is essentially attributable to the growth in operating income, largely due to the trend in net interest income, which benefited from the significant rise and repositioning at positive levels of market interest rates. Operating costs, net of those attributed to the business units, increased slightly, mainly attributable to the amortisation of intangible assets, as a result of technological investments. Gross income amounted to 182 million euro compared to 84 million euro in the first three months of the previous year. The first quarter of 2023 closed with a net loss of -180 million euro, compared to -268 million euro in the same period of 2022. 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 222 million euro, compared with 256 million euro in the first quarter of 2022.

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 2023, Intesa Sanpaolo confirmed its systemic role as a "critical participant" in the ECB's cash and securities settlement systems, keeping stable market shares at national and European level.

On 20 March 2023, after over five years of work, the Eurosystem launched the new T2 (Target2), the real time gross settlement system.
This is an important milestone, with the third Target Service (T2 for cash) joining the two existing services (T2S for securities and TIPS for instant payments), which contributes to renewing and modernising the new single European settlement platform.

In the first quarter of 2023, the ECB pursued its goal of reducing inflation, still too high on its targets, by increasing interest rates by 50 basis points in February and in March[18]. Since July of last year, the ECB has increased interest rates by 350 basis points, implementing monetary policy in terms of speed and scope that is unprecedented in the history of the European monetary union. In February the Governing Council of the ECB also decided on the modalities for reducing the portfolio of the purchase programme (Asset Purchase Programme - APP) for the second quarter.

Market interest rates rose sharply during the quarter, with significant volatility, also linked to the tensions arising on the US and European financial markets in mid-March.
Intesa Sanpaolo continued to maintain a sound liquidity position. Outstanding short-term securities funding grew in the initial months of the year.

In the United States, the restrictive phase of monetary policy continued in the first quarter of 2023. In the two meetings of February and March, the Federal Reserve, confirming its targets in terms of reducing inflation, as significantly expected by the market, hiked the benchmark rates by an additional 50 basis points, bringing them to the range of 4.75-5.00%. Different from the forecasts by the Board of the Fed, which estimated year-end interest rates around 5.10%, the US futures market incorporates a last rise of 25 basis points expected at the May meeting, followed by the start of a decreasing phase starting at the end of July, which could bring benchmark rates to 4.30% at the end of the year.

During the quarter, the total amount of Group securities placed on the domestic market was 3.94 billion euro, of which 2.74 billion euro in certificates placed via its own networks, 1.16 billion euro in issues placed through the Private Banking Division and 40 million euro in securities traded on the MOT and/or EuroTLX market of Borsa Italiana (direct listing).
Among the securities issued, there was a prevalence of the component consisting of structured financial instruments (69%), mainly comprised of index-linked structures. A breakdown by average maturity shows that 62% are comprised of instruments with maturities up to 5 years, and the remaining 38% of 6- and 7-year securities.
Bonds placed through the Private Banking Division totalled 1.16 billion euro, of which 1.15 billion euro in 3-year fixed-rate senior preferred bonds and 10 million euro in 2-year fixed-rate private placement senior preferred bonds.

A total of 5.67 billion euro in unsecured institutional funding transactions were placed during the quarter. More specifically, the following public issues were carried out: fixed-rate T2 subordinated instruments for 1 billion euro, issued on 13 February, with 11-year maturity, callable from the sixth year; fixed-rate senior non preferred green bonds for a total of 2.25 billion euro, issued in two tranches on 27 February, one tranche with 5-year maturity, callable from the fourth year, for 1.5 billion euro, and one tranche with 10-year maturity, for 750 million euro; fixed-rate senior preferred bonds targeted to the Asian market issued on 3 March, for a total of 24.3 billion JPY (equal to around 170 million euro), issued in three tranches, 11 billion JPY with 2-year maturity, 10.1 billion JPY with 3-year maturity and 3.2 billion JPY with 7-year maturity; senior non preferred green bonds for 600 million GBP (equal to around 670 million euro), issued on 7 March, targeted to the UK market, with 6-year maturity, callable in the fifth year; and floating-rate senior preferred bonds for 1.5 billion euro, issued on 9 March, with 2-year maturity.
The "Green" issues aim to fund all green projects in line with the Green, Social & Sustainability Bond Framework: "Renewable Energy", "Energy Efficiency", "Green Buildings", "Clean Transportation" and "Circular Economy".

[18] The official rates were raised by another 25 basis points at the meeting of 4 May 2023.

With regard to the Covered Bond issue programme, as part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 14th retained series was partially redeemed in January for an amount of 200 million euro, bringing the remaining nominal amount to 800 million euro.
Under the covered bond programme guaranteed by UBI Finance, the 18th series matured in January for an amount of 1.250 billion euro.
As part of the programme guaranteed by ISP OBG, in February, the 19th retained series reached maturity, for 1.375 billion euro.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 19th series matured in March for an amount of 1.250 billion euro.

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: at 31 March 2023 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to 17.8 billion euro.

The quarter was marked by the contrast between the real economy and inflation trend and the extreme uncertainty generated by the crisis in several US banks and Credit Suisse. The trend in prices (specifically in core price indices) surprisingly continued to rise, and the first timid signs of slowdown in the US economy were offset by the post-pandemic reopening in China. Nonetheless, in March, bank runs on several local US banks triggered a sharp revision of monetary policy expectations due to the fears of a credit crunch. The size of the liquidity portfolio remained more or less unchanged on the end of 2022. However, several actions were taken on asset allocation: specifically, the share of investments in Japanese government securities hedged by cross currency swaps were reduced sharply, due to the significant compression of spreads triggered by the unexpected change by the Bank of Japan, which, at the end of December, began to show signs of abandoning its yield curve control policy. Conversely, during the quarter the share of investments in core and quasi-core European government securities was increased. In the non-government segment, a prudent approach was maintained regarding corporate issuers, while the covered component was increased, as it seems attractive due to its defensive features, relatively generous level of the spread and probable future slowdown in supply.

With reference to the repo market, volumes of Italian government bonds traded increased significantly compared to the previous year and interest rates reached slightly lower levels than the deposit facility.
The spread between the rates of the core countries and Italian government bonds widened slightly compared to the first quarter of 2022. At the changeover between the first and second quarters of 2023, interest rates decreased, associated with a significant widening of spreads.

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 CRO Area. Interest rate risk is monitored and managed 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 to the market views; 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, Asset & Liability Committee - ALCO session, within the limits established by the Board of Directors: the Group Treasury & Finance structure plays an instrumental role in the active management of interest rate risk within the limits assigned and 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, as part of the Group’s funding plan, which monitors 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). The funding plan optimises the various forms of funding in compliance with the liquidity indicators (LCR, NSFR and the other RAF indicators), the rating targets, the various regulatory capital buckets and the MREL buffers, in line with the loan-deposit targets of the Business Units. The structural component of foreign exchange risk is managed, based on the policies on the matter defined at Group level, by monitoring the Group’s overall position, also with a view to optimising the capital ratios.

Risk management

THE CORE 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 and Sustainability 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 (RAF).
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, 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 direction 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, at a given confidence level, 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 at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group's capital adequacy within the ICAAP.
The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks and Sustainability 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.

With regard to the Russian-Ukrainian conflict, the Group has continued to carefully monitor 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. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess, these analyses confirm the Group's ability to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

[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 risks, the ECB's authorisation to use the new Corporate models for regulatory purposes was implemented starting from March 2023.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension 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 2022.
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 2022.
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 March 2023.
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 VALUATION IMPACTS FOR THE ISP GROUP OF THE MILITARY CONFLICT BETWEEN RUSSIA AND UKRAINE

As at 31 March 2023, the Group had the following on-balance sheet exposures to counterparties resident in Russia and Ukraine, net of ECA guarantees and gross/net of value adjustments carried out:

(millions of euro)

	31.03.2023 (*)				31.12.2022 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	**1,530**	**210**	**1,104**	**108**	**1,629**	**216**	**1,168**	**103**
Banca Intesa Russia	*321*	*-*	*176*	*-*	*372*	*-*	*205*	*-*
Pravex	*-*	*101*	*-*	*-*	*-*	*112*	*-*	*-*
Cross-border exposures	*1,209*	*109*	*928*	*108*	*1,257*	*104*	*963*	*103*
Due from banks	**764**	**88**	**752**	**87**	**797**	**63**	**782**	**62**
Banca Intesa Russia	*719*	*-*	*710*	*-*	*751*	*-*	*740*	*-*
Pravex	*-*	*88*	*-*	*87*	*-*	*63*	*-*	*62*
Cross-border exposures	*45*	*-*	*42*	*-*	*46*	*-*	*42*	*-*
Securities	**16**	**5**	**16**	**2**	**73**	**11**	**41**	**2**
Banca Intesa Russia	*12*	*-*	*12*	*-*	*13*	*-*	*13*	*-*
Pravex	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
IMI C&IB Division	*-*	*-*	*-*	*-*	*31*	*-*	*14*	*-*
Insurance Division	*4*	*5*	*4*	*2*	*29*	*11*	*14*	*2*

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 115 million euro (106 million euro net) at Banca Intesa Russia, and 45 million euro (gross and net value) at Pravex, in addition to 222 million euro (179 million euro net) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 25 million euro (gross and net value) to customers resident in Ukraine.
There are also 130 million euro (128 million euro net) in cross-border off-balance sheet exposures to banks resident in Russia and 19 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, the amounts as at 31 March 2023 and the increase of around 5 million euro compared to 31 December 2022 mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

(**) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 126 million euro (113 million euro net) at Banca Intesa Russia, and 67 million euro (66 million euro net) at Pravex, in addition to 232 million euro (186 million euro net) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.
There are also 155 million euro (152 million euro net) in cross-border off-balance sheet exposures to banks resident in Russia and 18 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

At the end of the quarter, Banca Intesa Russia's remaining on-balance sheet exposures to customers amounted to 321 million euro in gross terms (176 million euro net) and those of Pravex Bank amounted to 101 million euro (zero book value in net terms).
The cross-border exposures to customers resident in Russia (net of ECA guarantees) amounted to 1,209 million euro (928 million euro net). In addition, there were exposures to banks resident in Russia totalling 764 million euro (752 million euro net) and banks resident in Ukraine totalling 88 million euro (87 million euro net). The exposures in securities were minimal.

The majority of the exposures to Russian[20] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 "Financial Instruments".

During the quarter, following the significant reduction in credit risks related to the Russia-Ukraine conflict achieved in 2022 mainly as a result of the final disposal of two major exposures (for 2.5 billion euro), there were slight reductions due to extinguishments, repayments and disposals (loans and securities) totalling 189 million euro for Russia and substantial stability for Ukraine.

Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group's exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement. As at 31 March 2023, in the Group companies other than those resident in the countries in conflict, there were no significant increases compared to 31 December 2022. The on-balance sheet non-performing loans to counterparties resident in Russia amounted to 318 million euro and related to positions already classified as at 30 June 2022, mainly attributable to two counterparties.
The non-performing loans of the Russian subsidiary amounted to 61 million euro, while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 101 million euro in bad loans.
In line with the disclosure already provided in the previous Financial Reports, and most recently in the 2022 Annual Report, for the portfolio for which no impairment has been identified, the methodological choices resulting from the Russian/Ukraine crisis, regarding the valuation of the credit exposures, are substantially the same. 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 (ECLs) 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.
With specific reference to cross-border positions, 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 residence, not due to aspects directly pertaining to their business, thus applied based on the country of residence of the counterparties. That approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL by applying a management overlay. 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. At the same time, the ratings for the highest risk class already assigned to the most significant counterparties exposed to conflict-related country risk have been maintained.
In detail, the choices made for the purposes of calculating ECL on cross-border exposures were as follows:

– application of PD through the cycle associated with the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict;
– calculation of an additional prudential buffer that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar 2 modelling (unconditional LGD set by the transfer risk model of 55%);
– introduction of prudent margins in addition to the ECL estimates deriving from the above elements, in relation to potential further worsening of the credit ratings of Russian counterparties.

With reference to loans to customers disbursed by Pravex Bank, 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 rationales, which consider the uncertainties and the risk elements associated with the military conflict. Therefore, in light of the worsening and continuation of the conflict with the consequent impacts on the Ukrainian economy, the choice adopted in the 2022 Annual Report regarding the classification of the Ukrainian subsidiary's loans to customers as non-performing loans (bad loans), with full write-down of the on-balance sheet component, has been maintained.

With regard to Banca Intesa Russia, specific prudent choices were defined, while also considering the different situation of risk/operations than that of the Ukraine subsidiary. An approach to classifying and measuring performing loans was therefore adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, the assessments carried out on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 40.4% of their gross value.

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

[21] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5, IFRS 9 B5.5.18 and IFRS 9 B5.5.52.

[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.

Also of note was the repayment - between the end of March and the beginning of April - of the intragroup amount made available to Banca Intesa Russia and originally intended for a future capital increase (whose implementation had been suspended as a result of the war events).
The sums repaid amounted to an equivalent value of around 200 million euro, substantially in line with what was initially made available.

For completeness, you are reminded that also for the real estate assets, 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 confirm the write-off of the value of Pravex Bank'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. On the other hand, with regard to Banca Intesa Russia's small real estate asset portfolio, essentially consisting of the Moscow headquarters, no items were identified that required a write-down.

Overall, these valuation processes on Russian exposures led to the recognition in the first quarter of the year, before tax, of net recoveries totalling 33 million euro, as the offsetting effect of 52 million euro of net recoveries on loans and 19 million euro of provisions for other risks and charges (in addition to the 80 million euro already set aside as at December 2022), made upon consolidation of the investee Banca Intesa Russia, mainly to zero out its equity contribution to the Group's consolidated financial statements, which was positive at the end of the quarter due to the investee's positive operating performance in the period.

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, as well as 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	31.03.2023			31.12.2022			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,860	-2,701	1,159	3,667	-2,536	1,131	28
Unlikely to pay	6,356	-2,544	3,812	6,423	-2,471	3,952	-140
Past due loans	550	-142	408	552	-139	413	-5
Non-Performing Loans	**10,766**	**-5,387**	**5,379**	**10,642**	**-5,146**	**5,496**	**-117**
Non-performing loans in Stage 3 (subject to impairment)	*10,700*	*-5,371*	*5,329*	*10,597*	*-5,134*	*5,463*	*-134*
Non-performing loans designated at fair value through profit or loss	*66*	*-16*	*50*	*45*	*-12*	*33*	*17*
Performing loans	**440,691**	**-2,453**	**438,238**	**437,616**	**-2,590**	**435,026**	**3,212**
Stage 2	*43,007*	*-1,786*	*41,221*	*45,801*	*-1,936*	*43,865*	*-2,644*
Stage 1	*396,747*	*-667*	*396,080*	*390,932*	*-654*	*390,278*	*5,802*
Performing loans designated at fair value through profit or loss	937	-	*937*	*883*	-	*883*	*54*
Performing loans represented by securities	**6,182**	**-24**	**6,158**	**6,274**	**-28**	**6,246**	**-88**
Stage 2	*901*	*-18*	*883*	*838*	*-23*	*815*	*68*
Stage 1	*5,281*	*-6*	*5,275*	*5,436*	*-5*	*5,431*	*-156*
Loans held for trading	**85**	**-**	**85**	**86**	**-**	**86**	**-1**
Total loans to customers	**457,724**	**-7,864**	**449,860**	**454,618**	**-7,764**	**446,854**	**3,006**
of which forborne performing	***6,754***	***-531***	***6,223***	***7,473***	***-553***	***6,920***	***-697***
of which forborne non-performing	***3,534***	***-1,504***	***2,030***	***3,480***	***-1,417***	***2,063***	***-33***
Loans to customers classified as non-current assets held for sale	**1**	**-**	**1**	**754**	**-386**	**368**	**-367**

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

As at 31 March 2023, the Group's gross non-performing loans totalled around 10.8 billion euro, up slightly from 10.6 billion euro in December 2022. The table shows that the modest change in the aggregate (+1.2%) concerned the bad loan positions, as an effect of transfers from other categories of non-performing loans, given that the direct entries from performing loans into this category are still minimal.
The ratio of gross non-performing loans to total loans to customers was 2.4%, still stable compared to 2.3% at year-end (2% in March 2023 and 1.9% in December 2022 according to the EBA definition). Within the aggregate, the exposures to Russia and Ukraine remained unchanged at 0.5 billion euro[23].
After the significant reduction in 2022 (-4.6 billion euro) following the disposal of the portfolios that had not been reclassified in accordance with IFRS 5 but had been accounted for on the basis of IFRS 9, i.e. by factoring in a probabilistic scenario of sale based on market prices, at the end of March 2023 all the project activities included in the 2021-2022 de-risking plans had been completed. As shown in the table, the stock of loans that were reclassified as assets held for sale as at 31 December 2022 had almost been reduced to nil following their sale.

The overall inflows from performing loans remained low. The first quarter recorded gross flows of 0.7 billion euro, in line with the same period in 2022, but down from 1.1 billion euro in the fourth quarter. In net terms, i.e. net of outflows to performing

[23] 0.2 billion euro net of value adjustments.

loans, the inflow was 0.4 billion euro, unchanged from the first quarter of 2022, but down from 0.8 billion euro in the fourth quarter.

At the end of the first quarter of 2023, the Group's net non-performing loans had decreased to 5.4 billion euro from 5.5 billion euro in December 2022 (-117 million euro; -2.1%). The ratio of net non-performing loans to total net loans to customers remained stable at 1.2% (1% in both periods according to the EBA definition), with the coverage ratio increasing from 48.4% to 50%. More specifically: as at March 2023, loans classified as bad loans, net of adjustments, amounted to 1.2 billion euro (+2.5%), with a ratio to total net loans to customers of 0.3% and coverage ratio up at 70%. Unlikely-to-pay loans, amounting to 3.8 billion euro (-3.5%), represented 0.8% of the total, with the coverage ratio increasing to 40%. Past-due loans amounted to 408 million euro (-1.2%), representing 0.1% of the total, with the coverage ratio increasing to 25.8%.
Performing loans rose to 438.2 billion euro (+3.2 billion euro; +0.7%), with a further decrease in the portion classified in Stage 2. Their coverage ratio remained unchanged at 0.6%.

Macroeconomic scenario for forward-looking conditioning
For the purposes of forward-looking conditioning of the ECL estimation parameters, Intesa Sanpaolo's policy envisages the use of the macroeconomic scenario produced and updated by the Research Department on at least a half-yearly basis (June/December). During 2022, in order to factor in the most up-to-date forecasts in an exceptional environment, such as that resulting from the start of the Russia/Ukraine conflict, these updates were more frequent.
The forecasts updated as at March 2023 by the Research Department for the baseline macroeconomic scenario contain aspects of improvement compared to the scenario used for the 2022 Annual Report, as a result of the decrease in the tensions in the energy market. However, the economic outlook is still characterised by high uncertainty, to which further factors have been added, such as the recent tensions in the financial markets, also as an indirect consequence of the sharp rise in interest rates and less clear monetary policy stances.
In view of the continuing forecast risks and the emergence of additional uncertainty, it was decided not to update the forecast scenario for the purpose of the forward-looking conditioning of the ECL estimation parameters. The scenario used for the 2022 Annual Report already considered significant uncertainty through the asymmetry of the alternative scenarios, especially the "downside" scenario, on which a more prudent approach was also incorporated to consider assumptions more consistent with those envisaged by the ECB, and this prudence has been maintained in this Report.

Management overlays
With regard to the management overlays for sector-specific vulnerabilities, Intesa Sanpaolo decided, for the purposes of the Interim Statement as at 31 March 2023, to adopt the same methodology as that used for the 2022 Annual Report.
You are reminded that, as at 31 December 2022, 'post-model adjustments' were made to the results of the ECL estimation methodologies, within the flexibility allowed by IFRS 9 and in light of the greater prudence required due to the significant uncertainties arising from the current and prospective situation.
Indeed, despite incorporating forward-looking approaches and updates to the macroeconomic scenario, the results of the above-mentioned methodologies were considered insufficient to take better account of the uncertainties and risks of the forecasts, in addition to the fact that the estimation characteristics adopted, which are based on modelling that is strongly anchored to long-term observed relationships, may not be fully adequate in an evolving situation that may arise from unobserved and unpredictable events such as conflicts and serious crises. In the first quarter of the year, the uncertainties that weighed on the economic forecasts at the end of the previous year were mitigated by the evolution of the energy crisis, although risks related to the emergence of tensions in the financial markets and a more confused monetary policy outlook remained, as noted in the paragraph above.
In this context, the measures adopted in the Annual Report were maintained in full in terms of approach. You are reminded that post-model adjustments were applied, with reference to the Parent Company, to counterparty exposures:
– belonging to sectors that are particularly exposed to risks deriving from the macroeconomic outlook, with negative sector trends or energy-intensive sectors, belonging to the Banca dei Territori Division, as these are portfolios for which it is considered that the expected economic slowdown may lead to less resilience and greater difficulties compared to Large Corporate counterparties; the scope of application of this overlay was also determined taking into account not only the sector-specific vulnerability but also the counterparty credit risk, as measured by the rating;
– belonging to the Commercial Real Estate scope in order to add a prudent margin to the assessment of the counterparties operating in the sector and with high risk;
– of the Retail and Retail SME segments, which are predominantly composed of consumer households and SMEs. This was aimed at capturing the potential negative effects on their future risk levels due to rising interest rates and lower disposable income as a result of high inflation. Consequently, the scope of application – which is within the BdT Division – has been defined for counterparties at medium or higher risk.

The banks of the International Subsidiary Banks Division, in a large number of cases, have also adopted prudent margins, through management overlays, based on specific assessments of the current and future situation and the characteristics of their portfolios.
With regard to the impacts as at 31 March 2023, there were minor changes in the amount of overlays. Overall, the adjustment allowances for performing exposures in the first quarter of the year included prudential elements of around 0.9 billion euro, including the additional prudential factor mentioned in the paragraph above on the macroeconomic scenario; this figure was in line with December 2022.

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)

	2023			2022			
	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)	**27.9**	**21.5**	**36.9**	**26.6**	**26.0**	**22.8**	**21.4**
of which: Group Treasury and Finance Department	*5.1*	*4.4*	*6.3*	*6.6*	*7.2*	*6.1*	*3.8*
of which: IMI C&IB Division	*25.3*	*19.5*	*34.8*	*24.7*	*26.0*	*21.2*	*17.5*

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 2023, as shown in the table above, compared to the averages for the fourth quarter of 2022, trading managerial risks were substantially stable (27.9 million euro in the first quarter of 2023 and 26.6 million euro in the fourth quarter of 2022).
With regard to the overall performance in the first quarter of 2023 compared to the same period in 2022, there was a slight increase in the trading managerial VaR. This increase was attributable both to portfolio actions for interest rate risk management and to market scenarios characterised by higher volatility than in the same period of 2022.

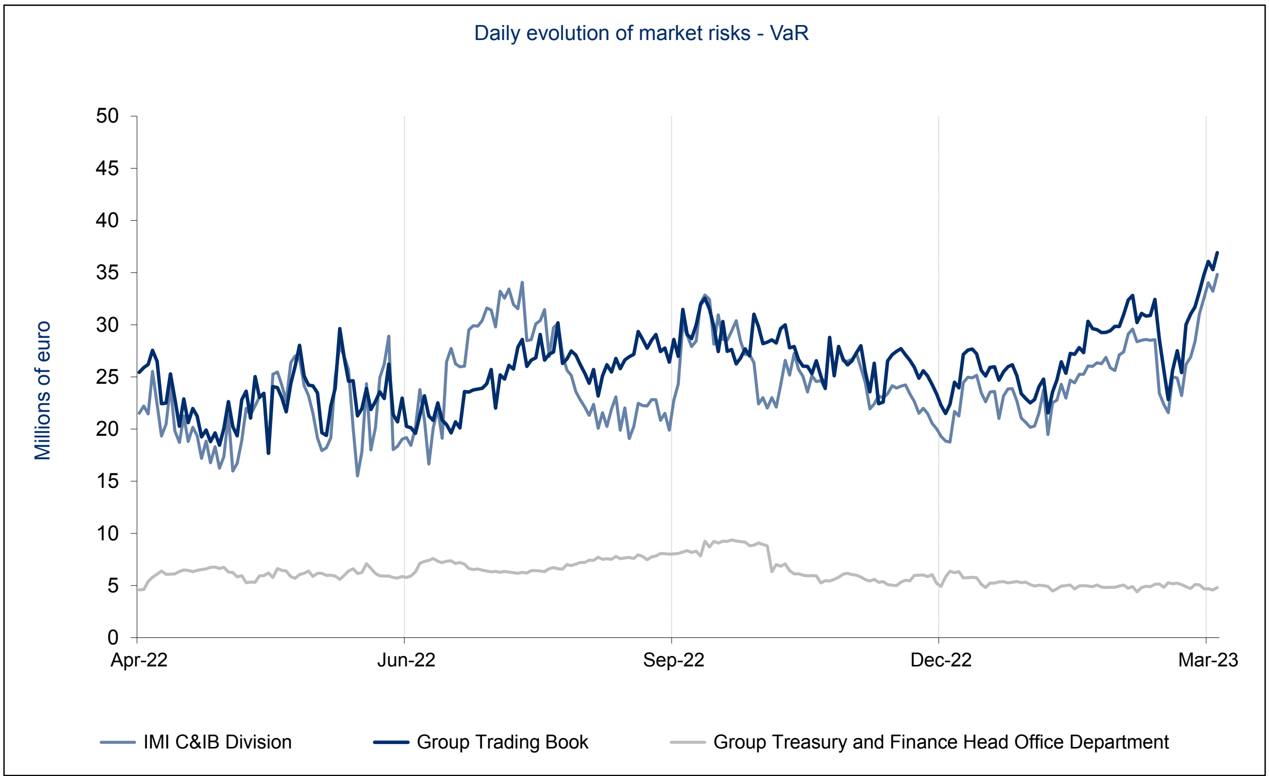
(millions of euro)

	2023			2022		
	average 1st quarter	**minimum 1st quarter**	**maximum 1st quarter**	**average 1st quarter**	**minimum 1st quarter**	**maximum 1st quarter**
Total GroupTrading Book (a)	**27.9**	**21.5**	**36.9**	**21.4**	**15.4**	**28.0**
of which: Group Treasury and Finance Department	*5.1*	*4.4*	*6.3*	*3.8*	*2.4*	*5.2*
of which: IMI C&IB Division	*25.3*	*19.5*	*34.8*	*17.5*	*13.9*	*23.2*

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.

The trend in the trading VaR in the first quarter of 2023 was mainly marked by transactions conducted by the IMI C&IB Division. In particular, as shown in the chart below, there was a gradual increase attributable both to portfolio actions for interest rate risk management and to new market volatility (entry of new tail scenarios).



The breakdown of the Group's risk profile in the trading book in the first quarter of 2023 shows a prevalence of credit spread risk and interest rate risk, accounting for 38% and 34%, 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 (47% and 40%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (42% and 31%, respectively).

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

1st quarter 2023	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	6%	40%	7%	47%	0%	0%
IMI C&IB Division	11%	31%	42%	5%	6%	5%
Total	**9%**	**34%**	**38%**	**10%**	**5%**	**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		INFLATION	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	18	33	-31	40	-8	9	9	-5	-23	-3	4	-4

In particular:
- 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 therein;
- for positions in interest rates, there would be potential losses of 31 million euro in the event of a rise in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 bps would result in an overall loss of 8 million euro;
- for positions in exchange rates, there would be potential losses of 5 million euro in the event of appreciation in the Euro against the other currencies;
- for positions in commodities, there would be a loss of 23 million euro in the event of a fall in prices of commodities other than precious metals and a loss of 3 million euro in the event of a rise;
- lastly, for the inflation-indexed positions, there would be potential losses of 4 million euro in the event of a reduction in inflation.

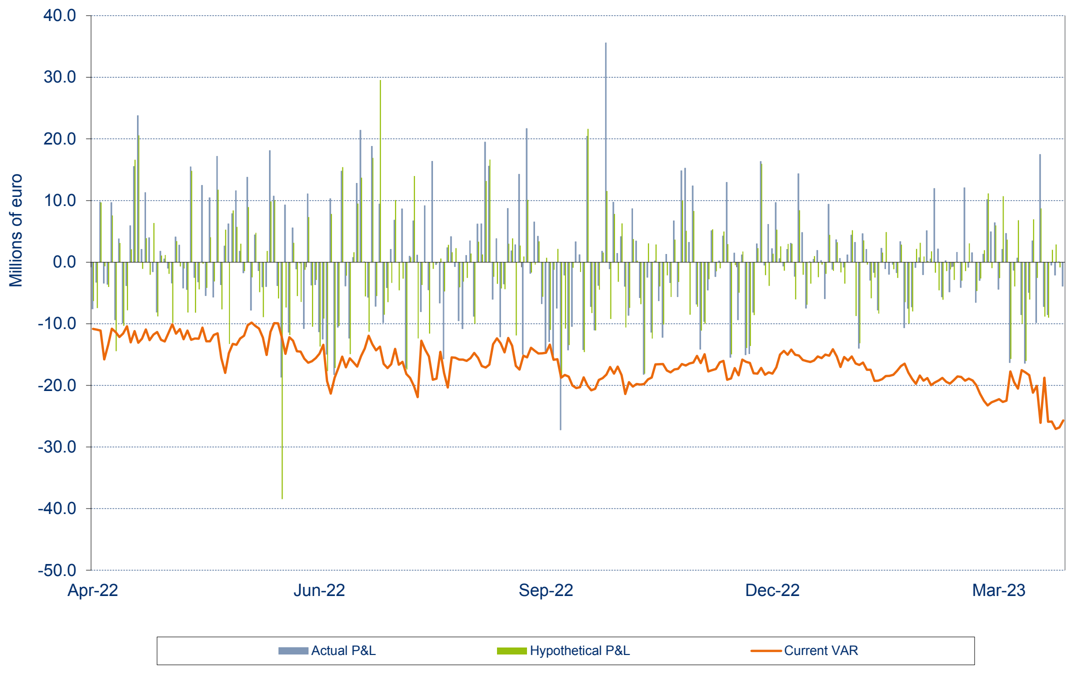
With regard to the use of the overall limit relating to trading and the Hold to Collect and Sell (HTCS) business model, there was an increase in market managerial VaR in the first quarter from 155 million euro[24] to 178 million euro[25].

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.

As shown in the graph below, during the last year the regulatory VaR measure for Intesa Sanpaolo was sufficiently conservative, recording only two backtesting exceptions due to volatility peaks on interest rate and credit risk factors[26]. There were no exceptions in the first quarter of 2023.



[24] Fourth quarter 2022, average managerial VaR.

[25] First quarter 2023, average managerial VaR.

[26] In the last 250 observations, the Bank recorded two Actual P&L exceptions and two Hypothetical P&L exceptions. 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 of the Russia-Ukraine conflict
There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's trading book.

BANKING BOOK
At the end of March 2023, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, amounted to -826 million euro.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 223 million euro, -487 million euro and 253 million euro, respectively, at the end of March 2023.
Interest rate risk, measured in terms of VaR, recorded a value of 522 million euro at the end of March 2023.
The price risk generated by the minority stakes in listed companies, measured with a price shock of +/-10%, amounted to 65 million euro at the end of March 2023.

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 2023			31.03.2023	31.12.2022
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-964	-826	-1,087	-826	-1,810
Shift Sensitivity of Net Interest Income -50bp	-503	-448	-575	-487	-782
Shift Sensitivity of Net Interest Income +50bp	363	223	495	223	920
Shift Sensitivity of Net Interest Income +100bp	25	134	-313	253	1,622
Value at Risk - Interest Rate	496	427	538	522	546

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 above-mentioned minority interests, mainly held under the HTCS business model.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 31.03.2023	Impact on shareholders' equity at 31.12.2022
Price shock	10%	65	-166
Price shock	-10%	-65	166

Impacts of the Russia-Ukraine conflict
There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's banking book.

LIQUIDITY RISK

The Group's liquidity position, 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 2023.
The levels for both the regulatory indicators – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) – are above the minimum regulatory requirements.
Over the last 12 months, the Liquidity Coverage Ratio of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, has amounted to an average of 175.6% (181.9% in December 2022).
At the end of March 2023, the value of all the Group's unencumbered liquidity reserves totalled 166 billion euro (177.7 billion euro at the end of December 2022), of which 148.3 billion euro (172.5 billion euro at the end of 2022) represented by unencumbered HQLA reserves with the Group Treasuries and 17.7 billion euro (5.2 billion euro as at 31 December 2022) relating to other marketable reserves and/or eligible reserves for Central Banks, including retained self-securitisations.

(millions of euro)

	Unencumbered (net of haircut)	
	31.03.2023	31.12.2022
HQLA Liquidity Reserves	**148,267**	**172,528**
Cash and Deposits held with Central Banks (HQLA)	69,344	109,792
Highly liquid securities (HQLA)	70,845	55,931
Other HQLA securities non included in LCR	8,078	6,805
Other eligible and/or marketable reserves	**17,713**	**5,222**
Total Group's Liquidity Buffer	**165,980**	**177,750**

As at 31 March 2023, 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 124.6% (126% at the end of December 2022).
The stress tests, in view of the high 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.

Impacts of the Russia-Ukraine conflict

In light of the low exposure to Russian and Ukrainian counterparties, there were no significant impacts on the Group's consolidated liquidity position deriving from the Russia-Ukraine conflict.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy – ***Assets and liabilities measured at fair value on a recurring basis: fair value by level (Banking and Insurance Segment)***

(millions of euro)

Assets / liabilities at fair value	31.03.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	110,612	30,891	8,658	108,649	33,035	8,932
a) Financial assets held for trading	11,716	29,787	187	10,381	32,043	183
of which: Equities	*978*	*-*	*22*	*860*	*-*	*22*
of which: quotas of UCI	*295*	*4*	*21*	*264*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily designated at fair value	98,896	1,103	8,471	98,268	991	8,749
of which: Equities	*5,301*	*128*	*319*	*5,059*	*107*	*309*
of which: quotas of UCI	*87,339*	*195*	*6,702*	*87,284*	*191*	*6,655*
2. Financial assets designated at fair value through other comprehensive income	116,356	10,446	543	108,301	10,567	640
of which: Equities	*443*	*514*	*322*	*513*	*517*	*325*
3. Hedging derivatives	-	9,112	-	-	10,075	-
4. Property and equipment	-	-	7,102	-	-	7,151
5. Intangible assets	-	-	-	-	-	-
Total	**226,968**	**50,449**	**16,303**	**216,950**	**53,677**	**16,723**
1. Financial liabilities held for trading	7,553	37,994	135	7,285	39,085	142
2. Financial liabilities designated at fair value	147	64,814	31	-	62,977	30
3. Hedging derivatives	-	5,216	-	-	5,517	-
Total	**7,700**	**108,024**	**166**	**7,285**	**107,579**	**172**

The table above shows the figures for the entire Group, including the insurance companies, which, as mentioned in the Introduction to the Interim Statement, are applying IFRS 9 Financial Instruments for the first time, for which the application had been deferred under the Deferral Approach. The balance sheet figures are compared with 31 December 2022, adjusted following the retrospective application of the above-mentioned standard.

Looking at the table, with regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, they represent a small portion of the portfolio, with an impact of 5.55% on total assets (5.82% as at 31 December 2022). The majority of level 3 financial assets is represented by quotas of UCIs, of which, under Financial assets mandatorily measured at fair value, 287 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.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 43.56% of the balance sheet assets at level 3 fair value.
A total of 77.3% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
A total of 93.21% of the liabilities at fair value are attributable to Level 2 and in particular to Financial liabilities designated at fair value.

Fair value hierarchy – ***Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which Banking Segment)***

Assets / liabilities at fair value	**31.03.2023**			**31.12.2022**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets designated at fair value through profit or loss	12,950	30,507	3,636	11,311	32,672	3,594
a) Financial assets held for trading	11,686	29,779	187	10,331	32,008	183
of which: Equities	*978*	*-*	*22*	*860*	*-*	*22*
of which: quotas of UCI	*295*	*4*	*21*	*264*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily designated at fair value	1,264	727	3,449	980	663	3,411
of which: Equities	*124*	*128*	*241*	*122*	*107*	*242*
of which: quotas of UCI	*1,140*	*195*	*2,428*	*858*	*191*	*2,401*
2. Financial assets designated at fair value through other comprehensive income	47,442	6,935	406	41,937	7,422	357
of which: Equities	*443*	*508*	*322*	*513*	*510*	*325*
3. Hedging derivatives	-	9,084	-	-	10,062	-
4. Property and equipment	-	-	7,095	-	-	7,144
5. Intangible assets	-	-	-	-	-	-
Total	**60,392**	**46,526**	**11,137**	**53,248**	**50,156**	**11,095**
1. Financial liabilities held for trading	7,553	37,993	135	7,285	39,085	142
2. Financial liabilities designated at fair value	147	10,715	31	-	8,765	30
3. Hedging derivatives	-	5,106	-	-	5,346	-
Total	**7,700**	**53,814**	**166**	**7,285**	**53,196**	**172**

For the banking companies, the Level 3 instruments represent 9.43% of portfolio assets (9.69% as at 31 December 2022).
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 63.7% of the balance sheet assets at level 3 fair value.
A total of 51.16% of the financial assets measured at fair value in the banking segment are allocated to Level 1.
The liabilities at fair value are mainly measured using Level 2 inputs (87.25% of total liabilities).

Fair value hierarchy – ***Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which Insurance Segment)***

(millions of euro)

Assets / liabilities at fair value	31.03.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	97,662	384	5,022	97,338	363	5,338
a) Financial assets held for trading	30	8	-	50	35	-
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily designated at fair value	97,632	376	5,022	97,288	328	5,338
of which: Equities	*5,177*	-	*78*	*4,937*	-	*67*
of which: quotas of UCI	*86,199*	-	*4,274*	*86,426*	-	*4,254*
2. Financial assets designated at fair value through other comprehensive income	68,914	3,511	137	66,364	3,145	283
of which: Equities	-	*6*	-	-	*7*	-
3. Hedging derivatives	-	28	-	-	13	-
4. Property and equipment	-	-	7	-	-	7
5. Intangible assets	-	-	-	-	-	-
Total	**166,576**	**3,923**	**5,166**	**163,702**	**3,521**	**5,628**
1. Financial liabilities held for trading	-	1	-	-	-	-
2. Financial liabilities designated at fair value	-	54,099	-	-	54,212	-
3. Hedging derivatives	-	110	-	-	171	-
Total	**-**	**54,210**	**-**	**-**	**54,383**	**-**

With regard to insurance companies, level 3 instruments represent a very small portion of the portfolio. In relation to the Assets they amount to 2.94% (3.26% as at 31 December 2022).
A total of 94.8% of the insurance segment's financial assets measured at fair value are allocated to Level 1.
Liabilities at fair value were entirely measured using level 2 inputs.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products, came to 3,454 million euro as at 31 March 2023, a net increase of 151 million euro compared to the stock of 3,303 million euro as at 31 December 2022. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 1,864 million euro, in ABSs (Asset-Backed Securities) of 1,519 million euro and in CDOs (Collateralised Debt Obligations) of 71 million euro, which continued to be a marginal activity also in 2023.

(millions of euro)

Accounting categories	31.03.2023				31.12.2022	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	345	468	-	**813**	**817**	-4	-0.5
Financial assets mandatorily measured at fair value	-	3	-	**3**	**3**	-	-
Financial assets measured at fair value through other comprehensive income	930	766	-	**1,696**	**1,545**	151	9.8
Financial assets measured at amortised cost	589	282	71	**942**	**938**	4	0.4
Total	**1,864**	**1,519**	**71**	**3,454**	**3,303**	**151**	**4.6**

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 performance of the portfolio in the first quarter of 2023, still focused on taking advantage of market opportunities, reflected overall higher investments than disposals and redemptions of 151 million euro and was mainly attributable to the operations of the IMI Corporate & Investment Banking Division.
Specifically, exposures measured at fair value (ABS and CLO debt securities), which went from 2,365 million euro in December 2022 to 2,512 million euro in March 2023, an increase of 147 million euro, were attributable to higher investments in financial assets measured at fair value through other comprehensive income of +151 million euro and higher redemptions and disposals of assets held for trading of -4 million euro, in addition to net increases of +4 million euro in assets measured at amortised cost (ABS, CLO and CDO debt securities) which, from 938 million euro in December 2022, stood at 942 million euro in March 2023.
From the income statement perspective, the overall result as at 31 March 2023 was income of 3 million euro compared to a loss of 4 million euro for the first quarter of 2022.
The performance of assets held for trading, caption 80 of the income statement, amounted to +1 million euro and related to the ABS and CLO exposures, +3 million euro from realisation impacts and -2 million euro from valuation effects, whereas as at 31 March 2022 it amounted to -4 million euro, related to valuation effects of -5 million euro and realised gains of +1 million euro.
The profits (losses) from financial assets mandatorily measured at fair value were nil as at 31 March 2023, as in the first quarter of the previous year.
The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded an increase in fair value as at 31 March 2023 of +4 million euro through a shareholders' equity reserve (from a reserve of -44 million euro in December 2022 to -40 million euro in March 2023). In the current year, there have been no impacts from sales on the portfolio, compared to -1 million euro in the previous year.
For debt securities classified as assets measured at amortised cost, the result as at 31 March 2023 was +2 million euro, substantially attributable to valuation components for writebacks, compared with the impact of +1 million euro in the first quarter of 2022, also due to valuation effects.

(millions of euro)

Income statement results broken down by accounting category	31.03.2023				31.03.2022	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	-	1	-	**1**	**-4**	5	
Financial assets mandatorily measured at fair value	-	-	-	**-**	**-**	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	**-**	**-1**	-1	
Financial assets measured at amortised cost	-	2	-	**2**	**1**	1	
Total	**-**	**3**	**-**	**3**	**-4**	**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 mentioned above.
SPE categories are non-consolidated structured entities, and no changes in criteria were made compared to the information provided in 2022 Annual Report.
With regard to the Covered Bond issue programme, as part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 14th retained series was partially redeemed in January for an amount of 200 million euro, bringing the remaining nominal amount to 800 million euro.
Under the covered bond programme guaranteed by UBI Finance, the 18th series matured in January for an amount of 1.250 billion euro.
As part of the programme guaranteed by ISP OBG, in February, the 19th retained series reached maturity, for 1.375 billion euro.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 19th series matured in March for an amount of 1.250 billion euro.

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 facilities, such as trade finance transactions, are also excluded.
As at 31 March 2023, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to approximately 26.2 billion euro, relating to 1,891 credit lines. The stock was in line with the figures for the last quarter of 2022 (26.2 billion euro as at 31 December 2022). The change was mainly driven by new entries, which offset exits and balance reductions on positions already in the portfolio.
In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite specific limits 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 2023 amounted to 198 million euro for the trading book and 186 million euro for the banking book for a total of 384 million euro, compared to 173 million euro and 184 million euro, respectively, as at 31 December 2022, for a total of 357 million euro.
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 Schemes in Transferable Securities) funds.
In the first quarter of 2023, there was an increase in stocks compared to the end of the previous year of 27 million euro, a performance that reflected greater investment activity, with priority given to UCITS (Undertakings for Collective Investment Schemes in Transferable Securities) hedge funds that better meet the capital absorption requirements, in continuity with the action taken in 2022 and in compliance with the CRR2 that came into force on 30 June 2021.
In terms of income statement effects, as at 31 March 2023, overall income was recorded of +4 million euro, relating entirely to valuation effects of funds held in the portfolio within the financial assets mandatorily measured at fair value (+3 million euro) and assets held for trading (+1 million euro), whereas in the first quarter of the previous year an overall income performance of +3 million euro was recorded, entirely attributable to valuation components of financial assets held for trading.
In the Intesa Sanpaolo Group, in addition to the Parent Company, as at 31 March 2023, Eurizon Capital SGR had hedge funds in its portfolio amounting to 51 million euro (50 million euro as at December 2022), with an impact on the income statement for the year of +1 million euro from valuation effects (-1 million euro as at 31 March 2022). 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 2023, 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 2,833 million euro (3,049 million euro as at 31 December 2022). The notional value of these derivatives totalled 31,838 million euro (29,872 million euro as at 31 December 2022).
The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,697 million euro (1,726 million euro as at 31 December 2022).
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 5,198 million euro as at 31 March 2023 (6,149 million euro as at 31 December 2022). The notional value of these derivatives totalled 72,195 million euro (74,174 million euro as at 31 December 2022).
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 2023, this led to a negative impact of 4 million euro under “Profits (Losses) on trading” in the income statement (positive impact of 102 million euro as at 31 December 2022).
For details of the methodologies used in determining the fair value of financial instruments, see the paragraphs specifically dedicated to this subject in the 2022 Annual Report.
Please note that the figures reported above do not include fair value of derivatives embedded in structured bond issues as well as the related hedges taken out by the Group.

OPERATIONAL RISK

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[27].
The Intesa Sanpaolo Group has long defined the overall operational risk governance 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 2,039 million euro as at 31 March 2023, unchanged compared to 31 December 2022.

Impacts of the Russia-Ukraine conflict

With regard to operational risks, there are no specific updates to report for the first quarter of 2023, and readers are referred to the description provided in the same section of the Consolidated Financial Statements as at 31 December 2022.

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 2022 Consolidated Financial Statements of the Intesa Sanpaolo Group.

Dispute between Intesa Sanpaolo Vita S.p.A. and RB Hold S.p.A. and the Favaretto family
In May 2020, Intesa Sanpaolo Vita S.p.A. (ISP Vita) completed an investment in RBM Assicurazione Salute S.p.A. (now Intesa Sanpaolo RBM Salute S.p.A.), held by RB Hold S.p.A. referring to the family of Roberto Favaretto. In May 2022, ISP Vita sent the non-controlling shareholder RB Hold an indemnity request pursuant to and in accordance with the investment contract, in relation to the emerging situations that gave rise (or could give rise) to liabilities currently quantifiable at over 129 million euro.
RB Hold rejected all charges and, in the third week of July, along with the Favaretto family, submitted a petition to the Arbitration Chamber of Milan against ISP Vita, claiming the invalidity of several clauses in the investment contract and shareholders' agreement of 2020, breaches of contract and the breach of the rules of good faith and fairness, with a request for compensation for damages totalling 423.5 million euro.
ISP Vita, filed its defence at the Arbitration Chamber by the assigned deadline of 5 September 2022, fully contesting the adverse party's arguments and also making a counterclaim for the payment of a total amount of 129.4 million euro, for the breach, by RB Hold S.p.A., of the representations and warranties issued and commitments undertaken through the investment contract, as well as the obligation to act in accordance with fairness and good faith, making full reference to the claims set out in the indemnity request of May 2022.
In March 2023, ISP Vita, RB Hold and the Favaretto family reached an agreement, by which, in addition to regulating the immediate transfer by RB Hold of the residual shareholding in Intesa Sanpaolo RBM Salute in favour of ISP Vita, now 100% owner, the parties agreed to amicably resolve, without any admission of the claims mutually advanced, the Arbitration referred to above, agreeing to proceed to formalize the Milan Chamber of Arbitration the waver of the claims respectively introduced.

Lawsuit against two Hungarian subsidiaries of Intesa Sanpaolo
The lawsuit is connected with a lease agreement terminated by one of the subsidiaries in 2010. During 2011, the tenant initiated proceedings in civil court, and during 2021 it supplemented its initial claim, formulating new claims and, as a result, increasing the total of the claims to around 31 million euro.
In July 2022, the Court rejected all the plaintiff company's claims, finding that it lacked standing. The plaintiff filed an appeal against that decision.
In December 2022, the Court of Appeal partially upheld the adverse party's appeal, ordering one of the two defendant companies to pay around 9.5 million euro. The decision was appealed before the Hungarian Supreme Court, which suspended the enforcement of the challenged ruling.

A ruling in favour of the subsidiary, upholding its arguments, was issued on 11 April 2023.
Intesa Sanpaolo's subsidiaries took action in 2012 for the recognition of their receivables claimed against the tenant resulting from unpaid lease rentals. These proceedings are currently pending.

Offering of diamonds
As regards the criminal proceedings pending before the Public Prosecutor's Office of Milan, in January 2023 the filing was confirmed of the request to dismiss the case against the two relationship managers under investigation, on the grounds of "the act not constituting an offence". The request for dismissal was also made in respect of two other employees, on the grounds of "not having committed the act", as no evidence against them had emerged during the investigation. The Preliminary Investigation Judge will now need to rule on these requests for dismissal.

[27] As far as the financial losses component is concerned, the Operational risk includes the following risks: legal, conduct, compliance, financial crime, fiscal, IT and Cyber, physical security, business continuity, third-party, data quality, fraud, process and employer. Strategic and reputational risk are not included.

Contingent assets

As for contingent assets, and the IMI/SIR dispute in particular, it should be recalled that following the final ruling of 2006 establishing the criminal liability of the corrupt judge Metta (and his accomplices Rovelli, Acampora, Pacifico, and Previti), the defendants were ordered to pay compensation for damages, with the determination of those damages referred to the civil courts. Intesa Sanpaolo then brought a case before the Court of Rome to obtain an order of compensation for damages from those responsible.

In its ruling of May 2015, the Court of Rome quantified the financial and non-financial damages in favour of Intesa Sanpaolo and ordered Acampora and Metta – the latter also jointly liable with the Prime Minister's Office (pursuant to Law no. 117/1988 on the accountability of the judiciary) – to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest accruing from 1 February 2015 to the date of final payment, plus legal expenses. The amount ordered took account of the amounts received in the meantime by the Bank as part of the settlements with the Rovelli family and with the adverse parties Previti and Pacifico.

In July 2016, the Rome Court of Appeal stayed the enforcement of the judgment of first instance with respect to the amount in excess of 130 million euro, in addition to ancillary charges and expenses, and adjourned the hearing of the final pleadings to June 2018. As a result of this decision, in December 2016 the Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of 131,173,551.58 euro (corresponding to the 130 million euro of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, only the exact amount of the order, without applying the gross-up, was demanded and collected. On 16 April 2020, the ruling of the Rome Court of Appeal was filed, which essentially upheld the Court's ruling, while reducing the sum of non-financial damages to 8 million euro (compared to 77 million euro that had been quantified by the court of first instance), and set the amount to be paid at 108 million euro (instead of 173 million euro), to be considered net of tax, plus legal interest and expenses.

In the second quarter of 2020, the Bank filed a petition for the correction of a material error contained in the finding regarding the calculation of the damages liquidated; the Court of Appeal rejected the petition by ruling filed on 7 December 2020, holding that the error claimed by the Bank could be remedied by means of an appeal before the Court of Cassation. In May 2021, the Bank filed an appeal with the Court of Cassation against the Rome Court of Appeal's ruling of 16 April 2020 on the following main grounds:

a) the reduction to 8 million euro of the non-financial damages made by the Court of Appeal, compared to the 77 million euro recognised in the first instance ruling was arbitrary and devoid of any sound legal or logical reasoning;
b) even accepting the reduction under point a), the Court made a miscalculation when redetermining the amount of total damages. That aspect was already the subject of an application for material correction filed in 2020, rejected by the Court as it was deemed to be an issue that could be remedied through appeal.

By ruling no. 5682/2023, the Court of Cassation partially upheld the grounds of appeal filed by Acampora and the Prime Minister's Office, overturning the second instance ruling, in relation to the claims upheld, and referring the case back to the Rome Court of Appeal for the application of the principles of law set forth in the ruling. The outcome differs both from the rulings made at the previous instances and from the conclusions, consistent with them, filed last December by the General Prosecutor at the Court of Cassation.

The Court applied a rule of pre-emption according to which the action for revocation should precede the exercise of the action for damages, in clear conflict with the principles set out in the criminal proceedings in 2006 according to which the independence and dissimilarity of the two actions (the action for damages and the action for extraordinary revocation) "*rule out any interference between them and place each in its own sector, with the only limitation of not allowing the duplication of coinciding outcomes in terms of compensation and, therefore, undue enrichment*".

In addition, it introduced a further and unprecedented rule of a procedural nature according to which, without prejudice to the right to obtain lost earnings and non-pecuniary damage, in order to claim compensation from the perpetrators of the offence (i.e. Acampora, Metta and the Government) for the damage arising, the injured party, Intesa Sanpaolo, must prove that it has acted without success to recover what the party benefiting from the corrupt ruling had received from the Bank.

The legal initiatives to protect the Bank's claims are currently being assessed, also in view of the conflict between the principles expressed by the Court of Cassation in the criminal proceedings in 2006, on which the Bank legitimately relied in making its procedural choices, and those expressed by the same Court in the civil proceedings in ruling no. 5682/2023.

Labour litigation

In line with the situation as at 31 December 2022, as at 31 March 2023 there were no significant cases of labour litigation from either a qualitative or quantitative standpoint. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

Tax litigation

The Group's tax litigation risks are covered by adequate provisions for risks and charges. No new disputes of a significant amount involving Intesa Sanpaolo arose during the quarter. There are also no significant events to report for the Italian and international subsidiaries, except for the following.

With regard to the order to file an appearance received by Eurizon Capital SGR (EC ITA) on 22 December 2022 relating to 2016 IRES and IRAP (see the detailed discussion in the Notes to the Consolidated Financial Statements 2022 for more information), during the quarter intensive discussions took place with the Assessment Office, at the end of which the Office revised its initial position.
It is recalled that in the order to file an appearance, the Italian Revenue Agency proposed the transfer for taxation in Italy applicable to EC ITA of 151.1 million euro (out of 208 million euro) of EC LUX's income, resulting in higher IRES and IRAP of 50 million euro, "full" penalties of 45 million euro and interest of 9.6 million euro, for a total initial claim of 104.6 million euro.
In the course of the discussions, the Group put forward its arguments asserting: 1) the lack of attributability to EC ITA of the above-mentioned intangible and, in any case, its immateriality for the purposes of setting the correct transfer prices; 2) the total transparency by the company, also within the previous proceedings relating to the 2011-2015 tax periods, regarding the nature of the above-mentioned intangible; and therefore 3) the entitlement to the penalty protection provided to companies that produce appropriate transfer pricing documentation. The appropriateness of the Comparable Uncontrolled Price Method (CUP) as a transfer pricing method was also reaffirmed, but with openness to discussion of the placement of the consideration due from EC LUX to EC ITA within the benchmark range identified by the company through the CUP.
At the end of these discussions, in which the Intesa Sanpaolo Group maintained that the Agency's arguments were unfounded, the Office, effectively accepting practically all the requests submitted by the Group: 1) abandoned the claim of materiality of the intangible; 2) accepted the suitability of the TP documentation produced by the company; and 3) therefore ruled out the application of the penalties. On the merits, the Office first broadened the sample of transactions considered comparable and then moved the placement of the correct transfer price from the first to the third quartile.
In light of the above, the Office revised its position proposing the signing of a tax settlement agreement on the basis of a higher taxable income in Italy of 26.8 million euro resulting in higher taxes of 8.8 million euro plus interest of 1.8 million euro, without the application of any penalties. Eurizon Capital signed the tax settlement agreement on 28 April 2023.

In December 2022, the companies In.fra Investire nelle Infrastrutture S.r.l. (INFRA), Compagnia Italiana Finanziaria S.r.l. (CIF) and Iniziative Logistiche S.r.l. (IL) received orders to file appearances from the Italian Revenue Agency – Provincial Directorate I of Milan relating to the year 2016. In these orders to appear, the above-mentioned ISP Group Companies were charged with having failed to apply withholding taxes on income paid to foreign banks (the value of the claims for tax, penalties and interest amounted to 2.9 million euro for INFRA, 13.6 million euro for CIF, and 6.8 million euro for IL, for a total of 23.3 million euro). The claim arose from the sale carried out in September 2016 by INFRA, CIF and IL, and others, of the equity investment in Reconsult Infrastructures to Abertis Infraestructuras SA (Abertis).
Notwithstanding the full conviction of the correctness of their actions, in order to avoid a burdensome tax dispute, which would last for years and whose outcome was by no means certain, discussions were immediately initiated (i) with the Italian Revenue Agency on the merits of the matter, putting forward numerous grounds contesting the arguments made in the orders to appear; and (ii) with Abertis, which, on the basis of the agreements entered into at the time of the transaction, must bear 50% of the tax charges arising from the transaction.
Both discussions were concluded during the quarter with a satisfactory outcome. The Italian Revenue Agency revised its initial position in three respects:

- it limited its claim solely to the financial component (and not also to the credit component relating to the setting of the discount against the assignment of the loans);
- it agreed that the applicable tax rate on this component should not be the 26% rate, but the reduced rate provided for in the existing double taxation treaties between Italy and Spain (12%) and Austria (10%);
- it reduced the penalties to one eighteenth of the minimum pursuant to Article 1, paragraph 179 of Law 197/2022, proposing, therefore, to settle the total claim for withholding tax, penalties and interest (amounting, as mentioned above, to an initial 23.3 million euro) with 2.9 million euro (of which 0.4 million euro borne by INFRA, 1.7 million euro borne by CIF and 0.8 million euro borne by IL).

At the same time, discussions took place with Abertis and its Italian tax advisors, who, having positively assessed the outcome towards which the proceedings concerning CIF, INFRA and IL with the Italian Revenue Agency were directed, gave their consent to the conclusion of the proceedings and confirmed their willingness to bear 50% of the charges as quantified above.
In consideration of both the reduction of the initial claim (2.9 million euro against 23.3 million euro) and the expediency of immediately closing the case also in the relations with Abertis, it was decided to settle the dispute by means of the settlement procedure, which was completed on 8 March 2023. The amount due was paid on 21 March 2023 and the partial "reimbursement" by Abertis took place on 28 March 2023.
As a result, a tax litigation (and potential civil litigation with Abertis) for significant amounts, the outcome of which was by no means certain, and which would have lasted for years, ended with a final net charge in the consolidated accounts for the first quarter of 1.3 million euro (this amount is already net of the portion attributable to the non-controlling interests in both CIF and IL).

Also, on 4 April 2023 the Italian Revenue Agency – Lombardy Regional Directorate – Large Taxpayers Office initiated a tax audit on Epsilon SGR S.p.A. with regard to the year 2017 concerning direct taxes, IRAP, VAT and obligations of tax collection agents. The required documents (accounting and tax records, 2017 trial balance, statement of changes in tax base for IRES and IRAP purposes, and documentation on intragroup transfer pricing) are being prepared by the company.

With regard to the foreign subsidiaries, for UBI Trustee S.A. (a trust company resident in Luxembourg) the dispute concerning four trusts managed by it (see the Notes to the 2022 Consolidated Financial Statements for details) was definitively closed with rulings no. 244 and 245 of the First Instance Milan Tax Court filed on 26 January 2023, which declared the cases dismissed due to devoid of purpose, following the settlement of similar disputes involving the trusts and their beneficial owners.

With regard to Intesa Sanpaolo, as of 31 March 2023, there were 441 pending litigation proceedings (473 as at 31 December 2022) for a total amount claimed (taxes, penalties and interest) of 125.4 million euro (126.1 million euro as at 31 December 2022), considering both administrative and judicial proceedings at various instances.
In relation to these proceedings, the provision as of 31 March 2023 was quantified at 56.3 million euro (56.8 million euro as at 31 December 2022).

As noted above, with regard to the main outstanding disputes there were no significant changes during the quarter and, therefore, reference should be made to the Notes to the 2022 Consolidated Financial Statements for a detailed analysis.

With regard to the so called “tax truce”, i.e. the regulations set forth in the 2023 Budget Act (Law no. 197/2022) concerning the settlement of pending litigation and other tax disputes, including non-litigious disputes, discussed in the Notes to the 2022 Consolidated Financial Statements (which should therefore be referred to for details), Law Decree no. 34 of 31 March 2023 (the “bills decree”) extended various deadlines for the fulfilment of the related requirements. Specifically, the deadline was extended from 31 March 2023 to 31 October 2023 for the payment of the first or single instalment of the amount of 200 (two hundred) euro per year for the amnesty for formal irregularities (Article 1, Law 197/2022, paragraph 167); the deadline was extended from 31 March 2023 to 30 September 2023 for the payment of the first or single instalment of the amount due (tax, interest and penalty reduced to 1/18th of the minimum amount) for the “special” remediation (paragraph 174); the deadline was extended from 30 June 2023 to 30 September 2023 for the payment of the amount due and the submission of the application for the settlement of pending disputes (paragraph 194); the suspension of the time limits for appeals of settleable disputes expiring between 1 January 2023 and 31 October 2023 was extended from nine to eleven months (paragraph 199). The impact of this provision for the ongoing disputes is being assessed.

The Parent Company and its main Italian subsidiaries have already subscribed to the amnesty for the tax irregularities.

With regard to Intesa Sanpaolo’s branches located abroad, see the Notes to the 2022 Consolidated Financial Statements and please also note that on 4 January 2023, Intesa Sanpaolo’s London branch received a questionnaire from the UK Revenue Service with regard to the year 2020. The branch replied to the questionnaire and there are currently no issues to report.

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 and Intesa Sanpaolo RBM Salute) are made with their shareholder fund and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, unit-linked policies, pension funds and non-life policies.
As at 31 March 2023, the investment portfolios of Group companies, recorded at IFRS 9 carrying values, amounted to 174,865 million euro. Of these, a part amounting to 88,018 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 shareholder fund. 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 86,847 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, 85.7% of assets, i.e. around 75,459 million euro, were bonds, whereas equity instruments represented 0.3% of the total and amounted to 233 million euro. The remainder (12,371 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (14%).
The carrying value of derivatives came to around -44.6 million euro, of which around 37.8 million euro relating to effective management derivatives[28], and the remaining portion (around -82.4 million euro) is attributable to hedging derivatives.
At the end of the first three months of 2023, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to around 1,204 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 9 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 around 4,427 million euro.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented around 6.5% of total investments and A bonds around 9.5%. Low investment grade securities (BBB) were around 80.3% of the total and the portion of speculative grade or unrated was minimal (3.7%).
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 around 76.4% of the total investments, while financial companies (mostly banks) contributed around 14.2% of exposure and industrial securities made up around 9.4%.
At the end of the first quarter of 2023, 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 4,694 million euro, with 3,899 million euro due to government issuers and 795 million euro to corporate issuers (financial institutions and industrial companies).

Impacts of the Russia-Ukraine conflict

Following the escalation of the geopolitical tensions between Russia and Ukraine, the Risk Management Department has constantly monitored the evolution of the risks and their effects on the business of the Insurance Group, with a specific focus on exposures to countries directly involved in the conflict. In that area, exposure is residual (less than 0.1% of total assets).

[28] 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 2023 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.

With regard to the changes in the accounting regulations, considering the significance for the Intesa Sanpaolo Group and, in particular, for the companies in the Insurance Division, it is primarily noted that IFRS 17 Insurance Contracts, published by the IASB in May 2017 and subject to subsequent amendments, endorsed with Regulation (EU) no. 2036/2021 of 19 November 2021, is applicable from 1 January 2023.
The Interim Statement as at 31 March 2023 is the first financial statement drawn up in application of IFRS 17; at the same time, the Insurance Companies of the Intesa Sanpaolo Group have also applied for the first time IFRS 9 Financial Instruments, the application of which was deferred by virtue of the application of the deferral approach[29].
In that regard, the following aspects are noted:

- this Interim Statement includes a specific section providing disclosure on the transition to IFRS 17 and IFRS 9 for the insurance companies. Refer to the specific section “Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group’s insurance companies” for a complete illustration of the provisions of these standards, the Group’s choices and the impacts deriving from the application of IFRS 17 and IFRS 9 for the companies in the Insurance Division;
- 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, were updated compared to those adopted for the Intesa Sanpaolo Group 2022 Annual Report, to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group;
- the structure of the consolidated financial statements has been adjusted and they have been updated to incorporate the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005[30], and the comparison periods modified following the retrospective application of the two standards. Specifically, the balance sheet balances were compared with the adjusted balance sheet as at 31 December 2022, while income statement balances were compared with the adjusted income statement for the first quarter of 2022.

In addition to the above, with regard to the introduction of IFRS 17, Regulation 357/2022 of 2 March 2022 and Regulation 1392/2022 of 11 August 2022 apply starting on 1 January 2023. Their main content is illustrated below.

[29] Note that, by virtue of the application of the Deferral Approach, the financial assets and liabilities of the subsidiary insurance companies continued to be recognised in accordance with the provisions of IAS 39, while awaiting the entry into force of the new international financial reporting standard on insurance contracts (IFRS 17).

[30] The main changes introduced by the 8th update concern the alignment of the consolidated financial statement formats and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS. Indeed, in order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the provisions issued by IVASS with regard to IAS/IFRS insurance financial statements (the reference is to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022). In particular, full reference is made to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to insurance companies included in the consolidation.

Regulation 357/2022 of 2 March 2022
Regulation 357/2022 adopts several narrow-scope amendments and clarifications to support entities in deciding which accounting policy information must be disclosed (amendments to IAS 1) and distinguishing between accounting policies and estimates (amendments to IAS 8). Therefore, it will not have significant impacts on the Group, even though it could be a useful reference for analyses and for improving financial statement disclosure.
More specifically, the Regulation introduces the following changes:

- *IAS 1 Presentation of Financial Statements*

These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in deciding which accounting policy information must be disclosed and, thus, improving their disclosure by providing information more useful for investors and other primary users of financial statements.
The amendments to IAS 1 require that companies provide material accounting policy information, replacing the previous term "significant", which is not defined in the IFRS and, therefore, could lack clarity. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the primary users of financial statements. In other words, accounting policy information is material if it enables users to understand the information reported in the financial statements on material transactions. Instead, it is not necessary to illustrate the accounting policies relating to immaterial transactions or events and, in any case, that information must not obscure material information.
In any event, entity-specific information is more useful than standardised information or information that only duplicates or summarises the requirements of the IFRS.
Several amendments were also made to Practice Statement 2, which provides guidance on how to apply the concept of materiality to accounting policy information;

- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments to IAS 8 aim to provide clarifications on how to distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because the changes in accounting estimates are applied prospectively only to future transactions and events, while changes in accounting policies are generally applied retrospectively to past transactions and events. Nonetheless, in the past, entities had difficulty in distinguishing between the two cases based on the provisions of IAS 8.
In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications.
The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an estimate does not relate to prior periods and is not the correction of an error. It may only influence the income statement results of current or future periods (for example, following a change in the estimated useful life of a depreciable asset).
Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Regulation no. 1392/2022 - Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies are to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[31]. The cases that could be material for the Intesa Sanpaolo Group are related to the accounting for lease transactions in which the lessee initially recognises in the balance sheet the right of use and the corresponding lease liability, which are generally of equal amounts. Based on the applicable tax legislation, equal amounts of taxable and deductible temporary differences may arise at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial for Intesa Sanpaolo and for the Italian companies of the Group, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the first-time adoption of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the tax decree. Therefore, no taxable or deductible temporary differences arise.
As regards impacts on the Group's international companies, no significant aspects to be highlighted were found.

The Interim Statement as at 31 March 2023, drawn up in euro as the functional currency, contains the Balance sheet, the Income statement, the Statement of comprehensive income and the Changes in shareholders' equity, drawn up pursuant to the 8th update to Circular 262, these Accounting policies, and a Report on operations. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties.
The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.

[31] According to the definition in IAS 12, taxable/deductive temporary differences are temporary differences between carrying amounts and tax amounts which, when determining the taxable income (tax loss) of future periods, will result in taxable/deductible amounts in the future when the carrying amount of the asset is recovered or the liability is settled.

In addition to the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 31 March 2022 for the Income statement and as at 31 December 2022 for the Balance sheet, amended, as indicated, with regard to the application of IFRS 17 and IFRS 9 by the Group's insurance companies.

The assets held for sale as at 31 March 2023 essentially comprise the investment in Zhong Ou Asset Management Co. Ltd., a Chinese fund management company, whose sale is expected in the next few months, as the authorisation process has been formally completed. With regard to the non-performing loan portfolios that were reclassified to assets held for sale in the 2022 Financial Statements as part of the de-risking actions implemented by the Group, these sales were finalised in the first quarter of 2023.
The Interim Statement as at 31 March 2023 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 Article 26, paragraph 2 of European Union Regulation 575/2013 and European Central Bank Decision 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.

Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies

This paragraph provides disclosure on the main impacts deriving from the introduction of IFRS 17 Insurance Contracts, as well as the application of IFRS 9 Financial Instruments for the Group's Insurance Companies, in relation to the requirements of IAS 8, paragraph 28[32], and in accordance with the guidance from the European Securities and Markets Authority (ESMA)[33].
The interaction between the two standards - IFRS 17 e IFRS 9, that the companies in the Insurance Division applied simultaneously for the first time as of 1 January 2023 - are also illustrated, given the close correlation between the methods of accounting for insurance contracts and the related financial assets.

The new IFRS 17 published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020 and 9 December 2021, was endorsed by Regulation (EU) No. 2036/2021 of 19 November 2021 and entered mandatorily in force from 1 January 2023. The European endorsement regulation makes it possible, on an optional basis, to exempt intergenerationally-mutualised and cash flow matched contracts from the application of the obligation of grouping into annual cohorts set out by IFRS 17. Moreover, with Regulation no. 1491/2022 of 8 September 2022, several narrow-scope amendments were introduced for the preparation of comparative information upon initial application of IFRS 17 and IFRS 9.
Note that IFRS 9 Financial Instruments, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation No. 2067/2016, replaced IAS 39 in the requirements for the classification and measurement of financial instruments with effect from 1 January 2018.
The Intesa Sanpaolo Group, as a financial conglomerate primarily engaged in banking activities, exercised the option of adopting the Deferral Approach (or Temporary Exemption), according to which the financial assets and liabilities of the subsidiary insurance companies continued to be recognised in accordance with the provisions of IAS 39, until the entry into force of the new financial reporting standard on insurance contracts (IFRS 17) on 1 January 2023. The deferral of the adoption of IFRS 9 by the companies of the Insurance Division meant that, starting from 1 January 2018 up to the Financial Statements as at 31 December 2022, two different accounting standards needed to be applied for the financial assets and liabilities within the Group's consolidated financial statements.
In this context, from 1 January 2023, the Group companies in the Insurance Division apply IFRS 9 and IFRS 17 together for the first time. The implementation of IFRS 9 by the insurance companies of the Group is consistent with the accounting policies defined by the Intesa Sanpaolo Group to ensure the correct and uniform application of the new standard at consolidated level.

With regard to preparation of comparative periods, pursuant to IFRS 9 it is permitted, but not required, to restate the comparison periods. Vice versa, under IFRS 17, it is required that the comparison period be modified.
With regard to the methods of presentation of the effects of first-time adoption of IFRS 9, the insurance companies of the Group exercised the option established in paragraph 7.2.15 of IFRS 9, according to which – subject to the retrospective application of the new measurement and presentation rules required by the standard – there is no requirement for the compulsory restatement on a like-for-like basis of the comparative information in the financial statements of first-time adoption of the new standard. In particular, the companies in the Insurance Division adopted the Classification Overlay for the entire portfolio of financial assets in accordance with the provisions of paragraph C28A and following of IFRS 17 – as amended by the IASB on 9 December 2021 and endorsed by the European Commission with Regulation 1491/2022 of 8 September 2022 – regarding companies adopting IFRS 9 and IFRS 17 simultaneously for the first time.
The Classification Overlay allows the application of the classification and measurement requirements as envisaged by IFRS 9 for the preparation of comparative periods using reasonable and supportable information. The exercise of that option makes it possible to present the comparative period on a like-for-like basis, also with regard to financial instruments already derecognised as at 1 January 2023 (for which restatement would not be permitted according to the ordinary rules of transition to IFRS 9). Moreover, as permitted by Regulation 1491, the Classification Overlay was adopted without applying the ECL requirements.

[32] For the purpose of completeness, it is noted that, as required by paragraph C3 of IFRS 17, the entity is not required to present the quantitative information required by paragraph 28 (f) of IAS 8.

[33] This refers to the ESMA Public Statement of 13 May 2022 "Transparency on implementation of IFRS 17 Insurance Contracts", also referred to in the more recent ESMA Public Statement "European common enforcement priorities for 2022 annual financial reports" of 30 October 2022 and, for IFRS 9, the ESMA Public Statement of 10 November 2016 "Issues for consideration in implementing IFRS 9: Financial Instruments".

Below is an examination of the main areas of impact from the application of IFRS 17 and IFRS 9 for the Group's insurance companies, as well as the main choices made in that regard by the Intesa Sanpaolo Group, illustrating the reasons for the generation of an impact of first-time adoption on the Shareholders' Equity, referring to IFRS 17, IFRS 9 and the interaction between the two standards.

A. IFRS 17 Insurance Contracts

The provisions of IFRS 17

IFRS 17 replaces IFRS 4, which, from the time of its initial publication, was considered an interim standard and – as such – its objectives did not include establishing a single approach for the presentation of insurance contracts, referring to the accounting models set out in local regulations of the individual countries. Addressing this aspect – together with better disclosure regarding the operating performance of the insurance contracts – therefore forms the basis of the new standard.

Classification and Measurement

The main provisions of the standard are illustrated below, which result in a different method of recognition and measurement of insurance liabilities than the method under IFRS 4:

- initial recognition of the insurance liability: when the contract is signed with the policyholder, the insurance entity recognises a liability whose amount represents the sum of the present value of the expected contractual cash flows (Present Value Future Cash Flows – "PVFCF"), also including an appropriate Risk Adjustment ("RA") to cover non-financial risks and the Contractual Service Margin ("CSM"), which represents the present value of the future profits on insurance contracts;
- grouping of contracts: the application of IFRS 17 involves the identification of "portfolios" of insurance contracts (groups of contracts that are subject to similar risks and managed together). Each portfolio is further subdivided into groups consisting of contracts with similar characteristics in terms of expected profitability, thus distinguishing between profitable contracts (with a positive contractual service margin) and onerous contracts (with a negative contractual service margin);
- the measurement models envisaged by the standard: IFRS 17 envisages a measurement model known as General Model ("GM") applicable in principle to all contracts, except for contracts with direct participation features, for which the Variable Fee Approach ("VFA") is applied, if the eligibility criteria based on the nature of the participation features are met. There is also an optional simplified model (Premium Allocation Approach – "PAA") for the valuation of the Liability for Remaining Coverage ("LRC", similar to the reserve for unearned premiums or premium carry-forward) for contracts with a coverage period of one year or less and for all contracts where the valuation is not materially different from that resulting from the application of the General Model;
- subsequent measurement of the insurance liability: IFRS 17 requires an update to the measurement at each reporting period of the above elements (cash flows and contractual service margin), to verify the consistency of the estimates with the current market conditions. The effects of any updates are recorded at the first reporting date: in profit or loss for changes relating to current events or events that have already occurred or as a reduction of the contractual service margin (CSM) when the changes relate to future events. Solely with regard to changes in financial variables (and not the others, i.e. mainly related to policyholder behaviour), it is left to the entities to decide – for each grouping of contracts – whether to present the effects of the changes through profit or loss or through other comprehensive income (OCI option);
- measurement of the insurance revenue: IFRS 17 requires the presentation in profit or loss of the earnings "by margins" achieved during the life of the policies, i.e. when the entity provides the services to the insured, and does not therefore require the recognition of any revenue at the time of entering into the contract. With regard to that aspect, the standard is asymmetrical, as, for groups of onerous contracts, it requires immediate recognition of losses through profit or loss;
- measurement of the performance: with a view to providing disclosure that ensures better comparability of the performance of the insurance companies, a distinct and separate presentation is required of the two main components that typically contribute to making up the earnings of insurance undertakings: the first, which represents the profit from the insurance service provided (the "technical margin") and the second, which brings together all the financial components (results of investments, effects of financial variables used in the valuations of the contracts, etc.). Changes in the future estimates of premiums linked to the outstanding contracts at the reporting date (cash flows to be received) and payments (cash flows to be paid) are recognised in profit or loss over the entire remaining contractual lifetime of the policies concerned.
- transition: upon first-time adoption, IFRS 17 requires that all contracts in the portfolio be accounted for as if the rules introduced had always been in force, with retrospective application of the standard. That transition approach is referred to as the Full Retrospective Approach ("FRA"). Given that its application can be very complex due to the unavailability of the time series of the attributes required to manage the breadth of the data model envisaged by IFRS 17, which enables its full application, the standard allows the possibility of using two other approaches, optional to each other:
  - the Modified Retrospective Approach ("MRA"), which approximates the results obtained from the FRA using a retrospective approach, including some simplifications regarding the estimation of the CSM, the level of aggregation of the contracts, the use of annual cohorts and the discount rates to be used;
  - the Fair Value Approach ("FVA"), according to which the CSM/Loss Component (in the case of onerous contracts) is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the Fulfilment Cash Flows at the same date (consisting of the sum of the PVFCF and RA);

Derecognition of previously recognised intangibles

The standard requires that, at the transition date, any amounts that would not have been recognised in application of IFRS 17 must be derecognised, as if the standard had always been applied. That provision specifically takes the form of the derecognition of intangible assets (VoBA- Value of Business acquired) recognised pursuant to IFRS 3 on Purchase Price Allocation (PPA), which expressed the higher profitability incorporated in the portfolio of insurance policies at the time of their acquisition, now included in the Contractual Service Margin, which represents the insurance company's future profits.

Group methodological choices

Within the ISP Group, IFRS 17 is applicable to the insurance products and investment products with discretionary participation features of the companies in the Insurance Division. The analyses conducted on the other Group companies showed no cases of interest attributable to the scope of application of IFRS 17.

The main methodological choices faced by the Group concerned the quantification of the cash flows according to IFRS 17, the definition of the discount curve in order to discount them, and the quantification of the CSM for the consolidated financial statements of the Intesa Sanpaolo Group, which differs from the CSM of the Insurance Division, to take the actual distribution/management costs into account in the future flows of insurance liabilities rather than the fees settled between Group companies.

The main methodological choices made by the Intesa Sanpaolo Group are reported below:

- Level of aggregation and carve-out option on cohorts: the level of aggregation enables the definition of the granularity to be used to assess the profitability of a group of contracts, by grouping in the same portfolio contracts that:
  - have similar risks and are managed together;
  - have the same expected profitability upon issue (profitability bucket);
  - belong to the same generation (annual cohort).

  Limited to the first point, the Group decided to aggregate contracts in the Non-Life Business based on their Solvency II Line of Business ("LoB") and based on the measurement model adopted (General Model or PAA). For the Life Business, the groups of contracts are aggregated by grouping the products into a single portfolio based on the following methodology:
  - non-multi-line products, for each Separate Management;
  - multi-line products, for each Separate Management;
  - stand alone Unit-Linked products;
  - products linked to Pension Funds;
  - pure risk products (e.g. temporary life policies).

  With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group has decided to exercise the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore to aggregate these types of contracts only based on the concept of similar risks and uniform management and belonging to the same profitability bucket.
- Discount curve: the Group has decided to use a bottom-up approach, which involves using risk-free rates with the addition of a liquidity premium, estimated based on the risk premium inherent in each company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.
- Risk adjustment: it is determined using a Value at Risk (VaR) approach that estimates the uncertainty of the non-financial risks based on the 75th percentile of the specific distribution of each risk considered.
- Variable Fee Approach (VFA): as noted above, the VFA is a mandatory model required by the standard for contracts involving significant discretionary participation features for the policyholders. To determine whether discretionary participation features are significant, both a qualitative and quantitative test is performed to verify the requirements. Within the Insurance Division's products, all the insurance Linked contracts and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.
- Premium Allocation Approach (PAA): as already mentioned, the PAA is an optional method applicable to contracts with a duration of less than one year or to contracts with a duration of more than one year for which it is demonstrated that the application of the PAA model does not lead to results that are significantly different from those that would be obtained with the general model. The Group has decided to apply this model solely to the Non-Life Business, with the general rule being to use the PAA model for insurance policies with a duration of one year or less.
- Coverage units: these are the driver used to determine the CSM release to profit or loss, taking into account the amount of service provided to the policyholders and the expected duration of the group of contracts. The coverage units are determined differently based on whether they relate to Life Business or Non-Life Business. Specifically, for the Non-Life Business, the coverage units are identified by the earned premiums for the period, while for the Life Business, they are identified by the insured capitals for the period with respect to the whole life insured capitals, which represent the company's commitment to the policyholders during the valuation period.
- Contract boundaries: the determination of the contract boundaries is used to establish whether a particular contractual option is to be included in the cash-flow projection as soon as the contract is issued or whether the exercise of that option will result in the generation of a new group of contracts.

  The IFRS 17 contract boundaries include all the contractual options that establish the conditions for exercising the option in terms of pricing, already at the time when the contracts are issued. If the exercise of the option does not have conditions predetermined upon issue and the conditions are only defined at a later date or at the time of exercise by the policyholder, they are not included in the IFRS 17 contract boundaries and are not projected in the cash flows of the host contract; the exercise of the option generates a new group of contracts different from that of the host contract.
- Transition Approach: the Full Retrospective Approach was not applicable for the entire portfolio, as the high costs and implementation efforts necessary for the valuations made using actuarial engines outweighed the benefits that would be obtained in terms of the impact on the quality of information provided. Moreover, before the entry into force of the Solvency II regulation, there was no official framework subject to a process of validation for defining the assumptions used to calculate liabilities or availability of information on the profitability of contracts.

  For the above reasons, the Group has decided to use all three transition approaches envisaged by the standard based on the availability of the historical data required by the standard for determining the CSM at the FTA date. Specifically, the Full Retrospective Approach is used for the most recent generations of contracts, except for the acquired companies (ISP RBM Salute and former UBI), for which the Fair Value Approach is used. For multi-line life contracts and older non-life contracts the Modified Retrospective Approach is used, while for the remaining products and annuities the Fair Value Approach is used. In terms of amounts, the latter is used the most by the Group to estimate the CSM on FTA, followed by the Full Retrospective Approach and the Modified Retrospective Approach.

The main simplifications used by the Group in applying the Modified Retrospective Approach are:
- use of annual cohorts: the Group adopts the simplifications set out in the standard and aggregates the annual cohorts into a single Unit of Account for the Life and Non-Life Businesses;
- discount rate: calculation of the discount rates using the median of the last 5 curves reconstructed for the years of valuation prior to the transition date;
- no calculation of the closing balances for the previous periods.

The Fair Value Approach is based on calculating the CSM from the point of view of a third party acquirer rather than from the point of view of the insurance company that holds the portfolio of liabilities (Market Participant View). Estimating the CSM in accordance with this approach entails determining a cost of capital which represents the loss of earning that the acquirer company would suffer due to allocating capital to cover the risks implicit in the portfolio of contracts acquired.

– Quantification of the CSM for the Consolidated financial statements: under IFRS 17, the management of intragroup transactions entails the need, in order to quantify cash flows, to “replace” the intragroup costs projected by the companies in the Insurance Division in the estimate of its standalone accounting values (typically fees paid to the banking distribution network) with the actual costs incurred by the Group with third parties. That operation entails the recognition of expected profit (CSM) which differs between the individual Group companies and the Group as a whole. The ESMA, in its annual statement on priorities for financial reports[34], highlights the importance of consistently applying the consolidation requirements pursuant to IFRS 10 in order to guarantee the correct application of IFRS 17 in the consolidated financial statements. Specifically, the ESMA notes that where banks of the group distribute insurance products, the consolidated CSM will often differ from the insurance CSM.
– Impacts of IFRS 17 on Alternative Performance Measures: as a result of the changes introduced by the application of the new standard, the Group defined the best methods for presenting the insurance business in the reclassified balance sheet and income statement. For more details, refer to the Report on operations.

Main differences between the IFRS 17 framework and Solvency II

The main differences between IFRS 17 and Solvency II in relation to the valuation of insurance liabilities primarily relate to the identification of the contract boundaries, the determination of the discount curve, and the method of calculation of the Prudent Margin (respectively Risk Adjustment or Risk Margin).
In particular:
– with regard to the contract boundaries, the main differences concern both the determination criteria and the frequency of the valuation. Under Solvency II, the contract boundaries are based on a risk approach for the company and are determined at each valuation date; under IFRS 17, they are based on the possibility of re-pricing by the company and are determined when the contracts are issued;
– with regard to the discount curves, the main difference concerns the approach and granularity used for the calculation of the discount curve. Specifically, for Solvency II there is a single discount curve composed of a risk-free base curve plus a liquidity premium (volatility adjustment), defined by the European Insurance and Occupational Pensions Authority (EIOPA) on the basis of an average market benchmark portfolio. In the IFRS 17 framework, on the other hand, the discount curves for each identified portfolio can be calculated on the basis of specific reference asset pools;
– for the Prudent Margin, the difference between Risk Margin and Risk Adjustment is due to both a different calculation approach and a different scope of identified risks. The Solvency II Risk Margin is calculated using a Cost of Capital approach, applied to the company’s capital requirement assessed with a 95% percentile, considering the technical risks, credit risk and operational risk. For the IFRS 17 Risk Adjustment, the standard does not envisage a standard approach, but only its determination on the basis of specific non-financial risks.

The introduction of IFRS 17 does not have any impact on the Solvency II summary indicator for the Insurance Group.

B. IFRS 9 Financial Instruments

The companies of the Insurance Division have participated, through the Insurance Parent Company Intesa Sanpaolo Vita, in the Intesa Sanpaolo Group project launched in September 2015 aimed at investigating the various areas of influence of IFRS 9, defining its qualitative and quantitative impacts, and identifying and implementing the necessary application and organisational measures. In particular, account has been taken of the objective of pursuing the uniform adoption of the accounting standard, also in the presence of insurance operations linked in particular to the specific characteristics of products under separate management.

Classification and Measurement

In order to comply with the provisions of IFRS 9 – which introduces a model where the classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the management intent for which they are held – the methods for performing the test on the contractual cash flow characteristics (known as the SPPI Test) have been drawn up, while the definition of the “to be” business models has been finalised.
Note that, given the composition of the portfolio pertaining to the insurance companies and the methods used to manage it, the introduction of IFRS 9 did not have significant impacts in terms of measurement, confirming the fair value approach as the main approach.
With regard to the SPPI test on financial assets, the companies in the Insurance Division adopt an approach defined at the level of the Intesa Sanpaolo Group, used since 2018. Moreover, the business models adopted for the correct classification were formalised on First Time Adoption (FTA) of the new standard.
With regard to debt securities, a detailed examination of the cash flow characteristics of instruments classified in the Financial assets available for sale category according to IAS 39 has been carried out, identifying the assets which, as they did not pass the SPPI test, were classified under assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. Only an insignificant percentage of the debt securities – with respect to the portfolio as a whole – failed the SPPI test, mainly consisting of structured securities.

[34] ESMA Public Statement “European common enforcement priorities for 2022 annual financial reports” of 30 October 2022, referred to above.

Moreover, units of UCI (open-ended and closed-end funds) classified under Assets available for sale in accordance with IAS 39, in line with the provisions of the standard and the Group's accounting policy, were classified under assets mandatorily measured at fair value through profit or loss.
With regard to the classification of equity instruments in the scope of IFRS 9, the companies in the Insurance Division did not exercise the option, on first-time adoption of the standard, to classify the equity instruments at fair value through other comprehensive income (FVTOCI without recycling to profit or loss), classifying them under assets mandatorily measured at fair value through profit or loss.
Lastly, the contribution of debt securities at amortised cost and receivables to financial assets of the Division was insignificant and did not entail specific impacts on FTA. Specifically, receivables are mainly represented by current accounts and other short-term types.
With regard to the second driver of classification of the financial assets (business model), i.e. the intention with which financial assets are held, the following is noted. For debt securities, the companies of the Insurance Division adopted mainly a Hold To Collect and Sell business model, with the exception of portfolios connected to unit-linked products and open pension funds, for which an "Other" Business Model was adopted, with measurement of the assets at fair value through profit or loss.
In light of that illustrated above for the two classification drivers, the introduction of IFRS 9 mainly resulted in reclassifications among various categories of financial assets measured at fair value – specifically from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss for IFRS 9. As a result, no overall net impacts were recognised to Shareholders' Equity on those reclassifications due to different measurement.
Vice versa, there were very few cases of Financial assets measured at amortised cost which, following the application of the IFRS 9 classification criteria must be measured at fair value, with a marginal impact on Shareholders' Equity.

With regard to the financial liabilities, no changes were noted deriving from the introduction of IFRS 9 with respect to the current methods of classification and measurement of the financial liabilities in accordance with IAS 39. Specifically, the Group adopted the option to designate as liabilities at fair value the financial products issued by the insurance companies that do not fall within the scope of IFRS 17. This was decided in order to eliminate or reduce possible "accounting mismatches" in relation to connected assets also measured at fair value. However, as illustrated in greater detail in the section on IFRS 17, it is noted that, following the introduction of the new standard, a portion of multi-line products previously classified as financial instruments pursuant to IFRS 4/IAS 39, are now included in the scope of application of IFRS 17.

Impairment

With regard to impairment, a common approach and a process centralised within Intesa Sanpaolo's Risk Management structure have been established by the Parent Company Intesa Sanpaolo for the quantification of the expected credit loss for all the Group companies. Accordingly, for a full description of the choices adopted by the Group regarding the application of impairment in accordance with IFRS 9, see the Accounting Policies and the description provided in Part E of the Notes to the 2022 consolidated financial statements concerning risk management.
For the purpose of completeness, it is noted that the "Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy)" is also applicable to the companies in the Insurance Division, with regard to the methodological guidelines defined by the Intesa Sanpaolo Group in application of IFRS 9 and approved by the competent levels of governance.
Please note in this regard that, for the companies of the Insurance Division, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in the category Fair value through other comprehensive income. Thus, the application of the impairment approach does not result in a different measurement of that portfolio (as it is already at fair value) and, with regard to first-time adoption, entails a transfer between the valuation reserves and retained earnings reserves. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.
The main elements underlying the approach can be considered to be the following:

– method of tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income;
– definition of the parameters for determining the significant increase in credit risk, for the purposes of the correct allocation of performing exposures to Stage 1 or Stage 2, based on the change in lifetime probability of default since the time of initial recognition of the financial instrument. With regard to the impaired exposures, on the other hand, given the alignment of the definitions of accounting and regulatory default, the current criteria for classifying exposures as "impaired" can be considered identical to the criteria for classifying exposures in Stage 3;
– definition of models – including forward-looking information – for the staging (with respect to the use of lifetime PD as a relative indicator of impairment) and for the calculation of the one-year ECL (to be applied to Stage 1 exposures) and lifetime ECL (to be applied to Stage 2 and Stage 3 exposures). In order to take into account forward-looking information and the macroeconomic scenarios in which the Group may find itself operating, the "Most likely scenario + Add-on" approach has been adopted.

With regard to the staging for securities, it must be considered that sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify a methodology to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, in line with the choice adopted by the Intesa Sanpaolo Group from 2018, the companies in the Insurance Division also use the "first-in-first-out" or "FIFO" method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) which helps in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.
Moreover, a key element for the estimation of the expected losses is the inclusion of forward-looking factors and, in particular, macroeconomic scenarios. From a methodological perspective, the approach adopted by the Intesa Sanpaolo Group is the "Most likely scenario + Add-on". Under this approach, the calculation of the expected credit loss (ECL) and the stage assignment use the credit loss determined for the baseline scenario, which is considered the most likely scenario and is also used for other purposes within the Group (for example, for preparing the budget and the business plan), to which an add-on is

applied to reflect the effects from the non-linearity of the variables used for the conditioning of the macro-economic parameters. A similar approach is therefore also applied to the companies of the Insurance Division.
Lastly, with regard only to the initial application of the standard - i.e. 1 January 2023 - for performing debt securities recognised at fair value through other comprehensive income, the low credit risk exemption set out in IFRS 9 was used, based on which exposures that, at the date of transition to the new standard, had an investment grade (or similar) rating were identified as exposures with low credit risk and, therefore, to be considered in Stage 1.

Hedge accounting
With regard to hedge accounting, IFRS 9 introduces changes solely to general hedging and are closely tied to the Group's choice of exercising the opt-in / opt-out option (i.e., the possibility of implementing the new IFRS 9 rather than continuing to apply the former IAS 39). The Intesa Sanpaolo Group, on the basis of detailed studies on the management of the hedging transactions, decided to exercise the opt-out during the IFRS 9 FTA, and has maintained this choice to date. In light of this, the hedging transactions for the companies in the Insurance Division will also continue to be managed, in line with the past, in accordance with IAS 39 (carve-out).

C. Interaction between IFRS 17 and IFRS 9
In some cases, the interaction between IFRS 17 and IFRS 9 may generate accounting mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI). The choice of disaggregation is made at portfolio level for the insurance contracts and must be made consistently with the valuation approach used for the assets. In particular:
- with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
- for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments, including the change in the expected credit loss recognised during the period, is reclassified to other comprehensive income (mirroring).

Pursuant to IFRS 9, the companies in the Insurance Division finalised the definition of business models adopted: Hold To Collect and Sell for debt financial instruments, with the exception of those connected with linked products and open pension funds (to which the Other Business Model is applied, with the resulting measurement at fair value through profit or loss). With regard to the classification of equity instruments that come under the scope of IFRS 9, the companies in the Insurance Division apply the fair value measurement through profit or loss. As a result, in order to reduce potential accounting mismatches, the Group has decided to adopt the OCI option on all the insurance contract portfolios, except for the unit-linked policies not connected to multi-line products and open pension funds.
Moreover, the introduction of IFRS 17 eliminates the shadow accounting treatment envisaged by IFRS 4, which approximated the correlation between two values that are not uniform: 1) the value of the technical reserve relating to contracts measured at cost (with discretionary participation features) and 2) the value of the related assets measured at fair value.
IFRS 17 introduces greater correlation between the measurement of insurance liabilities and the underlying investments, both in periods of increases in fair values (decrease in market interest rates) and in periods of reduction of fair values (increase in market interest rates).
Equal to the value of assets, measured under both accounting standards at fair value, IFRS 17 introduces the forward-looking approach also for liabilities, thereby guaranteeing a like-for-like comparison with the fair value changes of assets, and, therefore, more effective than in the past. Moreover, for the VFA measurement approach, the adoption of the OCI option (mirroring) means that such greater correlation than under IFRS 4 is contributed to shareholders' equity.

Implementation project: organisational and IT impacts
The IFRS 17 implementation project for the Insurance Division started in June 2019 and was divided into several strands that have been set up uniformly for all the companies of the Insurance Division, taking into account the specific business characteristics of each company, as described in more detail in the 2022 Financial Statements.
From an organisational perspective, in addition to the process for the preparation of the financial statements, the IFRS 17 project included the implementation of systems and processes related to planning and control and asset and liability management, in order to ensure the Group companies' management capabilities according to the new metrics introduced by IFRS 17.
The presentation of the balance sheet and income statement amounts typical of IFRS 17 in the Consolidated Financial Statements of Intesa Sanpaolo was the subject of a specific project by the Parent Company, developed in complete synergy with the activities of the Insurance Division and the related IFRS 17 implementation project.
The adoption of IFRS 9 also entailed both actions on the organisation, relating to the revision and adaptation of existing operating processes and the design and implementation of new processes, as well as on information systems, also to align the processes regarding staging and the expected credit losses forecast by the Group.

Effects of first-time adoption of IFRS 17 and IFRS 9 for the Group's insurance companies
The transition date to IFRS 17 is 1 January 2022, i.e. the start date of the financial year immediately preceding the date of first-time adoption (FTA) - 1 January 2023, given the obligation set out by the standard to present a modified comparative period.
The impact deriving from the changeover to the new accounting standard is represented by the IFRS 17 First Time Adoption reserve and the valuation reserves, calculated as at 1 January 2023, whose determination was the result of the transition to IFRS 17 as at 1 January 2022, plus the additional changes deriving from the application of the new standards during 2022.

As noted in the previous section, the transition date to the accounting standard IFRS 9 is 1 January 2022, save for the provisions relating to the ECL, which apply from 1 January 2023. Note that the Group decided to apply the classification overlay to present all financial assets in the comparison period.

Qualitative information is provided below, illustrating the direction of the impact and how the main phenomena deriving from the introduction of IFRS 17 and IFRS 9, described above, impacted the main balance sheet figures (Valuation reserves and Reserves) and income statement figures (Net income (loss)) of the Group at the transition date and the date of initial application of the standards.

Type of impact	01.01.2022	31.12.2022	01.01.2023
A. IFRS 17 Insurance Contracts			
Different measurement criterion for insurance liabilities	negative impact (-) caption 120. Valuation reserves negative impact (-) caption 150. Reserves	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 200. Net income (loss) (+/-)	
Derecognition of intangible assets (VoBA)	negative impact (-) caption 150. Reserves	positive impact (+) caption 200. Net income (loss) (+/-)	
B. IFRS 9 Financial Instruments			
Classification and Measurement	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 150. Reserves	positive impact (+) caption 120. Valuation reserves negative impact (-) caption 200. Net income (loss) (+/-)	
Impairment			positive impact (+) caption 120. Valuation reserves negative impact (-) caption 150. Reserves
C. Interaction between IFRS 17 and IFRS 9			
	positive impact (+) caption 120. Valuation reserves negative impact (-) caption 150. Reserves	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 200. Net income (loss) (+/-)	

Specifically, the following impacts are noted with regard to **1 January 2022**:

A. **IFRS 17 Insurance Contracts**:
   - the different measurement criterion for insurance liabilities was caused by the derecognition of the technical reserves and other components recognised pursuant to IFRS 4 with the concurrent recognition of new insurance liabilities in the components of PVFCF, RA and CSM, calculated pursuant to the new standard IFRS 17. The overall impact, also considering the effect of the interaction between IFRS 17 and IFRS 9 shown in point C, was a negative 731 million euro (505 million euro net of the tax effect), recognised through captions 120. Valuation reserves (mainly due to the mirroring effect, as described in point C) and 150. Reserves;
   - reversal of intangible assets - VoBA recognised pursuant to IFRS 3 on Purchase Price Allocation (PPA), which expressed the higher profitability incorporated in the portfolio of insurance policies at the time of their acquisition, now included in the Contractual Service Margin. The overall impact, a negative 685 million euro (480 million euro net of the tax effect) was recognised through caption 150. Reserves.

   The overall impact on shareholders' equity, net of the tax impact, was a negative 985 million euro (of which 847 million euro of caption 150. Reserves and 138 million euro of caption 120. Valuation reserves).

B. **IFRS 9 Financial Instruments**:
   - the reclassifications from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss under IFRS 9 resulted in a reallocation between caption 120. Valuation reserves previously recognised and caption 150. Reserves, with no effects on shareholders' equity.

C. **Interaction between IFRS 17 and IFRS 9**:
   - the valuation reserves are adjusted to take account of the different recognition of the portions of gains/losses on investments underlying liabilities of the insured parties which, due to IFRS 17, also include the shares pertaining to the insurance company. The measurement of insurance liabilities at present values, with specific reference to contracts with direct participation features, requires the substantially full recognition of the changes in fair value of the investments underlying insurance liabilities (Contractual Service Margin) in line with the accounting allocation of the underlying financial assets. That effect (mirroring) is also recognised on transition[35]. The effect of the interaction between the two standards is already recognised in the fair value measurement of insurance liabilities and the recognition of valuation reserves reported in point A above.

With regard to the effects recorded **during 2022**, the cases described above resulted in a different recognition of the effects than that recorded pursuant to the previously applied criteria, mainly due to the strong correlation between IFRS 9 and IFRS 17. More specifically, the performance of the markets and, in particular, the increase in interest rates observed during 2022

[35] Pursuant to paragraphs C18 b) and C19 b), if the insurance company chooses to disaggregate insurance finance income or expenses between amounts included in net income and amounts included in other comprehensive income applying paragraphs 88(b) or 89(b), it needs to determine the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date.

resulted in significant capital losses on financial assets measured at fair value which, pursuant to the previous IFRS 4, were only partly recognised in the measurement of the technical reserves (Shadow Accounting). The new approach to measuring insurance liabilities introduced by IFRS 17 allowed for greater offsetting of the capital losses recorded on the underlying investments, by almost complete recognition of the change therein under insurance liabilities, mitigating the negative effects on shareholders' equity recorded pursuant to IFRS 4. Therefore, during 2022 there was a positive effect on shareholders' equity of 433 million euro, of which 25 million euro on caption 200. Net income (loss), which also includes the elimination of the amortisation of the VoBA according to the previous standards.

The combined effect of that illustrated above resulted in a negative impact on shareholders' equity as at 31 December 2022 of 552 million euro.

In accordance with the reference standards, the application of the impairment approach to debt securities measured at fair value through other comprehensive income as at **1 January 2023** resulted in a transfer between 120. Valuation reserves and caption 150. Reserves for 59 million euro, with no effect on shareholders' equity.

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This section illustrates the reconciliation of the accounting balances as at 31 December 2022 modified due to the application of the new rules required by IFRS 17 and IFRS 9.
With regard to the representation of IFRS 17 in the consolidated financial statements of banks leading financial conglomerates, note that on 17 November 2022 the Bank of Italy published the 8th update to Circular no. 262 of 22 December 2005, applicable to financial statements ended or under way as at 31 December 2023.
In order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the equivalent provisions issued by IVASS[36] with reference to IAS/IFRS insurance financial statements, providing a reference to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to consolidated insurance companies. The changes introduced regard the alignment of the consolidated financial statements and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS.
Specifically, with regard to the consolidated financial statements presented in this report, in the Consolidated balance sheet, the captions "80. Insurance assets" and "110. Insurance liabilities" provide information on the insurance contracts issued and reinsurance contracts held. With regard to the consolidated income statement, income from insurance business shall distinguish between revenues/expenses for insurance services – which are presented in the caption "160. Insurance service result" – and net financial income/expenses relating to insurance contracts issued and reinsurance contracts held – presented in the caption "170. Balance of financial income/expenses relating to insurance business".

The Bank of Italy did not make changes regarding the presentation of IFRS 9 amounts. Therefore, financial instruments belonging to insurance companies (including insurance products to which IFRS 9 is applied) in the financial statements pursuant to Circular 262 are presented along with those of the Bank[37].
Specifically, the tables below provide the specific information:

- Reconciliation tables for the Balance Sheet – assets, liabilities and shareholders' equity – which show the restatement of the accounting balances as at 31 December 2022, with equivalent amounts, according to the layout introduced by the 8th update to the Bank of Italy Circular and due to the reclassifications as a result of the introduction of the new standards, as illustrated in detail in the following section;
- Tables illustrating the effects of the application of IFRS 9 and IFRS 17, in which the accounting balances as at 31 December 2022 are changed as a result of the new measurement criteria introduced by the two standards.

[36] Reference is made to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022.

[37] Note that, due to the application of the deferral approach, in the consolidated financial statements of the ISP Group up to the 2022 Annual Report, specific captions were presented to represent the financial instruments in the insurance segment, classified and measured pursuant to IAS 39 which, thus, were derecognised with the transition to IFRS 9:

- Balance Sheet – Assets: "Caption 35. Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39", which included financial assets held for trading, financial assets measured at fair value, financial assets available for sale and any derivatives with a positive fair value, as defined in accordance with IAS 39;
- Balance Sheet – Assets: "Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39", which included investments held to maturity and loans to banks and customers, as defined in accordance with IAS 39;
- Balance Sheet – Liabilities: "Caption 15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39", which included amounts due to banks, amounts due to customers and securities issued, in application of IAS 39;
- Balance Sheet – Liabilities: "Caption 35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39", which included financial liabilities held for trading, financial liabilities measured at fair value and any derivatives with a negative fair value, as defined pursuant to IAS 39;
- Balance Sheet – Shareholders' Equity: "Caption 125. Valuation reserves pertaining to insurance companies", which included valuation reserves on financial assets available for sale, the shadow accounting effects and the related tax impacts;
- Income statement – "Caption 115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39", which included the income statement components of the above-mentioned balance sheet captions;
- Income Statement – "Caption 135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39", which included the impairment losses and recoveries carried out on financial instruments of the insurance companies measured pursuant to IAS 39.

Financial Instruments pertaining to insurance companies are presented in the captions already used by the Group's banks, according to the scheme set out in Circular 262.

Reconciliation between the Consolidated Financial Statements of the Group published in the 2022 Annual Report and the Consolidated Financial Statements of the Group as per the new Circular 262 (updated for IFRS 17 and taking account of the application of IFRS 9 for the insurance companies) as at 31 December 2022 (reclassification of the IAS 39 balances pertaining to insurance companies and IFRS 4 balances)

The schedules below show the reconciliations between the Consolidated Financial Statements of the Group as per the 2022 Annual Report and the Financial Statements introduced by the 8th update to Bank of Italy Circular 262, which incorporates the adoption of the presentation criteria established by IFRS 17. In those tables, the accounting balances as at 31 December 2022 (amounts determined in accordance with IFRS 4 and IAS 39 for assets and liabilities of the Group's insurance companies) are attributed to the new accounting captions, according to the reclassifications required as a result of the new classification criteria introduced by IFRS 17 and IFRS 9 and based on the analyses conducted (described previously), without applying the new measurement criteria (i.e., with the same book value recognised as at 31 December 2022). Thus, the main changes that involve the captions highlighted in the tables will be illustrated, which present the balance sheet assets and liabilities attributable to the insurance segment and, thus, impacted by the application of the two accounting standards.

Assets

(millions of euro)

31 December 2022 Published → / 31 December 2022 New Circular 262 ↓	10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss	30. Financial assets measured at fair value through other comprehensive income	35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	40. Financial assets measured at amortised cost	45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	50. Hedging derivatives	60. Fair value change of financial assets in hedged portfolios (+/-)	70. Investments in associates and companies subject to joint control	80. Technical insurance reserves reassured with third parties	90. Property and equipment	100. Intangible assets	110. Tax assets	120. Non-current assets held for sale and discontinued operations	130. Other assets	TOTAL ASSETS
10. Cash and cash equivalents	112,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,924
20. Financial assets measured at fair value through profit or loss	-	47,577	-	102,775	-	-	-	-	-	-	-	-	-	-	264	150,616
a) financial assets held for trading	-	*42,522*	-	*85*	-	-	-	-	-	-	-	-	-	-	-	*42,607*
b) financial assets designated at fair value	-	*1*	-	-	-	-	-	-	-	-	-	-	-	-	-	*1*
c) other financial assets mandatorily measured at fair value	-	*5,054*	-	*102,690*	-	-	-	-	-	-	-	-	-	-	*264*	*108,008*
30. Financial assets measured at fair value through other comprehensive income	-	-	49,716	69,937	-	76	-	-	-	-	-	-	-	-	-225	119,504
40. Financial assets measured at amortised cost	-	-	-	-	528,078	3	-	-	-	-	-	-	-	-	-	528,081
a) due from banks	-	-	-	-	*32,884*	-	-	-	-	-	-	-	-	-	-	*32,884*
b) loans to customers	-	-	-	-	*495,194*	*3*	-	-	-	-	-	-	-	-	-	*495,197*
50. Hedging derivatives	-	-	-	13	-	-	10,062	-	-	-	-	-	-	-	-	10,075
60. Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-	-9,752	-	-	-	-	-	-	-	-9,752
70. Investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	2,013	-	-	-	-	-	-	2,013
80. Insurance assets	-	-	-	-	-	1	-	-	-	163	-	-	-	-	108	272
a) insurance contracts issued that are assets	-	-	-	-	-	*1*	-	-	-	-	-	-	-	-	*64*	*65*
b) reinsurance contracts held that are assets	-	-	-	-	-	-	-	-	-	*163*	-	-	-	-	*44*	*207*
90. Property and equipment	-	-	-	-	-	-	-	-	-	-	10,505	-	-	-	-	10,505
100. Intangible assets	-	-	-	-	-	-	-	-	-	-	-	9,830	-	-	-	9,830
of which: Goodwill	-	-	-	-	-	-	-	-	-	-	-	*3,626*	-	-	-	*3,626*
110. Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	18,273	-	-	18,273
a) current	-	-	-	-	-	-	-	-	-	-	-	-	*3,520*	-	-	*3,520*
b) deferred	-	-	-	-	-	-	-	-	-	-	-	-	*14,753*	-	-	*14,753*
120. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	638	-	638
130. Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,704	22,704
TOTAL ASSETS	**112,924**	**47,577**	**49,716**	**172,725**	**528,078**	**80**	**10,062**	**-9,752**	**2,013**	**163**	**10,505**	**9,830**	**18,273**	**638**	**22,851**	**975,683**

With regard to **assets**, the main reclassifications resulted from the application of the new classification rules introduced by IFRS 9 (Business Model and SPPI test) and, with less material effects, the introduction of IFRS 17.
Specifically, as illustrated in greater detail below, the introduction of IFRS 9 entailed several reclassifications among the various categories of financial assets measured at fair value – mainly referring to financial assets available for sale pursuant to IAS 39, reclassified among financial assets measured at fair value through profit or loss – confirming the use of fair value as the main measurement method and, thus, without impacts on measurement.

Caption 35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39 included the following captions as at 31 December 2022, for an amount of around 172,725 million euro:
- 902 million euro in assets held for trading;
- 86,217 million euro in financial assets measured at fair value;
- 85,593 million euro in financial assets available for sale;
- 13 million euro in hedging derivatives.

Following the application of the classification criteria of IFRS 9 the financial assets pertaining to the insurance companies were attributed to the following captions:
- **Caption 20 Financial assets measured at fair value through profit or loss** for 102,775 million euro, of which:
  - **caption 20 a) Financial assets held for trading** for 85 million euro, referring to derivatives;
  - **caption 20 c) Other financial assets mandatorily measured at fair value** for 102,690 million euro. In addition to financial assets undelying investment products classified under the fair value option pursuant to IAS 39 and now attributed to the "other" business model (86,217 million euro), that caption also includes the assets previously classified as available for sale which, pursuant to IFRS 9 do not have the necessary characteristics to pass the SPPI Test. Specifically, these are 12,657 million euro in units of UCI (open-ended and closed-end funds), 2,146 million euro in equity instruments and 1,646 million euro in debt securities. The caption also includes 24 million euro in derivatives (attributable to the management of the units and open pension funds).
- **Caption 30. Financial assets measured at fair value through other comprehensive income** for 69,937 million euro, which include the financial assets previously recognised among assets available for sale, net of the components described above which no longer have the characteristics required by IFRS 9 to be recognised in this category;
- **Caption 50. Hedging derivatives** for 13 million euro, in line with the classification pursuant to IAS 39.

Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 included, as at 31 December 2022, for a total amount of 80 million euro, due from banks for 40 million euro and loans to customers for 40 million euro.
Following the application of the classification criteria of IFRS 9, the caption was mainly attributed to:
- **caption 30. Financial assets measured at fair value through other comprehensive income** for around 76 million euro, as it related to debt securities that are included in a Hold to collect and sell business model and pass the SPPI test;
- **caption 40. Financial assets measured at amortised cost** for around 3 million euro.

Caption 80. Technical insurance reserves reassured with third parties, which, as at 31 December 2022 had a balance of 163 million euro, was fully attributed to the new caption **80. Insurance Assets,** as a result of the new presentation introduced by IFRS 17.

Caption 130. Other Assets, which as at 31 December 2022 had a total balance at consolidated level of 22,851 million euro, was mainly attributed to:
- **caption 20. Financial assets mandatorily measured at fair value** for 264 million euro, attributable to assets relating to unit-linked products and pension funds, previously recognised under other assets, without entailing the recognition of impacts due to measurement;
- **caption 80. Insurance assets** for 108 million euro, mainly attributable to receivables due from insured parties and reinsurers;
- **caption 130. Other assets** for 22,704 million euro.

Liabilities

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262		10. Financial liabilities measured at amortised cost	15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	40. Hedging derivatives	50. Fair value change of financial liabilities in hedged portfolios (+/-)	60. Tax liabilities	70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee termination indemnities	100. Allowances for risks and charges	110. Technical reserves	**TOTAL LIABILITIES**
10.	Financial liabilities measured at amortised cost	667,586	2,550	-	-	-	-	-	-	-	4	-	-	-	670,140
	a) due to banks	*137,481*	*629*	-	-	-	-	-	-	-	*4*	-	-	-	138,114
	b) due to customers	*454,025*	*587*	-	-	-	-	-	-	-	-	-	-	-	454,612
	c) securities issued	*76,080*	*1,334*	-	-	-	-	-	-	-	-	-	-	-	77,414
20.	Financial liabilities held for trading	-	-	46,512	-	-	-	-	-	-	-	-	-	-	46,512
30.	Financial liabilities designated at fair value	-	-	-	8,795	54,214	-	-	-	-	-	-	-	-	63,009
40.	Hedging derivatives	-	-	-	-	171	5,346	-	-	-	-	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	-	-	-	-8,031	-	-	-	-	-	-	-8,031
60.	Tax liabilities	-	-	-	-	-	-	-	2,306	-	-	-	-	-	2,306
	a) current	-	-	-	-	-	-	-	*297*	-	-	-	-	-	297
	b) deferred	-	-	-	-	-	-	-	*2,009*	-	-	-	-	-	2,009
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	15	-	-	-	-	15
80.	Other liabilities	-	-	-	-	-	-	-	-	-	10,966	-	-	-	10,966
90.	Employee termination indemnities	-	-	-	-	-	-	-	-	-	-	852	-	-	852
100.	Allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	4,960	-	4,960
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	*711*	-	711
	b) post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	*139*	-	139
	c) other allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	*4,110*	-	4,110
110.	Insurance liabilities	-	-	-	-	17,359	-	-	-	-	90	-	50	100,117	117,616
	a) insurance contracts issued that are liabilities	-	-	-	-	*17,359*	-	-	-	-	*5*	-	*50*	*100,117*	117,531
	b) reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	*85*	-	-	-	85
TOTAL		**667,586**	**2,550**	**46,512**	**8,795**	**71,744**	**5,346**	**-8,031**	**2,306**	**15**	**11,060**	**852**	**5,010**	**100,117**	**913,862**

With regard to **liabilities,** the introduction of the new standards resulted in the following reclassifications, mainly attributable to the new metrics for classifying insurance liabilities set out by IFRS 17.

Caption 15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39, which, as at 31 December 2022, included an amount of 2,550 million euro, has been fully reclassified to the new caption **10. Financial liabilities measured at amortised cost,** broken down as follows:
- **caption 10 a) due to banks** for 629 million euro;
- **caption 10 b) due to customers** for 587 million euro;
- **caption 10 c) securities issued** for 1,334 million euro.

Caption 35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39, which, as at 31 December 2022, included an amount of 71,744 million euro, mainly referred to investment products (unit-linked products, pension funds and multi-line products) issued by the insurance companies, for which the fair value option had been exercised, in order to mitigate the accounting mismatch with the related captions under assets, recorded at fair value.

In application of the new accounting standards, that caption was attributed to:
- **caption 30. Financial liabilities designated at fair value** for 54,214 million euro, referring to investment products (unit-linked products and pension funds), for which the fair value option was exercised, also pursuant to IFRS 9;
- **caption 110. Insurance liabilities** for 17,359 million euro, referring to multi-line products as, pursuant to IFRS 17, the Class III component with an investment nature is measured together with the insurance component of the product;
- **caption 40. Hedging derivatives** for 171 million euro.

Caption 80. Other liabilities, which amounted to 11,060 million euro at consolidated level as at 31 December 2022, remained substantially unchanged, with the exception of a portion of 90 million euro, mainly attributable to payables and deposits with reinsurers, which are attributed to **caption 110. Insurance liabilities.**

From caption **100. Allowances for risks and charges,** which amounted to 5,010 million euro as at 31 December 2022, 50 million euro was reclassified to the caption **110. Insurance Liabilities,** due to the new approaches to measuring liabilities pursuant to IFRS 17, which now comprises those effects, previously allocated to allowances for risks and charges.

Caption 110. Technical Reserves, which amounted to 100,117 million euro as at 31 December 2022, was fully attributed to the new caption **110. Insurance Liabilities.**

Shareholders' equity

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262	120. Valuation reserves	125. Valuation reserves pertaining to insurance companies	130. Redeemable shares	140. Equity instruments	150. Reserves	155. Interim dividend (-)	160. Share premium reserve	170. Share capital	180. Own shares (-)	190. Minority interests (+/-)	200. Net income (loss) (+/-)	TOTAL
120. Valuation reserves	-1,939	-696	-	-	-	-	-	-	-	-	-	-2,635
130. Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
140. Equity instruments	-	-	-	7,211	-	-	-	-	-	-	-	7,211
150. Reserves	-	-	-	-	15,827	-	-	-	-	-	-	15,827
155. Interim dividend (-)	-	-	-	-	-	-1,400	-	-	-	-	-	-1,400
160. Share premium reserve	-	-	-	-	-	-	28,053	-	-	-	-	28,053
170. Share capital	-	-	-	-	-	-	-	10,369	-	-	-	10,369
180. Treasury shares (-)	-	-	-	-	-	-	-	-	-124	-	-	-124
190. Minority interests (+/-)	-	-	-	-	-	-	-	-	-	166	-	166
200. Net income (loss) (+/-)	-	-	-	-	-	-	-	-	-	-	4,354	4,354
TOTAL	**-1,939**	**-696**	**-**	**7,211**	**15,827**	**-1,400**	**28,053**	**10,369**	**-124**	**166**	**4,354**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY												**975,683**

With regard to **Shareholders' Equity**, **caption 125. Valuation reserves pertaining to insurance companies**, a negative 696 million euro as at 31 December 2022, was attributed to **caption 120. Valuation reserves.** The aggregate included the valuation reserves on financial assets available for sale and the valuation reserves for cash flow hedges (overall, a negative 8,708 million euro), as well as the effects of shadow accounting (a positive 8,012 million euro).

Reconciliation of the Group's Consolidated Balance Sheet as at 31 December 2022 (which incorporates the new rules of presentation of IFRS 9 and IFRS 17 for insurance companies) and the Group's Consolidated Balance Sheet as at 1 January 2023 (which incorporates the new valuation rules of IFRS 9 and IFRS 17)

The schedules below show the Reconciliation between the Group's Consolidated Balance Sheet as at 31 December 2022, which incorporates the reclassification with equivalent accounting balances required by the classification rules established by IFRS 9 and IFRS 17, described above, and the Balance Sheet as at 1 January 2023. In those tables, the accounting balances as at 31 December 2022 (amounts determined pursuant to IFRS 4 and IAS 39 for the contribution of the insurance companies) have been modified due to the application of the measurement approaches of IFRS 9 and IFRS 17, respectively.

Specifically, the following details are provided:
- "Effect of transition to IFRS 9/IFRS 17": this column shows the effects due to the different classification and measurement introduced by IFRS 9 from 1 January 2022 as well as the application of IFRS 17, breaking them down into:
  - "Effect as at 1 January 2022": highlights the impacts of the two standards referring to the accounting balances existing at the transition date;
  - "Effect during 2022": highlights the cumulative valuation impacts deriving from the two standards in 2022;
- "Total assets as at 31.12.2022 Post IFRS 9 and IFRS 17 FTA Classification and Measurement": the column shows the accounting balances as at 31 December 2022 restated in application of IFRS 17 and IFRS 9 with the exception of the impairment model;
- "Total assets 1.1.2023": the column shows the accounting balances restated also in application of the impairment model pursuant to IFRS 9.

This key described above is also applicable to the following table of liabilities.

Assets

(millions of euro)

			Effect of transition to IFRS 9 / IFRS 17				Effect of transition to IFRS 9 (f)	
		TOTAL ASSETS as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL ASSETS as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Impairment	TOTAL ASSETS as at 01.01.2023 (g) = (e) + (f)
10.	Cash and cash equivalents	112,924	-	-	-	112,924	-	112,924
20.	Financial assets measured at fair value through profit or loss	150,616	-	-	-	150,616	-	150,616
30.	Financial assets measured at fair value through other comprehensive income	119,504	-	4	4	119,508	-	119,508
40.	Financial assets measured at amortised cost	528,081	-	-	-	528,081	-	528,081
50.	Hedging derivatives	10,075	-	-	-	10,075	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-	-	-	-9,752	-	-9,752
70.	Investments in associates and companies subject to joint control	2,013	-	-	-	2,013	-	2,013
80.	Insurance assets	272	-149	28	-121	151	-	151
90.	Property and equipment	10,505	-	-	-	10,505	-	10,505
100.	Intangible assets	9,830	-685	92	-593	9,237	-	9,237
110.	Tax assets	18,273	163	-306	-143	18,130	-	18,130
120.	Non-current assets held for sale and discontinued operations	638	-	-	-	638	-	638
130.	Other assets	22,704	-84	-159	-243	22,461	-	22,461
TOTAL ASSETS		**975,683**	**-755**	**-341**	**-1,096**	**974,587**	**-**	**974,587**

Within the asset captions, the most significant impacts include, pursuant to the application of IFRS 17:
- a decrease in caption 80. Insurance assets of around 149 million euro as at 1 January 2022 due to the new IFRS 17 measurement criteria which result in a different method for measuring reserves reassured with third parties. During 2022, the change in that caption due to the change in standards was a positive 28 million euro;
- the derecognition from caption 100. Intangible assets of insurance intangible assets with a finite useful life (Value of Business Acquired – VoBA) for a total of 685 million euro before tax as at 1 January 2022 (transition date), of which 528 million euro relating to new business insurance intangible assets and 157 million euro relating to distribution insurance intangible assets. The derecognition was necessary because, according to IFRS 17, the amounts attributed and recognised on Purchase Price Allocation (PPA) are presented in the Contractual Service Margin, i.e. the specific caption

posted among insurance liabilities, representing the future profits of the insurance company. That derecognition on transition resulted in the reversal of the effects recorded during 2022, due to the elimination of the accumulated amortisation of those captions (equal to around 92 million euro);
- the derecognition of other assets as at 1 January 2022 of 84 million euro and 159 million euro during 2022 mainly includes the derecognition of deferred acquisition costs.

As stated, the introduction of IFRS 9 mainly resulted in reclassifications among the various captions of financial assets which are measured at fair value (essentially from fair value through other comprehensive income to fair value through profit and loss). As a result, the value at which those reclassifications were made remained unchanged, not resulting in total net impacts on Shareholders' Equity due to different measurement. The marginal impact recorded on Consolidated Shareholders' Equity of the Intesa Sanpaolo Group as at 31 December 2022, of 4 million euro is attributable to the different measurement of some debt securities previously classified under loans to customers measured at amortised cost pursuant to IAS 39.

As a result of the overall changes recorded in the asset and liability captions, higher net deferred tax assets of 431 million euro as at 1 January 2022 was recognised, in reduction of 289 million euro during 2022.

Liabilities

(millions of euro)

			Effect of transition to IFRS 9 / IFRS 17				Effect of transition to IFRS 9 (f)	
		TOTAL LIABILITIES as at 31.12.2022 (a)	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL LIABILITIES as at 31.12.2022 (e) = (a) + (d)	Impairment	TOTAL LIABILITIES as at 01.01.2023 (g) = (e) + (f)
		POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS				POST IFRS9 and IFRS17 FTA Classification and measurement		
10.	Financial liabilities measured at amortised cost	670,140	-	-13	-13	670,127	-	670,127
20.	Financial liabilities held for trading	46,512	-	-	-	46,512	-	46,512
30.	Financial liabilities designated at fair value	63,009	-1	-1	-2	63,007	-	63,007
40.	Hedging derivatives	5,517	-	-	-	5,517	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-	-	-	-8,031	-	-8,031
60.	Tax liabilities	2,306	-268	-17	-285	2,021	-	2,021
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	-	-	15	-	15
80.	Other liabilities	10,966	-101	-102	-203	10,763	-	10,763
90.	Employee termination indemnities	852	-	-	-	852	-	852
100.	Allowances for risks and charges	4,960	-	-	-	4,960	-	4,960
110.	Insurance liabilities	117,616	600	-641	-41	117,575	-	117,575
TOTAL LIABILITIES		**913,862**	**230**	**-774**	**-544**	**913,318**	**-**	**913,318**
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**	**-**	**61,269**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**975,683**	**-755**	**-341**	**-1,096**	**974,587**	**-**	**974,587**

Within liabilities, the application of the new IFRS 17 measurement criteria mainly impacted the caption Insurance liabilities, whose amount increased by 600 million euro as at 1 January 2022. That higher value was more than reabsorbed during 2022, due to the financial trends that characterised the year, which are directly represented in the measurement at present values of insurance liabilities. With specific reference to contracts with direct participation features, the capital losses recorded on the underlying investments are recognised in insurance liabilities, as an offsetting entry to valuation reserves and the income statement, in correlation with the accounting allocation of the underlying assets (mirroring).

In that regard, the Contractual Service Margin amounted to 9,069 million euro as at 31 December 2022, slightly down on 1 January 2022 (when it amounted to 9,274 million euro).

In terms of quantitative impacts, the most significant changes are attributable to Shareholders' Equity captions. For an illustration of these, refer to the subsequent section.

Shareholders' equity

(millions of euro)

		TOTAL as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9 / IFRS 17: Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Effect of transition to IFRS 9 (f) Impairment	TOTAL as at 01.01.2023 (g) = (e) + (f)
120.	Valuation reserves	-2,635	-138	315	177	-2,458	59	-2,399
130.	Redeemable shares	-	-	-	-	-	-	-
140.	Equity instruments	7,211	-	-	-	7,211	-	7,211
150.	Reserves	15,827	-847	93	-754	15,073	-59	15,014
155.	Interim dividend (-)	-1,400	-	-	-	-1,400	-	-1,400
160.	Share premium reserve	28,053	-	-	-	28,053	-	28,053
170.	Share capital	10,369	-	-	-	10,369	-	10,369
180.	Treasury shares (-)	-124	-	-	-	-124	-	-124
190.	Minority interests (+/-)	166	-	-	-	166	-	166
200.	Net income (loss) (+/-)	4,354	-	25	25	4,379	-	4,379
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**	**-**	**61,269**

With regard to the effects of the application of IFRS 17, as mentioned in the 2022 Financial Statements, at the transition date (1 January 2022), the Shareholders' Equity in the Group Consolidated Financial Statements decreased by 985 million euro, net of the tax effect, due to:

- greater insurance liabilities[38] for 731 million euro (505 million euro net of the tax effect) due to the different measurement criteria set out in IFRS 17 in place of the previous IFRS 4 and, in particular, the recognition of the present value of future profits on insurance contracts (Contractual Service Margin) under insurance liabilities and the adjustment for non-financial risk (Risk Adjustment);
- derecognition of intangible assets (new business and distribution) with a finite useful life, for a total of 685 million euro (480 million euro net of the tax effect), as illustrated above.

The complete implementation, also in terms of IT applications, of the mechanisms of combined application of IFRS 17 and IFRS 9, finalised in the first quarter 2023, determined, also in relation to the trend in the financial markets, a positive effects for 2022 on shareholders' equity of 433 million euro compared to that recognised as at 1 January 2022, of which 25 million euro in net income, which also includes the elimination of the amortisation of the VoBA in accordance with the previous standards. The overall effect is attributable to the new criteria introduced by IFRS 17 which, as previously stated, guarantee greater correlation between the measurement of insurance liabilities and the underlying investments.
The total effect on shareholders' equity as at 31 December 2022 deriving from the combined application of IFRS 9 and IFRS 17 was a negative 552 million euro net of the tax effect. As illustrated above, that effect is due to the impacts of transition to IFRS 17/IFRS 9 as at 1 January 2022 (a negative 985 million euro), partially offset during the year by greater income (25 million euro) and greater reserves (408 million euro) expressed in accordance with the new standards.

Impairment

For the companies of the Insurance Division, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in caption 30. Financial assets measured at fair value through other comprehensive income (HTCS business model). The application of those new impairment rules on those debt securities had an effect of 59 million euro net of the tax effect, with an overall nil effect on Shareholders' equity, given that it took the form of a reclassification from valuation reserves to retained earnings reserves, as these are financial instruments already measured at fair value. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.

[38] Based on this, the effects of the derecognition of technical reserves and additional insurance captions were presented (e.g. DAC and specific allocations to allowances for risks). In detail, in the above tables of reconciliation of assets and liabilities, this is mainly broken down as follows: caption 110. Insurance Liabilities and caption 80. Insurance Assets + 749 million euro, caption 80. Other Liabilities and caption 130. Other Assets -17 million euro.

Effects on regulatory capital

The accounting effects described above also have consequences on the regulatory capital and prudential ratios.
Specifically, Shareholders' Equity in terms of own funds decreased as at 31 December 2022 by -408 million euro[39], with an impact of -11 bps on the CET 1 ratio.
The impact as at 31 December 2022 derived from:

- a decrease in Shareholders' equity in terms of own funds (-14 bps);
- lower absorption due to application of the Danish Compromise (+3 bps) as a result of the decrease in the carrying amount of the insurance investment.

Note that, for the purpose of the prudential calculation, the investment in the insurance companies falls under the Danish Compromise regime, which allows the investment to be weighted at 370% instead of deducting it from CET1.

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 and 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.

With respect to 31 December 2022, the changes in the line-by-line consolidation area involved the entry of:

- Reyl Finance (MEA) Ltd, previously consolidated using the equity method;

and the exit of:

- Fideuram Bank Luxembourg, merged by incorporation into Intesa Sanpaolo Wealth Management S.A. (formerly Compagnie de Banque Privée Quilvest - CPBQ);
- Asteria Obviam S.A., as it fell below the materiality threshold.

For completeness, it is also noted that Banca 5 S.p.A. changed its company name to Isybank S.p.A.

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 2022 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 2023 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 balances of the bank, and with a view to reducing operational risks, 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 2022 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 2023 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.

[39] That amount is calculated excluding from the overall impact on shareholders' equity of -552 million euro recorded as at 31 December 2022, 144 million euro in effects relating to the intangibles of the Banking Group derecognised, as they were already deducted for prudential purposes.

The main financial statement captions

To ensure uniformity in the accounting policies used for the financial statements, the Intesa Sanpaolo Group has adopted an internal set of rules and policies for the various operational and organisational areas.

The methodological document used for the application of the accounting standards is the Group Accounting Policies, which describes the application models adopted by the Group, within the framework of the standards and the legislation applicable to the various companies/subsidiaries, and sets out the choices made when the regulations envisage alternative or optional accounting treatments.

With regard to the valuation processes, the Group, in the document "Guidelines for the valuation of Balance Sheet Items", has drawn up the principles and regulatory framework for the valuation of the balance sheet items and the roles and responsibilities of the Corporate Bodies, the Manager responsible for preparing the Company's financial reports and the Parent Company's corporate functions involved in the valuation process; the prerequisites for the existing valuation processes and the control system necessary to ensure proper valuation; the general valuation processes based on accounting standards specific to the various categories of balance sheet items being measured (assets and liabilities); and the rules for guidance and coordination of Group Companies on the valuation of balance sheet items.

The guidelines and policies also include the Business Model Rules, the Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy), and the "Rules for Valuation of Financial Instruments at Fair Value" (e.g. Fair Value Policy), in addition to more specific documents relating to non-performing loans, equity investments, and the management of hedging financial instruments.

Finally, with regard to prudential supervision, the Group has drawn up a specific document called "Harmonised Prudential Supervision Rules".

In general, these documents are approved by the competent Corporate Bodies. They are updated by the management structures in response to needs arising both from external factors (e.g. changes in regulations) and from internal factors within the Group (e.g. new operations and products). Those documents are subject to a specific approval process, based on the significance and scope of the changes made.

As stated at the beginning of this section, for the purpose of preparing the Consolidated interim report on operations as at 31 March 2023, in addition to the accounting standards specified with regard to the insurance assets and liabilities, the accounting standards adopted with regard to the classification, recognition, measurement and derecognition of the financial assets and liabilities in the balance sheet, and the recognition methods for revenues and costs, were updated compared to those adopted for the Intesa Sanpaolo Group 2022 Annual Report, to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group. Given the significance of the changes, the sections regarding the criteria of classification, measurement and recognition of the insurance assets and liabilities are shown in full below, as well as the sections regarding financial assets and liabilities – now also extended to the insurance companies – revenue and cost recognition and the use of estimates. For all other aspects of the accounting standards adopted by the Intesa Sanpaolo Group that were not modified, refer to that illustrated in the 2022 Financial Statements.

Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular:

- financial assets held for trading, essentially consisting of debt securities and equity instruments and the positive value of derivative contracts held for trading;
- financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding (SPPI Test not passed) or that are not held under a Hold to Collect business model or a Hold to Collect and Sell business model;
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

This caption therefore includes:

- debt securities and loans that are included in an Other/Trading business model (i.e., that do not come under the Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are not part of a Hold to Collect and Sell business model. These also include the debt securities of the Insurance Division covering the liabilities to insured parties represented by unit-linked products, multi-line products and pension funds;
- equity instruments – that do not qualify as investments in subsidiaries, associates or joint ventures – held for trading purposes or for which the option was not exercised, upon initial recognition, to designate them at fair value through other comprehensive income;
- quotas of UCI (Undertakings for Collective Investment).

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from

transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.
Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:
- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.
On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial assets measured at fair value through profit or loss are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. For equities and derivative instruments that have equities as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value" of the Notes to the Consolidated Financial Statements of the Intesa Sanpaolo Group as at 31 December 2022.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria
This category includes the financial assets that meet both the following conditions:
- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

This caption also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this caption includes:
- debt securities that can be attributed to a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income;
- loans that are attributable to a Hold to Collect and Sell business model and have passed the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are part of a Hold to Collect and Sell business model.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.
In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon the total or partial sale, the cumulative gain or loss in the valuation reserve is transferred, in whole or in part, to the income statement.
Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold. The only component related to these equities that is recognised through profit or loss is their dividends.
Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.
For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value" of the Notes to the Consolidated Financial Statements of the Intesa Sanpaolo Group as at 31 December 2022.

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and loans – are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, in the same way as Assets measured at amortised cost, with the consequent recognition through profit or loss of a value adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination, when not impaired, and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised.
Equity instruments are not subject to the impairment process.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Financial assets measured at amortised cost

Classification criteria
This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:
- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

More specifically, the following are recognised in this caption:
- loans to banks in their various forms that meet the requirements referred to above;
- loans to customers in their various forms that meet the requirements referred to above;
- debt securities that meet the requirements referred to above.

This category also includes the operating loans and receivables connected to the provision of financial activities and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (e.g. for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.
In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Repurchase agreements and reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the spot amount received, whereas reverse repurchase agreements are recognised as receivables for the spot amount paid.

Measurement criteria

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.
The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.
The measurement criteria, as described in more detail in the paragraph "Impairment of financial assets", are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (stage 3) consists of non-performing financial assets and the remaining (stages 1 and 2) of performing financial assets.

With regard to the accounting representation of the above measurement effects, the adjustments for this type of asset are recognised in profit or loss:

- on initial recognition, for an amount equal to the 12-month expected credit loss;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;
- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer "significant" due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These financial assets, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognised in the financial statements, at the level of individual loan (or "tranches" of securities), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.
If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "non-performing", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, as detailed in the paragraph "Impairment of financial assets", takes account of forward-looking information and possible alternative recovery scenarios.
Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.
The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.
The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a

variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment with time value effects are recognised in net interest income.
In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.
In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.
The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: e.g. renegotiations for commercial reasons and forbearance measures due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for "reasons of credit risk" (forbearance measures), relate to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are considered to result in derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Conversely, the amendments to financial assets following the Interest Rate Benchmark Reform (so-called IBOR Reform), relating to the change in the basis for determining contractual cash flows (the replacement of the existing interest rate benchmark with an alternative benchmark rate), do not constitute a derecognition event, but are to be considered a modification from an accounting standpoint. Such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, are represented with a prospective adjustment of the effective interest rate - by applying paragraph B5.4.5 of IFRS 9 instead of modification accounting, with impacts on net interest income in future periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Hedging transactions

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

Classification criteria: type of hedge
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as

a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.
The choice made by the Group to take advantage of the possibility of continuing to fully apply the IAS 39 rules for hedging relationships means that the equity instruments classified as Financial assets measured at fair value through other comprehensive income (FVOCI) cannot be measured as hedged items for price or exchange rate risk, since these instruments are not recognised through profit or loss, not even if they are sold (except for dividends that are recognised through profit or loss).

Recognition criteria
Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

A relationship qualifies as a hedging relationship, and is appropriately reported in the financial statements only if, all of the following conditions are met:
- at the inception of the hedge, the hedging relationship is formally designated and documented, including the company's risk management objectives and strategy in undertaking the hedge. This documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedge is expected to be highly effective;
- the planned transaction hedged, to hedge the cash flows, is highly probable and has an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (with regard to the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the balance sheet under caption 60. "Fair value change of financial assets in hedged portfolios" or under caption 50. "Fair value change of financial liabilities in hedged portfolios";
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction. A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:
- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:
- the hedging instrument expires or is sold, terminated, or exercised;
- the hedge no longer meets the hedge accounting criteria described above;
- the entity revokes the designation.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet. If the assets or liabilities hedged are measured at amortised cost, the higher or lower value resulting from the fair value measurement due to the hedge becoming ineffective is recognised through profit or loss, using the effective interest rate method. When a fair value macrohedging relationship is discontinued, the cumulative change in fair value losses carried under caption 60 "Fair value change of financial assets in hedged portfolios" or caption 50. "Fair value change of financial liabilities in hedged portfolios" are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:

a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity's documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders' equity until the end of the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed transaction, being hedged, occurs;
b) the hedge no longer meets the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument is recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective and continues to be recognised separately in shareholders' equity until the programmed transaction occurs;
c) it is no longer considered that the future transaction will occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;
d) the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective continue to be recognised separately in shareholders' equity until the programmed transaction occurs or it is expected that it will no longer occur.

As an exception to the provisions of IAS 39 discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) does not apply in the case of modifications required as a direct consequence of the Interest Rate Benchmark Reform (so-called IBOR Reform) and applied on equivalent economic bases.

Insurance assets and liabilities

Classification criteria

This category contains the insurance assets and liabilities within the scope of application of IFRS 17 Insurance Contracts.
Specifically, the caption insurance liabilities presents the liabilities recognised by the Group for contracts for which insurance risk is deemed significant and which include: temporary class I life policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies, insurance pension funds and damage cover, as well as reinsurance components.
This caption also includes liabilities recognised for investment products that entail discretionary participation features (separate management schemes) as well as mixed class I products and class V capitalisation policies.
Note that the financial products issued by insurance companies that do not have significant insurance risk and no not provide for discretionary participation features are recognised in the financial statements as financial liabilities and accounted for pursuant to IFRS 9. Specifically, the Group measures those products at fair value, exercising the option provided by the standards (Fair Value Option) to avoid accounting mismatches with the correlated investments measured at fair value. These financial products substantially include unit-linked policies without extra return clauses.
Their classification as assets or liabilities is based on the net balance of the portfolio the contracts belong to. Generically, the insurance contracts present a balance payable (insurance liabilities) while reinsurance contracts present a balance receivable (insurance assets).

Recognition criteria

When the contract is signed with the policyholder, a liability is recognised whose amount represents the sum of the present value of all of the expected contractual cash flows (Present Value of Future Cash Flows), discounted and also including an appropriate Risk Adjustment (for non-financial risks) and the Contractual Service Margin which represents the present value of the future profits;
Contracts are recognised by groups (units of account), not contract by contract. In order to identify the units of account, the contracts issued are firstly divided into "portfolios", or groups of contracts with similar risks, which are managed as a unit. Each portfolio is then divided into profitability buckets, distinguishing between onerous contracts at the time of initial recognition, contracts which have no significant possibility of becoming onerous at the time of initial recognition and groups composed of other contracts in the portfolio. A specific test is conducted to define the profitability classes (onerousness test).
Lastly, groups of contracts shall not contain contracts issued more than 12 months previously (grouping by "cohorts"), with the exception of contracts linked to separate management schemes, for which the European Commission's endorsement of IFRS 17 provided the option to depart from that requirement (carve-out).
The Intesa Sanpaolo Group aggregates the contracts belonging to the Non-Life Business based on the Solvency II Line of Business ("LoB") they belong to. For the Life Business, groups of contracts are aggregated for products included in the same Separate Management, Multi-Line products linked to the same Separate Management, Unit-Linked products, products linked to Pension Funds and pure risk products (e.g. temporary life policies).
With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group exercises the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore aggregates these types of contracts only based on the concept of sharing similar risks and uniform management as well as belonging to the same profitability bucket.

Measurement criteria

IFRS 17 requires the measurement of insurance liabilities based on up-to-date information that reflects the conditions existing at the measurement date.

Specifically, the standard sets out:

– a reference accounting model (General Model) used for life insurance contracts without contractual links to other assets and liabilities (life policy products and credit protection insurance) and for long-term non-life contracts ineligible for the simplified model;
– a model that modifies the General Model called the Variable Fee Approach, which is mandatory for measuring certain specific types of liabilities (for example, contracts linked to separate management schemes); and
– an optional simplified approach called the Premium Allocation Approach.

For the General Model, the standard requires, at the initial measurement date, the measurement of a group of contracts as the sum of the present value of future cash flows, a risk adjustment – a liability that reflects the uncertainty of cash flows due to non-financial risks - and the Contractual Service Margin, which represents the unaccrued profits that the entity will recognise gradually as it provides the service provided by the group of insurance contracts. To determine the expected cash flows, all flows directly linked to the performance of the insurance contracts are considered. Because the insurance products in the Intesa Sanpaolo Group are distributed by Group companies other than those in the Insurance Division, to quantify the cash flows and thus, the contractual service margin at consolidated level, the real costs incurred by the Group due to third parties are considered.

Following initial recognition, the carrying amount of a group of insurance contracts at each reporting date must be revised based on the most up-to-date assumptions, both operational (i.e. costs of claims, expenses) and financial (i.e. interest rate).

At each accounting closing it is thus necessary to update the balances of the present value of future cash flows and the risk adjustment. In this context:

– the update of the present value of future cash flows or the risk adjustment attributable to operational assumptions (i.e. the update to the estimated future claims) is recorded as an offsetting entry to the contractual service margin (i.e. a reduction in the present value of future cash flows due to a decrease in expected claims is recorded as an increase in the contractual service margin);
– the update of the present value of future cash flows or the risk adjustment attributable to financial changes (i.e. the update to the interest rate) is recognised, instead, in the income statement (i.e. as a reduction in the present value of future cash flows due to an increase in the discount rate is recognised in the income statement).

Once the changes attributable to operational assumptions of the present value of future cash flows and the risk adjustments have been applied, the estimated portion of the contractual service margin for the insurance service provided during the period is released to the income statement. The release method follows the service provided over the term of the contract (coverage unit). Vice versa, for groups of onerous contracts, the standard requires that the overall estimated loss over the entire life of the policies be immediately recognised to the income statement.

For insurance contracts with direct participation features (life products whose value is influenced by the underlying assets), the standard requires the mandatory application of a modified version of the General Model called the Variable Fee Approach.

A contract has direct participating features if its terms and conditions envisage that:

– the policyholder obtains returns linked to a clearly identified group of underlying items;
– the entity expects to pay out a substantial share of the fair value returns on the underlying assets;
– a substantial proportion of the cash flows that the issuer expects to pay the policyholder will vary with the change in the fair value of the underlying assets.

The Variable Fee Approach has the same rules of initial recognition as the General Model, but provides several variants on the changes in subsequent measurements.

Under the Variable Fee Approach, the contractual service margin includes, in addition to that set out in the General Model, the financial profits pertaining to the Group deriving from the management of the assets underlying contracts measured using the Variable Fee Approach.

To determine whether discretionary participation features are significant, the Group performs both a qualitative and quantitative test to verify the requirements. Within the Insurance Division’s products, all the linked insurance contracts and pension funds and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.

Lastly, IFRS 17 requires the application of the Premium Allocation Approach to simplify the measurement of a group of insurance contracts if the coverage period of each contract in the group (including the insurance services deriving from all premiums included within the contractual limit) does not exceed 12 months or if the application of that approach does not provide results that deviate significantly from the application of the General Model.

That approach does not require the identification of the single components of liabilities for future coverage (present value of future cash flows, risk adjustment and contractual service margin) but the identification of an “overall” insurance liability. The Intesa Sanpaolo Group applies this approach solely to the Non-Life Business, with the general rule being to use the Premium Allocation Approach for insurance policies with a duration of one year or less.

In some cases, the interaction between IFRS 17 and IFRS 9 may generate mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI).

The decision to carry out disaggregation is made for groups of contracts in applying IFRS 17 with the following methods:

– with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;

– for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments is reclassified to other comprehensive income (mirroring).

In line with the decisions to classify the securities under assets to cover the insurance products, and to reduce potential accounting mismatches, the Intesa Sanpaolo Group adopts the disaggregation illustrated above (also known as the "OCI option") on all portfolios of insurance contracts, except those relating to unit-linked policies not linked to multi-line products or open pension funds.

Modification and derecognition criteria

According to IFRS 17, an insurance contract is derecognised from the accounts when, and only when, the contract is extinguished, i.e., when the specific obligation in the insurance contract has expired or has been fulfilled or eliminated.
Moreover, following contractual modifications (agreed between the parties or due to changes in regulations) that reflect at least one of the following conditions:

– the modified contract would have been excluded from the scope of application of IFRS 17 if the modified terms had been included in the contract on initial recognition; the separation of the different components, bringing a different contract to be measured under IFRS 17; or a substantially different "contract boundary"[40] or the assignment of a different group of contracts;
– the original contract meets the definition of insurance contract with direct participation features, but the modified contract no longer does, and vice versa;
– the original contract is measured using the simplified approach or the premium allocation approach, but the modified contract no longer meets the eligibility criteria to be measured using this approach;

IFRS 17 requires that the original contract be derecognised and the new contract be recognised. Conversely, if the contractual modifications meet none of the conditions listed above, they shall be treated as changes in the measurement assumptions of the present value of future cash flows and, as a result, shall modify the previously calculated risk adjustment and contractual service margin.

Use of estimates to determine the insurance liabilities pursuant to IFRS 17

Discount rate

For the purpose of defining the discount curve under IFRS 17, the Group uses a bottom-up approach. According to this approach, the discount rate is determined as the risk-free rate adjusted to take account of the illiquidity of the liabilities to be measured (liquidity premium). The risk-free rate curve is obtained by starting from the Euro Swap rates denominated in the same currency as the liability to be measured, deducting the credit risk adjustment for interbank risk implicit in swap rates. The liquidity premium is estimated based on the risk premium inherent in each company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.

Estimates of future cash flows for the performance of insurance contracts

Future cash flows represent future liabilities that the insurance company posts to cover its commitments regarding insurance business. These include cash flows to insured parties, including forward-looking returns on insurance products and expenses to be incurred to support the business in force. To estimate the expected future cash flows within the scope of each group of contracts, the Group applies the following criteria:

– incorporating all available information obtained in a reasonable and justifiable manner, without superfluous costs or efforts, with regard to the amount, timing and uncertainty of the cash flows;
– maintaining consistency of the estimate of any market variables with the corresponding values observable on the market for those variables;
– reflecting the conditions existing at each measurement date, i.e. the estimate is based on current information, updated for each reporting period.

The estimate of future cash flows is based on a range of scenarios used to carry out stochastic calculations that are processed with the purpose of reducing the variance in the sample. To identify the amount of expenses included in the scope of IFRS 17, reference is made to the cost captions in the IFRS Income Statements of the Life and Non-Life Insurance Companies, net of several expenses (e.g. training expenses, donations and fines etc…), in line with the provisions of the standard. Specifically, the expenses include those directly attributable to groups of contracts, including the allocation of fixed and variable general overhead costs. Moreover, under several methods used to measure claims incurred for Non-Life/Accident contracts, the estimate of future payments of claims are adjusted to take account of inflation. The Insurance Acquisition Cash Flows incurred in a lump-sum on issuing new contracts are not part of future cash flows, but are included in the measurement of the Contractual Service Margin of New Business, as a decrease thereto, by virtue of the fact that those costs were paid against the payment of the premium.
Note that at consolidated level, the presence of intragroup transactions means that, in quantifying cash flows, intragroup costs projected by the Insurance Division in estimating its stand alone accounting statement (typically commissions paid to the bank distribution network) must be "replaced" with the real costs incurred by the Group to third parties.

With regard to the assumptions on mortality rates, the Italian national mortality tables published by ISTAT are considered. A survey on the Group's experience in the last ten years is conducted, and statistical methods are used to adjust the mortality tables in order to generate the expected mortality rates differentiated by macro-type of product (credit protection insurance, temporary life policies, savings/investment/pension) and by age and gender classes.

[40] The contract boundary is composed of substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.

The other technical assumptions are also obtained starting with the historical data taken from ERP/management applications. Specifically, for redemption rates, a statistical analysis is conducted by claim duration[41] of the historical frequencies recorded by the single insurance companies, suitably adjusted based on expert judgement, specifically regarding the claim durations not yet subject to observation.

To measure the future cash flows relating to the liability for incurred claims, the Group uses the most commonly used methods in the sector, also based on the availability of data and time series on claims. The estimate of liabilities for claims occurred includes the estimate of reimbursements and direct costs for claims occurred and reported, occurred but not yet reported, direct liquidation fees and management and liquidation fees allocated.

Methods used to measure the adjustment for non-financial risk

The non-financial risk adjustment is the compensation required to support the uncertainty on the amount and timing of cash flows deriving from non-financial risk at the time of performance of the insurance contract. As the risk adjustment compensates for uncertainty, estimates are made both on a proportionate approach to calculating the risk adjustment as the product of an average percentage applied to the present value of future cash flows, where the percentage is obtained by leveraging an *ex-ante* VaR approach on a quarterly basis. The analysis of the requirements of the standard entailed the selection, for the purposes of calculating the risk adjustment for the Life Business and the Non-Life Business, of the following underwriting risks (Underwriting modules):

– for the Life business, reference is made to the following underwriting risk modules: Mortality, Longevity, Expenses and the higher of the Lapse Up risk and Lapse Down risk;
– for Non-Life business, the following underwriting risk modules are referred to: Premium and Reserve and Lapse.

Both for the Life business and the Non-Life business, Catastrophic risk is excluded.

Financial liabilities measured at amortised cost

Classification criteria

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the entity in the capacity of lessee in lease transactions.

Recognition criteria

Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.
Lease payables are recognised at the present value of the future lease payments, discounted using the implicit interest rate of the transaction or, where it cannot be determined, the marginal financing rate.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.
Lease payables are remeasured when there is a lease modification (e.g. a change in the contract which is not accounted for/considered as a separate contract); the effect of the remeasurement will be a corresponding adjustment to the right-of-use asset.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

Financial liabilities held for trading

Recognition criteria

These financial instruments are recognised at the subscription or issue date at the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, in particular, the negative fair value of trading derivatives, as well as embedded derivatives with a negative fair value separated from liabilities measured at amortised cost.
It also includes liabilities determined by short selling generated by trading of securities and certificates forming part of the trading business model.

Measurement criteria

All financial liabilities held for trading are measured at fair value through profit or loss.

[41] Time passed since the contract was entered into.

Derecognition criteria
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

Financial liabilities designated at fair value

Classification criteria
Financial liabilities designated at fair value are recorded under this caption, on the basis of the fair value option given to companies by IFRS 9 and in compliance with the cases contemplated in the reference regulations.
With reference to the financial liabilities of the subsidiaries insurance companies, which therefore do not fall within the scope of application of IFRS 17, the Group has availed itself of the possibility of designating as fair value liabilities products of a financial nature without a significant insurance risk and which are not included in separate management and therefore do not provide elements of discretionary participation features. Investments relating to these forms of funding, as already set out above, are also measured at fair value through profit or loss as they are managed according to an "Other" Business Model.

This category of liabilities also includes certificates included in the banking book business model.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria
These liabilities are measured at fair value according to the following rules established by IFRS 9:
- changes in fair value attributable to changes in own credit risk must be recognised in the statement of comprehensive income (shareholders' equity);
- the remaining changes in fair value must be recognised in the income statement.

The amounts recognised in the statement of comprehensive income are not subsequently recycled to the income statement. This method of accounting must not be applied when recognition of the effects of own credit risk on shareholders' equity results in or accentuates an accounting mismatch in the income statement. In this case, gains and losses associated with the liability, including those resulting from changes in own credit risk, must be recognised in the income statement.

Derecognition criteria
The financial liabilities designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed with the substantial transfer of all the risks and rewards connected to it.

Other information

Recognition of revenues and costs
Revenues are gross flows of economic benefits deriving from the performance of the company's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the company considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:
- identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services promised. It may include fixed or variable amounts or both. Revenues from variable fees are recognised in the income statement if they can be reliably estimated and only if it is highly likely that all or a significant part of this fee will not need to be reversed from the income statement in future periods. Where there is a high level of uncertainty related to the nature of the consideration, it will be recognised only when this uncertainty is resolved.

Revenues may be recognised:
- at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
- over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.
In particular:
- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued up to the reporting date, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;

b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;

- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- profits deriving from insurance contracts recorded pursuant to IFRS 17, posted in the balance sheet caption Contractual Service Margin are released to the income statement for the estimated portion of insurance services rendered during the period;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the income statement on an accruals basis. Costs relating to the receipt and performance of contracts with customers are recognised in the income statement in the periods when the related revenues are recognised.

Use of estimates and assumptions in preparing financial reports
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the contingent assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.
If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.

The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the fair value measurement of real estate and valuable art assets;
- the measurement of personnel funds and allowances for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of the insured people) and financial (deriving from the possible trend in the financial markets) assumptions used to measure the insurance products in accordance with the provisions of IFRS 17.

For some of the types listed above, the main factors subject to estimates by the Group and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:
- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- the estimates for the assignment of loans and debt securities classified as Financial assets measured at amortised cost and Financial assets measured at fair value through other comprehensive income to the three credit risk stages required by IFRS 9 and to calculate the related expected credit losses involve:
  - the determination of the parameters for a significant increase in credit risk, essentially based on models for measuring the probability of default (PD) upon origination of the financial assets and at the reporting date;
  - the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD;
  - the determination of the likelihood of sale of impaired financial assets, through the realisation of market positions;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash-Generating Units (CGU) comprising the Group, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. Also the cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life (asset management and insurance portfolios) with regard to the CGUs comprising the Group, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;
- the fair value measurement of real estate and valuable art assets is based on valuations prepared by qualified independent firms. Lease rentals, selling prices, discount rates and capitalisation rates are estimated in order to conduct the appraisals of the properties, while to conduct the appraisals on the valuable art assets, the estimate of the value is

gathered from the performance of the exchanges of similar works (in terms of technique, size, subject) by the same author or regional movements and schools that are close with regard to style and technique;
- to measure post-employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure allowances for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the insurance liabilities, estimates are used to measure the future cash flows for fulfillment of the contracts and to define the technical assumptions on mortality rates and other technical assumptions, and, for example, redemption rates and claims occurred for the measurement of non-life contracts. The assumptions used to determine the discount rates and the methods used to measure the non-financial risk adjustment are of particular importance;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences and tax losses carried forward).

With regard to the measurements concerning the risks induced by the conflict between Russia and Ukraine and the overall risks regarding the loan portfolio, refer to that set out in the first chapter “The first quarter of 2023” and the section “Risk management”.
With regard to the recoverability of the amounts of intangible assets with an indefinite life and the recoverability of deferred tax assets recognised, there were no factors identified in the quarter that suggest that the amounts posted under assets are no longer recoverable. Specifically, the macroeconomic scenario did not demonstrate significant changes on that used for the purposes of the 2022 Annual Report and, thus, for the purpose of this Report, no updates were made, while the expected cash flows show improvement, due to a greater contribution of net interest income, higher than the negative effects deriving from slight growth in the discount rates on the cash flows.

The Board of Directors

Milan, 5 May 2023

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 2023 corresponds to corporate records, books and accounts.

Milan, 5 May 2023

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

Attachments

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

Reconciliation between published consolidated income statement for the period ended 31 March 2022 and consolidated income statement for the period ended 31 March 2022 according to the new Circular 262

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

Reconciliation between consolidated income statement for the period ended 31 March 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for the period ended 31 March 2022

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for the period ended 31 March 2022 and restated consolidated income statement for the period ended 31 March 2022

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 restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

(millions of euro)

31 December 2022 New 262	31 December 2022 published	10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss	30. Financial assets measured at fair value through other comprehensive income	35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	40. Financial assets measured at amortised cost	45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	50. Hedging derivatives	60. Fair value change of financial assets in hedged portfolios (+/-)	70. Investments in associates and companies subject to joint control	80. Technical insurance reserves reassured with third parties	90. Property and equipment	100. Intangible assets	110. Tax assets	120. Non-current assets held for sale and discontinued operations	130. Other assets	**TOTAL ASSETS**
10.	Cash and cash equivalents	112,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,924
20.	Financial assets measured at fair value through profit or loss	-	47,577	-	102,775	-	-	-	-	-	-	-	-	-	-	264	150,616
	a) financial assets held for trading	-	*42,522*	-	*85*	-	-	-	-	-	-	-	-	-	-	-	42,607
	b) financial assets designated at fair value	-	*1*	-	-	-	-	-	-	-	-	-	-	-	-	-	1
	c) other financial assets mandatorily measured at fair value	-	*5,054*	-	*102,690*	-	-	-	-	-	-	-	-	-	-	*264*	108,008
30.	Financial assets measured at fair value through other comprehensive income	-	-	49,716	69,937	-	76	-	-	-	-	-	-	-	-	-225	119,504
40.	Financial assets measured at amortised cost	-	-	-	-	528,078	3	-	-	-	-	-	-	-	-	-	528,081
	a) due from banks	-	-	-	-	*32,884*	-	-	-	-	-	-	-	-	-	-	32,884
	b) loans to customers	-	-	-	-	*495,194*	*3*	-	-	-	-	-	-	-	-	-	495,197
50.	Hedging derivatives	-	-	-	13	-	-	10,062	-	-	-	-	-	-	-	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-	-9,752	-	-	-	-	-	-	-	-9,752
70.	Investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	2,013	-	-	-	-	-	-	2,013
80.	Insurance assets	-	-	-	-	-	1	-	-	-	163	-	-	-	-	108	272
	a) insurance contracts issued that are assets	-	-	-	-	-	*1*	-	-	-	-	-	-	-	-	*64*	65
	b) reinsurance contracts held that are assets	-	-	-	-	-	-	-	-	-	*163*	-	-	-	-	*44*	207
90.	Property and equipment	-	-	-	-	-	-	-	-	-	-	10,505	-	-	-	-	10,505
100.	Intangible assets	-	-	-	-	-	-	-	-	-	-	-	9,830	-	-	-	9,830
	of which: goodwill	-	-	-	-	-	-	-	-	-	-	-	*3,626*	-	-	-	3,626
110.	Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	18,273	-	-	18,273
	a) current	-	-	-	-	-	-	-	-	-	-	-	-	*3,520*	-	-	3,520
	b) deferred	-	-	-	-	-	-	-	-	-	-	-	-	*14,753*	-	-	14,753
120.	Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	638	-	638
130.	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,704	22,704
TOTAL ASSETS		**112,924**	**47,577**	**49,716**	**172,725**	**528,078**	**80**	**10,062**	**-9,752**	**2,013**	**163**	**10,505**	**9,830**	**18,273**	**638**	**22,851**	**975,683**

(millions of euro)

31 December 2022 New 262	31 December 2022 published	10. Financial liabilities measured at amortised cost	15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	40. Hedging derivatives	50. Fair value change of financial liabilities in hedged portfolios (+/-)	60. Tax liabilities	70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee termination indemnities	100. Allowances for risks and charges	110. Technical reserves	**TOTAL LIABILITIES**
10.	Financial liabilities measured at amortised cost	667,586	2,550	-	-	-	-	-	-	-	4	-	-	-	670,140
	a) due to banks	*137,481*	*629*	-	-	-	-	-	-	-	*4*	-	-	-	138,114
	b) due to customers	*454,025*	*587*	-	-	-	-	-	-	-	-	-	-	-	454,612
	c) securities issued	*76,080*	*1,334*	-	-	-	-	-	-	-	-	-	-	-	77,414
20.	Financial liabilities held for trading	-	-	46,512	-	-	-	-	-	-	-	-	-	-	46,512
30.	Financial liabilities designated at fair value	-	-	-	8,795	54,214	-	-	-	-	-	-	-	-	63,009
40.	Hedging derivatives	-	-	-	-	171	5,346	-	-	-	-	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	-	-	-	-8,031	-	-	-	-	-	-	-8,031
60.	Tax liabilities	-	-	-	-	-	-	-	2,306	-	-	-	-	-	2,306
	a) current	-	-	-	-	-	-	-	*297*	-	-	-	-	-	297
	b) deferred	-	-	-	-	-	-	-	*2,009*	-	-	-	-	-	2,009
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	15	-	-	-	-	15
80.	Other liabilities	-	-	-	-	-	-	-	-	-	10,966	-	-	-	10,966
90.	Employee termination indemnities	-	-	-	-	-	-	-	-	-	-	852	-	-	852
100.	Allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	4,960	-	4,960
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	*711*	-	711
	b) post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	*139*	-	139
	c) other allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	*4,110*	-	4,110
110.	Insurance liabilities	-	-	-	-	17,359	-	-	-	-	90	-	50	100,117	117,616
	a) insurance contracts issued that are liabilities	-	-	-	-	*17,359*	-	-	-	-	*5*	-	*50*	*100,117*	117,531
	b) reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	*85*	-	-	-	85
TOTAL		**667,586**	**2,550**	**46,512**	**8,795**	**71,744**	**5,346**	**-8,031**	**2,306**	**15**	**11,060**	**852**	**5,010**	**100,117**	**913,862**

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		120. Valuation reserves	125. Valuation reserves pertaining to insurance companies	130. Redeemable shares	140. Equity instruments	150. Reserves	155. Interim dividend (-)	160. Share premium reserve	170. Share capital	180. Own shares (-)	190. Minority interests (+/-)	200. Net income (loss) (+/-)	TOTAL
120.	Valuation reserves	-1,939	-696	-	-	-	-	-	-	-	-	-	-2,635
130.	Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
140.	Equity instruments	-	-	-	7,211	-	-	-	-	-	-	-	7,211
150.	Reserves	-	-	-	-	15,827	-	-	-	-	-	-	15,827
155.	Interim dividend (-)	-	-	-	-	-	-1,400	-	-	-	-	-	-1,400
160.	Share premium reserve	-	-	-	-	-	-	28,053	-	-	-	-	28,053
170.	Share capital	-	-	-	-	-	-	-	10,369	-	-	-	10,369
180.	Treasury shares (-)	-	-	-	-	-	-	-	-	-124	-	-	-124
190.	Minority interests (+/-)	-	-	-	-	-	-	-	-	-	166	-	166
200.	Net income (loss) (+/-)	-	-	-	-	-	-	-	-	-	-	4,354	4,354
TOTAL		**-1,939**	**-696**	**-**	**7,211**	**15,827**	**-1,400**	**28,053**	**10,369**	**-124**	**166**	**4,354**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY													**975,683**

Reconciliation between published consolidated income statement for the period ended 31 March 2022 and consolidated income statement for the period ended 31 March 2022 according to the new Circular 262 - *(Continued)*

(millions of euro)

31 March 2022 New 262	31 March 2022 published	10. Interest and similar income	20. Interest and similar expense	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net fee and commission income**	70. Dividend and similar income	80. Profits (Losses) on trading	90. Fair value adjustments in hedge accounting	100. Profits (Losses) on disposal or repurchase of:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	c) financial liabilities	110. 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	b) other financial assets mandatorily measured at fair value	115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	**120. Net interest and other banking income**	130. Net losses/recoveries for credit risks associated with:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	140. Profits (Losses) on changes in contracts without derecognition	**150. Net income from banking activities**	**TOTAL**
10.	Interest and similar income	2,641	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	486	-	-	-	-	-	-	-	**3,127**
20.	Interest and similar expense	-	-676	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-19	-	-	-	-	-	-	-	**-695**
30.	**Interest margin**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2,432**
40.	Fee and commission income	-	-	-	2,905	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2,905**
50.	Fee and commission expense	-	-	-	-	-693	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-693**
60.	**Net fee and commission income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2,212**
70.	Dividend and similar income	-	-	-	-	-	-	34	-	-	-	-	-	-	-	-	-	66	-	-	-	-	-	-	-	**100**
80.	Profits (Losses) on trading	-	-	-	-	-	-	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**200**
90.	Fair value adjustments in hedge accounting	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2**
100	Profits (Losses) on disposal or repurchase of:	-	-	-	-	-	-	-	-	-	210	-	-	-	-	-	-	-18	-	-	-	-	-	-	-	**192**
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	*205*	-	-	-	-	-	-	-	-	-	-	-	-	-	**205**
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	*12*	-	-	-	-	*-18*	-	-	-	-	-	-	-	**-6**
	c) financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	*-7*	-	-	-	-	-	-	-	-	-	-	-	**-7**
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	249	-	-	-386	-	-	-	-	-15	-	-	**-152**
	a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*225*	-	*810*	-	-	-	-	-	-	-	**1,035**
	b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*24*	*-1,196*	-	-	-	-	*-15*	-	-	**-1,187**
120.	**Net interest and other banking income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**4,986**
130.	Net losses/recoveries for credit risks associated with:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-673	-	-	-43	-	-	**-716**
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-640*	-	-	-	-	**-640**
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-33*	*-43*	-	-	**-76**
140.	Profits (Losses) on changes in contracts without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-2	-	**-2**
150.	**Net income from banking activities**	**2,641**	**-676**	**1,965**	**2,905**	**-693**	**2,212**	**34**	**200**	**2**	**210**	**205**	**12**	**-7**	**249**	**225**	**24**	**129**	**5,001**	**-673**	**-640**	**-33**	**-58**	**-2**	**4,268**	**4,268**

(millions of euro)

31 March 2022 published 31 March 2022 New 262		160. Net insurance premiums	170. Other net insurance income (expense)	**180. Net income from banking and insurance activities**	190. Administrative expenses:	a) personnel expenses	b) other administrative expenses	200. Net provisions for risks and charges	a) commitments and guarantees given	b) other net provisions	210. Net adjustments to / recoveries on property and equipment	220. Net adjustments to / recoveries on intangible assets	230. Other operating expenses (income)	**240. Operating expenses**	250. Profits (Losses) on investments in associates and companies subject to joint control	260. Valuation differences on property, equipment and intangible assets measured at fair value	270. Goodwill impairment	280. Profits (Losses) on disposal of investments	**290. Income (Loss) before tax from continuing operations**	300. Taxes on income from continuing operations	**310. Income (Loss) after tax from continuing operations**	320. Income (Loss) after tax from discontinued operations	**330. Net income (loss)**	340. Minority interests	**350. Parent Company' s net income (loss)**	TOTAL
160.	Insurance service result	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**789**
	a) insurance revenue arising from insurance contracts issued	2,617	-15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2,602**
	b) insurance service expenses arising from insurance contracts issued	-	1,806	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-1,806**
	c) insurance revenue arising from reinsurance contracts held	-	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**16**
	d) insurance service expenses arising from reinsurance contracts held	-28	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-23**
170.	Balance of financial income and expenses related to insurance operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-398**
	a) net financial expenses/revenue related to insurance contracts issued	-	-398	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-398**
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
180.	**Net income from banking and insurance activities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,659**
190	Administrative expenses:	-	-	-	-2,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-2,829**
	a) personnel expenses	-	-	-	-	-1,561	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-1,561**
	b) other administrative expenses	-	-	-	-	-	-1,268	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-1,268**
200	Net provisions for risks and charges	-	-	-	-	-	-	-37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-37**
	a) commitments and guarantees given	-	-	-	-	-	-	-	-74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-74**
	b) other net provisions	-	-	-	-	-	-	-	-	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**37**
210	Net adjustments to / recoveries on property and equipment	-	-	-	-	-	-	-	-	-	-168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-168**
220	Net adjustments to / recoveries on intangible assets	-	-	-	-	-	-	-	-	-	-	-230	-	-	-	-	-	-	-	-	-	-	-	-	-	**-230**
230	Other operating expenses (income)	-	-	-	-	-	-	-	-	-	-	-	249	-	-	-	-	-	-	-	-	-	-	-	-	**249**
240.	**Operating expenses**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-3,015**
250	Profits (Losses) on investments in associates and companies subject to joint Control	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	**3**
260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
270	Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
280	Profits (Losses) on disposal of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	**2**
290.	**Income (Loss) before tax from continuing operations**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,649**
300.	Taxes on income from continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-622	-	-	-	-	-	**-622**
310.	**Income (Loss) after tax from continuing operations**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,027**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
330.	**Net income (loss)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,027**
340.	Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-3	-	**-3**
350.	**Parent Company's net income (loss)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,024**
TOTAL		**2,589**	**-2,198**	**4,659**	**-2,829**	**-1,561**	**-1,268**	**-37**	**-74**	**37**	**-168**	**-230**	**249**	**3,015**	**3**	**-**	**-**	**2**	**1,649**	**-622**	**1,027**	**-**	**1,027**	**-3**	**1,024**	

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

(millions of euro)

			Effect of transition to IFRS 9/IFRS 17			
		TOTAL ASSETS as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL ASSETS as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Cash and cash equivalents	112,924	-	-	-	112,924
20.	Financial assets measured at fair value through profit or loss	150,616	-	-	-	150,616
30.	Financial assets measured at fair value through other comprehensive income	119,504	-	4	4	119,508
40.	Financial assets measured at amortised cost	528,081	-	-	-	528,081
50.	Hedging derivatives	10,075	-	-	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-	-	-	-9,752
70.	Investments in associates and companies subject to joint control	2,013	-	-	-	2,013
80.	Insurance assets	272	-149	28	-121	151
90.	Property and equipment	10,505	-	-	-	10,505
100.	Intangible assets	9,830	-685	92	-593	9,237
110.	Tax assets	18,273	163	-306	-143	18,130
120.	Non-current assets held for sale and discontinued operations	638	-	-	-	638
130.	Other assets	22,704	-84	-159	-243	22,461
TOTAL ASSETS		**975,683**	**-755**	**-341**	**-1,096**	**974,587**

(millions of euro)

		TOTAL LIABILITIES as at 31.12.2022 (a)	Effect of transition to IFRS 9/IFRS 17			TOTAL LIABILITIES as at 31.12.2022 (e) = (a) + (d)
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	
		POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS				POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Financial liabilities measured at amortised cost	670,140	-	-13	-13	670,127
20.	Financial liabilities held for trading	46,512	-	-	-	46,512
30.	Financial liabilities designated at fair value	63,009	-1	-1	-2	63,007
40.	Hedging derivatives	5,517	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-	-	-	-8,031
60.	Tax liabilities	2,306	-268	-17	-285	2,021
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	-	-	15
80.	Other liabilities	10,966	-101	-102	-203	10,763
90.	Employee termination indemnities	852	-	-	-	852
100.	Allowances for risks and charges	4,960	-	-	-	4,960
110.	Insurance liabilities	117,616	600	-641	-41	117,575
TOTAL LIABILITIES		**913,862**	**230**	**-774**	**-544**	**913,318**
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**975,683**	**-755**	**-341**	**-1,096**	**974,587**

(millions of euro)

		TOTAL as at 31.12.2022 (a)	Effect of transition to IFRS 9/IFRS 17			TOTAL as at 31.12.2022 (e) = (a) + (d)
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	
		POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS				POST IFRS9 and IFRS17 FTA Classification and measurement
120.	Valuation reserves	-2,635	-138	315	177	-2,458
130.	Redeemable shares	-	-	-	-	-
140.	Equity instruments	7,211	-	-	-	7,211
150.	Reserves	15,827	-847	93	-754	15,073
155.	Interim dividend (-)	-1,400	-	-	-	-1,400
160.	Share premium reserve	28,053	-	-	-	28,053
170.	Share capital	10,369	-	-	-	10,369
180.	Treasury shares (-)	-124	-	-	-	-124
190.	Minority interests (+/-)	166	-	-	-	166
200.	Net income (loss) (+/-)	4,354	-	25	25	4,379
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**

Reconciliation between consolidated income statement for the period ended 31 March 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for the period ended 31 March 2022

(millions of euro)

		TOTAL as at 31.03.2022 (a)	Effect of transition to IFRS 9/IFRS 17 (b)	TOTAL as at 31.03.2022 (c) = (a) + (b)
		POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect during the first quarter of 2022	POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Interest and similar income	3,127	-	**3,127**
20.	Interest and similar expense	-695	-	-695
30.	**Interest margin**	**2,432**	**-**	**2,432**
40.	Fee and commission income	2,905	-	2,905
50.	Fee and commission expense	-693	3	-690
60.	**Net fee and commission income**	**2,212**	**3**	**2,215**
70.	Dividend and similar income	100	-	100
80.	Profits (Losses) on trading	200	241	441
90.	Fair value adjustments in hedge accounting	2	-	2
100	Profits (Losses) on disposal or repurchase of:	192	-	192
	a) financial assets measured at amortised cost	*205*	-	*205*
	b) financial assets measured at fair value through other comprehensive income	*-6*	-	*-6*
	c) financial liabilities	*-7*	-	*-7*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-152	-1,043	-1,195
	a) financial assets and liabilities designated at fair value	*1,035*	-	*1,035*
	b) other financial assets mandatorily measured at fair value	*-1,187*	*-1,043*	*-2,230*
120.	**Net interest and other banking income**	**4,986**	**-799**	**4,187**
130.	Net losses/recoveries for credit risks associated with:	-716	-	-716
	a) financial assets measured at amortised cost	*-640*	-	*-640*
	b) financial assets measured at fair value through other comprehensive income	*-76*	-	*-76*
140.	Profits (Losses) on changes in contracts without derecognition	-2	-	-2
150.	**Net income from banking activities**	**4,268**	**-799**	**3,469**
160.	Insurance service result	789	-495	294
	a) insurance revenue arising from insurance contracts issued	*2,602*	*493*	*3,095*
	b) insurance service expenses arising from insurance contracts issued	*-1,806*	*-963*	*-2,769*
	c) insurance revenue arising from reinsurance contracts held	*16*	*-1*	*15*
	d) insurance service expenses arising from reinsurance contracts held	*-23*	*-24*	*-47*
170.	Balance of financial income and expenses related to insurance operations	-398	1,185	787
	a) net financial expenses/revenue related to insurance contracts issued	*-398*	*1,185*	*787*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	**-**
180.	**Net income from banking and insurance activities**	**4,659**	**-109**	**4,550**
190	Administrative expenses:	-2,829	114	-2,715
	a) personnel expenses	*-1,561*	*79*	*-1,482*
	b) other administrative expenses	*-1,268*	*35*	*-1,233*
200	Net provisions for risks and charges	-37	-18	-55
	a) commitments and guarantees given	*-74*	-	*-74*
	b) other net provisions	*37*	*-18*	*19*
210	Net adjustments to / recoveries on property and equipment	-168	7	-161
220	Net adjustments to / recoveries on intangible assets	-230	31	-199
230	Other operating expenses (income)	249	-	249
240.	**Operating expenses**	**-3,015**	**134**	**-2,881**
250	Profits (Losses) on investments in associates and companies subject to joint control	3	-	3
260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	**-**
270	Goodwill impairment	-	-	**-**
280	Profits (Losses) on disposal of investments	2	-	2
290.	**Income (Loss) before tax from continuing operations**	**1,649**	**25**	**1,674**
300.	Taxes on income from continuing operations	-622	-6	-628
310.	**Income (Loss) after tax from continuing operations**	**1,027**	**19**	**1,046**
320.	Income (Loss) after tax from discontinued operations	-	-	-
330.	**Net income (loss)**	**1,027**	**19**	**1,046**
340.	Minority interests	-3	-	-3
350.	**Parent Company's net income (loss)**	**1,024**	**19**	**1,043**

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

The IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 did not require any adjustments.

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for the period ended 31 March 2022 and restated consolidated income statement for the period ended 31 March 2022

(millions of euro)

		31.03.2022 (IFRS 9/IFRS 17 insurance segment)	Change in the scope of consolidation (a)	Contribution of Training Business Line (b)	31.03.2022 Restated
10.	Interest and similar income	3,127	3	-	3,130
	of which: interest income calculated using the effective interest rate method	*2,964*	-	-	*2,964*
20.	Interest and similar expense	-695	-2	-	-697
30.	**Interest margin**	**2,432**	**1**	**-**	**2,433**
40.	Fee and commission income	2,905	11	-	2,916
50.	Fee and commission expense	-690	-2	-	-692
60.	**Net fee and commission income**	**2,215**	**9**	**-**	**2,224**
70.	Dividend and similar income	100	-	-	100
80.	Profits (Losses) on trading	441	2	-	443
90.	Fair value adjustments in hedge accounting	2	-	-	2
100.	Profits (Losses) on disposal or repurchase of:	192	-	-	192
	a) financial assets measured at amortised cost	*205*	-	-	*205*
	b) financial assets measured at fair value through other comprehensive income	*-6*	-	-	*-6*
	c) financial liabilities	*-7*	-	-	*-7*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-1,195	-	-	-1,195
	a) financial assets and liabilities designated at fair value	*1,035*	-	-	*1,035*
	b) other financial assets mandatorily measured at fair value	*-2,230*	-	-	*-2,230*
120.	**Net interest and other banking income**	**4,187**	**12**	**-**	**4,199**
130.	Net losses/recoveries for credit risks associated with:	-716	-	-	-716
	a) financial assets measured at amortised cost	*-640*	-	-	*-640*
	b) financial assets measured at fair value through other comprehensive income	*-76*	-	-	*-76*
140.	Profits (Losses) on changes in contracts without derecognition	-2	-	-	-2
150.	**Net income from banking activities**	**3,469**	**12**	**-**	**3,481**
160.	Insurance service result	294	-	-	294
	a) insurance revenue arising from insurance contracts issued	*3,095*	-	-	*3,095*
	b) insurance service expenses arising from insurance contracts issued	*-2,769*	-	-	*-2,769*
	c) insurance revenue arising from reinsurance contracts held	*15*	-	-	*15*
	d) insurance service expenses arising from reinsurance contracts held	*-47*	-	-	*-47*
170.	Balance of financial income and expenses related to insurance operations	787	-	-	787
	a) net financial expenses/revenue related to insurance contracts issued	*787*	-	-	*787*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-
180.	**Net income from banking and insurance activities**	**4,550**	**12**	**-**	**4,562**
190.	Administrative expenses:	-2,715	-10	-17	-2,742
	a) personnel expenses	*-1,482*	*-7*	*2*	*-1,487*
	b) other administrative expenses	*-1,233*	*-3*	*-19*	*-1,255*
200.	Net provisions for risks and charges	-55	-	-	-55
	a) commitments and guarantees given	*-74*	-	-	*-74*
	b) other net provisions	*19*	-	-	*19*
210.	Net adjustments to / recoveries on property and equipment	-161	-1	-	-162
220.	Net adjustments to / recoveries on intangible assets	-199	-	2	-197
230.	Other operating expenses (income)	249	1	-	250
240.	**Operating expenses**	**-2,881**	**-10**	**-15**	**-2,906**
250.	Profits (Losses) on investments in associates and companies subject to joint control	3	-	-	3
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	2	-	-	2
290.	**Income (Loss) before tax from continuing operations**	**1,674**	**2**	**-15**	**1,661**
300.	Taxes on income from continuing operations	-628	-1	5	-624
310.	**Income (Loss) after tax from continuing operations**	**1,046**	**1**	**-10**	**1,037**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**1,046**	**1**	**-10**	**1,037**
340.	Minority interests	-3	-1	10	6
350.	**Parent Company's net income (loss)**	**1,043**	**-**	**-**	**1,043**

(a) The restatement relates to the income statement results of Compagnie de Banque Privée Quilvest (now Intesa Sanpaolo Wealth Management S.A.) for the first three months of 2022.
(b) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.03.2023	31.12.2022	Changes	
				amount	%
10.	Cash and cash equivalents	77,700	112,924	-35,224	-31.2
20.	Financial assets measured at fair value through profit or loss	150,161	150,616	-455	-0.3
	a) financial assets held for trading	*41,690*	*42,607*	*-917*	*-2.2*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*108,470*	*108,008*	*462*	*0.4*
30.	Financial assets measured at fair value through other comprehensive income	127,345	119,508	7,837	6.6
40.	Financial assets measured at amortised cost	536,501	528,081	8,420	1.6
	a) due from banks	*31,997*	*32,884*	*-887*	*-2.7*
	b) loans to customers	*504,504*	*495,197*	*9,307*	*1.9*
50.	Hedging derivatives	9,112	10,075	-963	-9.6
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,038	-9,752	-714	-7.3
70.	Investments in associates and companies subject to joint control	2,395	2,013	382	19.0
80.	Insurance assets	513	151	362	
	a) insurance contracts issued that are assets	*298*	*18*	*280*	
	b) reinsurance contracts held that are assets	*215*	*133*	*82*	*61.7*
90.	Property and equipment	10,361	10,505	-144	-1.4
100.	Intangible assets	9,101	9,237	-136	-1.5
	of which:				
	- goodwill	*3,623*	*3,626*	*-3*	*-0.1*
110.	Tax assets	17,104	18,130	-1,026	-5.7
	a) current	*3,195*	*3,520*	*-325*	*-9.2*
	b) deferred	*13,909*	*14,610*	*-701*	*-4.8*
120.	Non-current assets held for sale and discontinued operations	243	638	-395	-61.9
130.	Other assets	23,677	22,461	1,216	5.4
Total assets		**955,175**	**974,587**	**-19,412**	**-2.0**

(millions of euro)

	Liabilities and Shareholders' Equity	31.03.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	638,954	670,127	-31,173	-4.7
	a) due to banks	*120,715*	*138,132*	*-17,417*	*-12.6*
	b) due to customers	*432,880*	*454,595*	*-21,715*	*-4.8*
	c) securities issued	*85,359*	*77,400*	*7,959*	*10.3*
20.	Financial liabilities held for trading	45,682	46,512	-830	-1.8
30.	Financial liabilities designated at fair value	64,992	63,007	1,985	3.2
40.	Hedging derivatives	5,216	5,517	-301	-5.5
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,292	-8,031	-739	-9.2
60.	Tax liabilities	1,964	2,021	-57	-2.8
	a) current	*457*	*303*	*154*	*50.8*
	b) deferred	*1,507*	*1,718*	*-211*	*-12.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	15	-15	
80.	Other liabilities	18,610	10,763	7,847	72.9
90.	Employee termination indemnities	824	852	-28	-3.3
100.	Allowances for risks and charges	4,806	4,960	-154	-3.1
	a) commitments and guarantees given	*673*	*711*	*-38*	*-5.3*
	b) post-employment benefits	*140*	*139*	*1*	*0.7*
	c) other allowances for risks and charges	*3,993*	*4,110*	*-117*	*-2.8*
110.	Insurance liabilities	119,815	117,575	2,240	1.9
	a) insurance contracts issued that are liabilities	*119,796*	*117,561*	*2,235*	1.9
	b) reinsurance contracts held that are liabilities	*19*	*14*	*5*	35.7
120.	Valuation reserves	-2,214	-2,458	-244	-9.9
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,214	7,211	3	0.0
150.	Reserves	19,243	15,073	4,170	27.7
155.	Interim dividend (-)	-1,400	-1,400	-	-
160.	Share premium reserve	27,996	28,053	-57	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Own shares (-)	-1,701	-124	1,577	
190.	Minority interests (+/-)	141	166	-25	-15.1
200.	Net income (loss) (+/-)	1,956	4,379	-2,423	-55.3
	Total liabilities and shareholders’ equity	**955,175**	**974,587**	**-19,412**	**-2.0**

Restated consolidated income statement

(millions of euro)

		31.03.2023	31.03.2022	Changes	
			Restated	amount	%
10.	Interest and similar income	6,620	3,130	3,490	
	of which: interest income calculated using the effective interest rate method	*5,962*	*2,964*	*2,998*	
20.	Interest and similar expense	-2,896	-697	2,199	
30.	**Interest margin**	**3,724**	**2,433**	**1,291**	**53.1**
40.	Fee and commission income	2,586	2,916	-330	-11.3
50.	Fee and commission expense	-668	-692	-24	-3.5
60.	**Net fee and commission income**	**1,918**	**2,224**	**-306**	**-13.8**
70.	Dividend and similar income	123	100	23	23.0
80.	Profits (Losses) on trading	33	443	-410	-92.6
90.	Fair value adjustments in hedge accounting	-14	2	-16	
100.	Profits (Losses) on disposal or repurchase of:	111	192	-81	-42.2
	a) financial assets measured at amortised cost	*52*	*205*	*-153*	*-74.6*
	b) financial assets measured at fair value through other comprehensive income	*51*	*-6*	*57*	
	c) financial liabilities	*8*	*-7*	*15*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	919	-1,195	2,114	
	a) financial assets and liabilities designated at fair value	*-908*	*1,035*	*-1,943*	
	b) other financial assets mandatorily measured at fair value	*1,827*	*-2,230*	*4,057*	
120.	**Net interest and other banking income**	**6,814**	**4,199**	**2,615**	**62.3**
130.	Net losses/recoveries for credit risks associated with:	-297	-716	-419	-58.5
	a) financial assets measured at amortised cost	*-257*	*-640*	*-383*	*-59.8*
	b) financial assets measured at fair value through other comprehensive income	*-40*	*-76*	*-36*	*-47.4*
140.	Profits (Losses) on changes in contracts without derecognition	6	-2	8	
150.	**Net income from banking activities**	**6,523**	**3,481**	**3,042**	**87.4**
160.	Insurance service result	663	294	369	
	a) insurance revenue arising from insurance contracts issued	6,162	3,095	3,067	99.1
	b) insurance service expenses arising from insurance contracts issued	-5,495	-2,769	2,726	98.4
	c) insurance revenue arising from reinsurance contracts held	41	15	26	
	d) insurance service expenses arising from reinsurance contracts held	-45	-47	-2	-4.3
170.	Balance of financial income and expenses related to insurance operations	-1,532	787	-2,319	
	a) net financial expenses/revenue related to insurance contracts issued	-1,533	787	-2,320	
	b) net financial expenses/revenue related to reinsurance contracts held	1	-	1	
180.	**Net income from banking and insurance activities**	**5,654**	**4,562**	**1,092**	**23.9**
190.	Administrative expenses:	-2,741	-2,742	-1	-0.0
	a) personnel expenses	*-1,507*	*-1,487*	*20*	*1.3*
	b) other administrative expenses	*-1,234*	*-1,255*	*-21*	*-1.7*
200.	Net provisions for risks and charges	-17	-55	-38	-69.1
	a) commitments and guarantees given	*35*	*-74*	*109*	
	b) other net provisions	*-52*	*19*	*-71*	
210.	Net adjustments to / recoveries on property and equipment	-164	-162	2	1.2
220.	Net adjustments to / recoveries on intangible assets	-228	-197	31	15.7
230.	Other operating expenses (income)	239	250	-11	-4.4
240.	**Operating expenses**	**-2,911**	**-2,906**	**5**	**0.2**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-9	3	-12	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	3	-	3	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	122	2	120	
290.	**Income (Loss) before tax from continuing operations**	**2,859**	**1,661**	**1,198**	**72.1**
300.	Taxes on income from continuing operations	-896	-624	272	43.6
310.	**Income (Loss) after tax from continuing operations**	**1,963**	**1,037**	**926**	**89.3**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**1,963**	**1,037**	**926**	**89.3**
340.	Minority interests	-7	6	-13	
350.	**Parent Company's net income (loss)**	**1,956**	**1,043**	**913**	**87.5**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets		31.03.2023	31.12.2022
Cash and cash equivalents		**77,700**	**112,924**
Caption 10	Cash and cash equivalents	77,700	112,924
Due from banks		**30,468**	**31,273**
Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (contribution of banking business)	30,335	31,144
Caption 20a (partial)	Financial assets held for trading - Due from banks (contribution of banking business)	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks (contribution of banking business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks (contribution of banking business)	33	29
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks (contribution of banking business)	100	100
Loans to customers		**449,860**	**446,854**
Loans to customers measured at amortised cost		***447,419***	***444,244***
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (contribution of banking business)	441,237	437,973
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (contribution of banking business)	6,182	6,271
Loans to customers designated at fair value through other comprehensive income and through profit or loss		***2,441***	***2,610***
Caption 20a (partial)	Financial assets held for trading - Loans to customers (contribution of banking business)	85	86
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers (contribution of banking business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers (contribution of banking business)	987	916
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers (contribution of banking business)	1,369	1,608
Financial assets measured at amortised cost which do not constitute loans		**58,744**	**52,690**
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks) (contribution of banking business)	1,662	1,740
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (contribution of banking business)	57,082	50,950
Financial assets at fair value through profit or loss		**45,988**	**46,546**
Caption 20a (partial)	Financial assets held for trading (contribution of banking business)	41,566	42,436
Caption 20b (partial)	Financial assets designated at fair value - Debt securities (contribution of banking business)	1	1
Caption 20c (partial)	Other financial assets mandatorily measured at fair value (contribution of banking business)	4,421	4,109
Financial assets at fair value through other comprehensive income		**53,314**	**48,008**
Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (contribution of banking business)	53,314	48,008
Financial assets pertaining to insurance companies measured at amortised cost		**3**	**3**
Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (contribution of insurance business)	-	-
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (contribution of insurance business)	3	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss		**103,096**	**103,052**
Caption 20a (partial)	Financial assets held for trading (contribution of insurance business)	38	85
Caption 20b (partial)	Financial assets designated at fair value (contribution of insurance business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value (contribution of insurance business)	103,030	102,954
Caption 50 (partial)	Hedging derivatives (contribution of insurance business)	28	13
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income		**72,562**	**69,792**
Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (contribution of insurance business)	72,562	69,792
Equity investments		**2,395**	**2,013**
Caption 70	Investments in associates and companies subject to joint control	2,395	2,013
Property, equipment and intangible assets		**19,462**	**19,742**
Assets owned		***17,995***	***18,248***
Caption 90 (partial)	Property and equipment	8,894	9,011
Caption 100	Intangible assets	9,101	9,237
Rights of use acquired under leases		***1,467***	***1,494***
Caption 90 (partial)	Property and equipment	1,467	1,494
Tax assets		**17,104**	**18,130**
Caption 110	Tax assets	17,104	18,130
Non-current assets held for sale and discontinued operations		**243**	**638**
Caption 120	Non-current assets held for sale and discontinued operations	243	638
Other assets		**24,236**	**22,922**
Caption 50	Hedging derivatives (contribution of banking business)	9,084	10,062
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-9,038	-9,752
Caption 80	Insurance assets	513	151
Caption 130	Other assets	23,677	22,461
Total Assets		**955,175**	**974,587**

Liabilities		(millions of euro) 31.03.2023	31.12.2022
Due to banks at amortised cost		**120,018**	**137,489**
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks (contribution of banking business)	120,022	137,495
-Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of banking business)	-4	-6
Due to customers at amortised cost and securities issued		**515,369**	**528,795**
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers (contribution of banking business)	432,636	454,038
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued (contribution of banking business)	84,016	76,066
-Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of banking business)	-1,283	-1,309
Financial liabilities held for trading		**45,681**	**46,512**
Caption 20	Financial liabilities held for trading (contribution of banking business)	45,681	46,512
Financial liabilities designated at fair value		**10,893**	**8,795**
Caption 30	Financial liabilities designated at fair value (contribution of banking business)	10,893	8,795
Financial liabilities pertaining to insurance companies measured at amortised cost		**2,275**	**2,522**
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (contribution of insurance business)	693	637
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (contribution of insurance business)	244	557
Caption 10 c) (partial)	Financial liabilities measured at amortised cost - Securities issued (contribution of insurance business)	1,343	1,334
-Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of insurance business)	-	-
-Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of insurance business)	-5	-6
Financial liabilities held for trading pertaining to insurance companies		**111**	**171**
Caption 20 (partial)	Financial liabilities held for trading (contribution of insurance business)	**1**	**-**
Caption 40 (partial)	Hedging derivatives (contribution of insurance business)	110	171
Financial liabilities pertaining to insurance companies designated at fair value		**54,099**	**54,212**
Caption 30 (partial)	Financial liabilities designated at fair value (contribution of insurance business)	54,099	54,212
Tax liabilities		**1,964**	**2,021**
Caption 60	Tax liabilities	1,964	2,021
Liabilities associated with non-current assets held for sale and discontinued operations		**-**	**15**
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	-	15
Other liabilities		**17,716**	**9,399**
Caption 40	Hedging derivatives (contribution of banking business)	5,106	5,346
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,292	-8,031
Caption 80	Other liabilities	18,610	10,763
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of banking business)	4	6
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (contribution of insurance business)	-	-
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of banking business)	1,283	1,309
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (contribution of insurance business)	5	6
Insurance liabilities		**119,815**	**117,575**
Caption 110	Insurance liabilities	119,815	117,575
Allowances for risks and charges		**5,630**	**5,812**
Caption 90	Employee termination indemnities	824	852
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	673	711
Caption 100 b)	Allowances for risks and charges - Post-employment benefits	140	139
Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	3,993	4,110
Share capital		**10,369**	**10,369**
Caption 170	Share capital	10,369	10,369
Reserves		**45,538**	**43,002**
Caption 130	Redeemable shares	-	-
Caption 150	Reserves	19,243	15,073
Caption 160	Share premium reserve	27,996	28,053
- Caption 180	Treasury shares (-)	-1,701	-124
Valuation reserves		**-1,794**	**-1,939**
Caption 120	Valuation reserves (contribution of banking business and including IAS19 Reserves pertaining to insurance business)	-1,794	-1,939
Valuation reserves pertaining to insurance companies		**-420**	**-519**
Caption 120	Valuation reserves (contribution of insurance business)	-420	-519
Interim dividend		**-1,400**	**-1,400**
Caption 155	Interim dividend (-)	-1,400	-1,400
Equity instruments		**7,214**	**7,211**
Caption 140	Equity instruments	7,214	7,211
Minority interests		**141**	**166**
Caption 190	Minority interests	141	166
Net income (loss)		**1,956**	**4,379**
Caption 200	Net income (loss) (+/-)	1,956	4,379
Total Liabilities and Shareholders' Equity		**955,175**	**974,587**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions		31.03.2023	31.03.2022 Restated
Net interest income		**3,254**	**1,957**
Caption 30	Interest margin	3,724	2,433
- Caption 30 (partial)	Net interest income (Contribution of insurance business)	-425	-475
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	3	2
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	34	18
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-	12
+ 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	-63	-29
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-11	-5
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-8	-
Net fee and commission income		**2,137**	**2,289**
Caption 60	Net fee and commission income	1,918	2,224
- Caption 60 (partial)	Net fee and commission income - Insurance segment	183	70
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	1	1
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-	-12
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	14	17
+ 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)	62	13
+ 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	1	-3
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of Banking Business) Fee and commission income Private Banking Division investment advisors	-15	-3
+ Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-17	-6
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	-10	-12
Income from insurance business		**397**	**392**
Caption 160	Insurance service result	663	294
Caption 170	Balance of financial income and expenses related to insurance operations	-1,532	787
+ Caption 30 (partial)	Net interest income (Contribution of insurance business)	425	475
+ Caption 60 (partial)	Net fee and commission income - Insurance segment	-183	-70
+ 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) (Contribution of Insurance Business)	77	66
+ Caption 80 (partial)	Profits (Losses) on trading (Contribution of Insurance Business)	-45	218
+ Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of Insurance Business)	-	-
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income - Contribution of Insurance Business	-101	-18
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss - Contribution of Insurance Business	-783	810
+ 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 (Contribution of Insurance Business)	1,749	-2,254
+ Caption 130 b) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income (Contribution of Insurance Business)	-28	-43
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	84	79
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	40	35
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	6	7
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	10	4
- Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of Banking Business) Fee and commission income Private Banking Division investment advisors	15	3
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of Insurance Business	-	-1

(millions of euro)

Captions		31.03.2023	31.03.2022 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**262**	**769**
Caption 80	Profits (Losses) on trading	33	443
Caption 90	Fair value adjustments in hedge accounting	-14	2
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	-908	1,035
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	1,827	-2,230
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	51	-6
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	8	-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 (including dividends on UCIs) (Contribution of Banking Business)	46	34
- 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)	-14	-17
- Caption 80 (partial)	Profits (Losses) on trading (Contribution of Insurance Business)	45	-218
- Caption 80 (partial)	Hedging swap differentials	63	29
- Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of Insurance Business)	-	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income (Contribution of Insurance Business)	101	18
+ 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	58	221
- 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)	-62	-13
- 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 (Contribution of Insurance Business)	783	-810
- 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 (Contribution of Insurance Business)	-1,749	2,254
- 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	-15	23
- 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)	-8	7
- 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 (amounts attributed to net adjustments on loans)	14	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of Banking Business)	-1	-1
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	4	6

(millions of euro)

Captions		31.03.2023	31.03.2022 Restated
Other operating income (expenses)		**7**	**4**
Caption 70	Dividend and similar income	123	100
Caption 230	Other operating expenses (income)	239	250
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-3	-2
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-1	-1
+ 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	6	-
- 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) (Contribution of Banking Business)	-46	-34
- 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) (Contribution of Insurance Business)	-77	-66
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-5	-5
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-219	-236
- Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	1	4
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	2	1
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-4	-6
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-3	-2
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-16	-11
+ 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)	11	13
Operating income		**6,057**	**5,411**
Personnel expenses		**-1,560**	**-1,576**
Caption 190 a)	Personnel expenses	-1,507	-1,487
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	3	-21
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	11	5
- Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	17	6
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	-84	-79
Other administrative expenses		**-644**	**-634**
Caption 190 b)	Other administrative expenses	-1,234	-1,255
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	7	12
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	338	377
- Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	10	12
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	3	2
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	48	12
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	-40	-35
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	219	236
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	5	5
Adjustments to property, equipment and intangible assets		**-332**	**-314**
Caption 210	Net adjustments to / recoveries on property and equipment	-164	-162
Caption 220	Net adjustments to / recoveries on intangible assets	-228	-197
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of Insurance Business	-	1
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	13	12
- 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)	16	11
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	-6	-7
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	-10	-4
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	33	23
- 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)	13	7
- 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		**-2,536**	**-2,524**
Operating margin		**3,521**	**2,887**

(millions of euro)

Captions		31.03.2023	31.03.2022 Restated
Net adjustments to loans		**-189**	**-702**
Caption 140	Profits/losses from changes in contracts without derecognition	6	-2
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	35	-74
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Loans (Contribution of Banking Business)	-14	-16
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of Banking Business)	8	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) (Contribution of Banking Business)	22	29
+ 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 (amounts attributed to net adjustments on loans)	-14	-
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Contribution of Banking Business)	-244	-627
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of Banking Business)	2	-5
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Loans (Contribution of Banking Business)	10	-7
Other net provisions and net impairment losses on other assets		**-70**	**-52**
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	3	-
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-52	19
+ 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	8	-20
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of Banking Business)	-16	-7
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities due to Banks (Contribution of Banking Business)	1	-1
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Debt securities (Contribution of Banking Business)	-22	-26
- 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)	8	-
- 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
Other income (expenses)		**101**	**-4**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	-9	3
Caption 280	Profits (Losses) on disposal of investments	122	2
Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of Banking Business)	57	221
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of Banking Business)	1	-
- 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	-58	-221
+ Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-1	-4
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-11	-13
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-	8
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)		**3,363**	**2,129**

(millions of euro)

Captions		31.03.2023	31.03.2022 Restated
Taxes on income		**-1,084**	**-776**
Caption 300	Taxes on income from continuing operations	-896	-624
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	-48	-12
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-16	-4
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-22	-18
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-102	-118
- 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		**-42**	**-16**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-3	21
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-7	-12
+ 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)	-13	-12
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-33	-23
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-2	-1
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	16	4
Effect of purchase price allocation (net of tax)		**-46**	**-34**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-34	-18
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) - (Contribution of Banking Business)	-22	-29
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of Banking Business)	1	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)	-13	-7
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	22	18
Levies and other charges concerning the banking industry (net of tax)		**-228**	**-266**
+ 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)	8	-7
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-338	-377
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	102	118
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		**-7**	**6**
Caption 340	Minority interests	-7	6
Net income (loss)		**1,956**	**1,043**

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

Approval of the half-yearly report as at 30 June 2023:	28 July 2023
Approval of the Interim Statement as at 30 September 2023:	3 November 2023

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GALLERIE D'ITALIA.
FOUR MUSEUMS, ONE 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 - Milano hosts, in a building of great architectural importance, a significant selection of two hundred 19th century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on 20th century Italian art.

Gallerie d'Italia - Vicenza showcases examples of 18th century art from the Veneto region, including a collection of paintings by Pietro Longhi and the extraordinary sculpture depicting *The Fall of the Rebel Angels*, with more than seventy figures carved from a single block of Carrara marble. It also holds one of the most important collections of Russian icons in the West.

Gallerie d'Italia - Napoli: the new location opened in spring 2022 through a project by Michele De Lucchi – AMDL Circle transforms the spaces of the historic monumental building of the former Banco di Napoli and expands the well-known collection of Neapolitan and southern Italian art to include masterpieces from the 17th to the 20th century, an exhibit of Attic and Magna Graecia pottery and a rich offering of modern and contemporary art.

Gallerie d'Italia - Torino: the recent architectural project designed by Michele De Lucchi - AMDL Circle transforms the spaces of Palazzo Turinetti into a place where photography and video art document and preserve images, events and reflections to promote issues related to the evolution of sustainability. Gallerie d'Italia – Torino is also home to an invaluable collection of Piedmontese works, withpaintings, sculptures, tapestries and furnishings from the 14th to the 18th centuries, including the nine large canvases produced in the second half of the 17th century for the old Oratory of the Saint Paul Company, which has since been destroyed; it also holds the Intesa Sanpaolo Publifoto Archive, which is a collection of more than seven million images from the news as well as political, cultural and social events from the 1930s to the 1980s.

Cover:

Gallerie d'Italia - Torino
Sala Turinetti
Piazza San Carlo 156, Turin
Inside the new museum complex
Project by AMDL CIRCLE and
Michele De Lucchi
Photo: DSL Studio