
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 second 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 companies¹⁷, 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.

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.

With specific regard to risk management, details concerning credit risk are provided in the paragraph “The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine”, and there continue to be no significant impacts of the Russian-Ukrainian conflict on the counterparty risk and market risk measurement metrics for the Group’s trading book and banking book. Likewise, in light of the low exposure to Russian and Ukrainian counterparties, there were no significant impacts on the Group’s consolidated liquidity position. With regard to foreign exchange risk, there continue to be no significant impacts due to the low exposures. With regard to operational risks, the additional costs incurred for business continuity and

¹⁷ 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.

any losses resulting from physical damage to premises/branches located in the conflict zone form part of the monitoring of the exposure to the risk, including that relating to the Risk Appetite Framework. Lastly, with regard to the monitoring of insurance risks, the focus remains on exposures to countries involved in the conflict, which are still entirely residual in nature compared to the total assets.

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. In the first three months of 2024, the project work continued on the preparations for the incorporation of the restructuring of the Basel Committee agreements (“Basel 4”).

With regard to credit risk, there were no changes compared to 31 December 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 both counterparty risk and operational risks, there were also no changes in the scope of application compared to 31 December 2023.

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 2024.

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 2024, 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)

	31.03.2024 (*)				31.12.2023 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	808	182	597	127	872	186	643	123
<i>Banca Intesa Russia</i>	187	-	111	-	197	-	117	-
<i>Pravex</i>	-	54	-	-	-	62	-	-
<i>Cross-border exposures</i>	621	128	486	127	675	124	526	123
Due from banks	709	65	699	64	707	59	696	59
<i>Banca Intesa Russia</i>	693	-	685	-	691	-	683	-
<i>Pravex</i>	-	65	-	64	-	59	-	59
<i>Cross-border exposures</i>	16	-	14	-	16	-	13	-
Securities	8	53	6	50	12	53	10	49
<i>Banca Intesa Russia</i>	7	-	6	-	11	-	10	-
<i>Pravex</i>	-	48	-	48	-	48	-	47
<i>IMI C&IB Division</i>	-	-	-	-	-	-	-	-
<i>Insurance Division</i>	1	5	-	2	1	5	-	2

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 43 million euro (37 million euro net) at Banca Intesa Russia, and 37 million euro (gross and net value) at Pravex, in addition to 24 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 7 million euro (7 million euro net) to customers resident in Ukraine. There is also 66 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Russia and 9 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.

Lastly, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by European and US persons, while, for the household part, the amounts as at 31 March 2024 and the increase of around 4 million euro compared to 31 December 2023 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 46 million euro (39 million euro net) at Banca Intesa Russia, and 34 million euro (gross and net value) at Pravex, in addition to 24 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 25 million euro (24 million euro net) to customers resident in Ukraine.

There is also 66 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Russia and 10 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.

Lastly, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by European and US persons, while, for the household part, mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

As shown in the table, as at 31 March 2024, the remaining on-balance sheet exposures to the total counterparties resident in Russia amounted, in terms of gross values, to 187 million euro (111 million euro net) for Banca Intesa Russia and 621 million euro (486 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 709 million euro (699 million euro net) and in securities totalling 8 million euro (6 million euro net). Exposures to customers resident in Ukraine amounted to 182 million euro (127 million euro net), of which 54 million euro (book value nil in net terms) related to the subsidiary Pravex Bank. These were accompanied by exposures to banks of 65 million euro (64 million euro net) and in securities totalling 53 million euro (50 million euro net). The majority of the exposures to Russian¹⁸ and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 “Financial Instruments”.

During the first quarter of 2024, the gross on-balance sheet exposure to the total counterparties resident in Russia and Ukraine decreased by 64 million euro (-3% from the end of the previous year). This reduction was made up of 54 million euro for non-performing exposures to customers resident in Russia, mainly as a result of repayments on various exposures, 8 million euro for exposures to banks and customers of the investee Banca Intesa Russia, and around 4 million euro for securities issued by Russian counterparties.

The overall net exposure (customers, banks, and securities) as at 31 March 2024 to counterparties resident in Russia and Ukraine, amounting to 1,543 million euro, decreased by 37 million euro (-2%) from 1,580 million euro on 31 December 2023.

As at 31 March 2024, the Group Companies other than those operating in the countries involved in the conflict had a total of 42 million euro of gross on-balance sheet non-performing loans to counterparties resident in Russia.

The non-performing loans of the Russian subsidiary amounted to 41 million euro (40 million euro as at 31 December 2023), while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 54 million euro in bad loans (62 million euro as at 31 December 2023).

In line with the disclosure already provided in the Annual Report as at 31 December 2023, with regard to the portfolio that did not show specific signs of deterioration, the analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific

¹⁸ For these purposes, the small exposures to Belarusian counterparties have for simplicity been treated and disclosed together with the exposures to the Russian Federation.

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 exposures¹⁹, as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19²⁰), using management overlays in the calculation of the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.

For the cross-border positions, the approaches used to determine the ECL as at 31 March 2024 were the same as those already adopted in 2022 and maintained throughout 2023.

The classification to Stage 2 has been confirmed for the counterparties in scope guided by the emergence of “via transfer” risk, namely the risk that counterparties do not honour their debt payment commitments as a result of restrictions or decisions in their countries of residence and not due to aspects directly pertaining to their business, and therefore applied based on the country of residence of the counterparties. This approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL.

Specifically, the ECL on the Core scope is calculated using the through the cycle PD associated to 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. On the other hand, an additional prudential buffer was calculated 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 (unconditioned LGD of 55% set by the transfer risk model). At the same time, the ratings for the highest risk class already assigned to the most significant counterparties exposed to conflict-related risk have been maintained. Lastly, adjustments have been applied to a counterparty (increases in the ECL as calculated above) to capture potential expected losses not adequately measured by the estimates.

The banks of the ISB Division adopt the ratings of the Parent Company and the centrally determined “transfer risk” parameter of LGD on the Group’s common cross-border customers. For the other exposures, the ratings are determined by local models, in line with the instructions received from the Parent Company’s Group Rating Desk.

With reference to loans to customers disbursed by Pravex, the absolutely serious situation in all of Ukraine 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 starting from the 2022 Financial Statements 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 Ukrainian 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, following their classification to Stage 2, 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 35% of their gross value (the same as in December 2023).

The Parent Company and two subsidiaries had provided Banca Intesa Russia with loans to support the bank’s operations with a residual book value as at 31 March 2024 of 211 million euro.

For completeness, you are reminded that the real estate assets of the two subsidiaries were also subject to valuation. 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 maintain the write-off of the value of Pravex’s investment and branch assets and other owner-occupied properties. 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, for Banca Intesa Russia’s small real estate asset portfolio, essentially consisting of the Moscow headquarters, the valuation did not identify any items giving rise to the need for a write-down, substantially confirming the carrying amounts.

The securities portfolio of the investee Banca Intesa Russia, amounting to 7 million euro (11 million euro as at 31 December 2023), consisted of Russian government securities. The securities portfolio of the subsidiary Pravex, amounting to 48 million euro (also 48 million euro as at December 2023), consisted of short-term government securities and securities issued by central banks as an investment of part of the liquidity from the reduction of the loan portfolio.

Overall, there were no significant profit and loss impacts on the Russian and Ukrainian exposures as at 31 March 2024. Before tax, net charges totalling 29 million euro were recognised, of which 5 million euro related to reversals of impairment losses on loans, mainly attributable to collections, and 34 million euro to additional provisions for risks and charges made on consolidation of the investee Banca Intesa Russia to write off its equity contribution to the Group’s consolidated financial statements, which was positive at the end of the first quarter of 2024 due to the investee’s positive operating performance. Following this provision, as at 31 March 2024, the reserve established for this purpose totalled around 197 million euro.

¹⁹ 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.

²⁰ 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.

CREDIT RISK

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and exposures 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, Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a measure, 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 internally calculated 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

	31.03.2024		Net exposure	31.12.2023		Change	
	Gross exposure	Total adjustments		Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,649	-2,662	987	3,390	-2,453	937	50
Unlikely to pay	5,812	-2,271	3,541	5,880	-2,309	3,571	-30
Past due loans	592	-165	427	626	-169	457	-30
Non-Performing Loans	10,053	-5,098	4,955	9,896	-4,931	4,965	-10
<i>Non-performing loans in Stage 3 (subject to impairment)</i>	9,973	-5,066	4,907	9,818	-4,901	4,917	-10
<i>Non-performing loans measured at fair value through profit or loss</i>	80	-32	48	78	-30	48	-
Performing loans	414,536	-2,365	412,171	421,066	-2,436	418,630	-6,459
<i>Stage 2</i>	36,831	-1,701	35,130	37,927	-1,741	36,186	-1,056
<i>Stage 1</i>	376,965	-664	376,301	382,450	-695	381,755	-5,454
<i>Performing loans measured at fair value through profit or loss</i>	740	-	740	689	-	689	51
Performing loans represented by securities	6,069	-23	6,046	5,875	-25	5,850	196
<i>Stage 2</i>	335	-17	318	358	-19	339	-21
<i>Stage 1</i>	5,734	-6	5,728	5,517	-6	5,511	217
Loans held for trading	82	-	82	95	-	95	-13
Total loans to customers	430,740	-7,486	423,254	436,932	-7,392	429,540	-6,286
<i>of which forbore performing</i>	5,038	-336	4,702	5,118	-337	4,781	-79
<i>of which forbore non-performing</i>	3,328	-1,475	1,853	3,217	-1,417	1,800	53
Loans to customers classified as non-current assets held for sale	180	-44	136	181	-42	139	-3

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

As at 31 March 2024, the Group's gross non-performing loans amounted to 10.1 billion euro, up by 157 million euro (+1.6%) compared to December 2023. Their ratio to total loans remained stable at 2.3% gross and 1.2% net (2.3% and 1.2% respectively at the end of 2023). According to the EBA methodology, on the same date the NPL ratio stood at 2.0% gross and 1.0% net, up on December 2023 (1.8% and 0.9% respectively)²¹.

Non-performing loans continue to benefit from new inflows from performing loans which are at moderate levels due to the performance of the prevention initiatives on non-performing loans.

During the first quarter, gross inflows amounted to 739 million euro. In the comparison period of 2023, gross inflows amounted to 657 million euro. In net terms, namely net of outflows to performing loans, inflows amounted to 617 million euro, compared to 427 million euro in the first three months of 2023.

The table shows that the increase in gross non-performing loans was driven by bad loans in the amount of 259 million euro (+7.6%), against a slight reduction in unlikely-to-pay loans of 68 million euro (-1.2%) and in past-due loans, which were also down by 34 million euro.

²¹ The increase was mainly attributable to the decrease in the total exposures used as the denominator of the ratio, which include exposures to banks (including the reserve requirement and on-demand receivables, i.e. current accounts and on-demand deposits).

At the end of the first quarter, the Group's net non-performing loans amounted to 4.96 billion euro, a new all-time low. The ratio of non-performing loans to total net loans to customers came to 1.2% (1.0% according to the EBA definition) with the coverage ratio for non-performing loans amounting to 50.7%, up on the 49.8% at the end of 2023.

In further detail, in March 2024 bad loans amounted to 987 million euro (+5.3%), after adjustments, representing 0.2% of total net loans with a coverage ratio of 73%. Loans included in the unlikely-to-pay category amounted to 3.5 billion euro, down by 0.8%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 39.1%. Past-due loans amounted to 427 million euro (-6.6%), with a coverage ratio of 27.9%. Within the non-performing loan category, forbore exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 1.9 billion euro, with a coverage ratio of 44.3%. Forborne exposures in the performing loan category amounted to 4.7 billion euro.

At the end of the first quarter of 2024, net performing loans amounted to 412.2 billion euro, down on December by 6.5 billion euro (-1.5%), recording total coverage of 0.57%, of which 4.62% in respect of loans in Stage 2 (from 4.59% at the end of 2023).

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 CFO Area Research Department on at least a half-yearly basis (June/December). In March 2024, the forecasts were updated and did not differ substantially from the previous forecasts. As a result, the updating of the scenario would not lead to significant effects on the outcomes of the modelling used for the forward-looking conditioning of the ECL and, therefore, in line with the Group policy, the next update will be made at the time of the Half-Yearly Report.

With regard to the projections for the Eurozone, the first signs of stabilisation of the cycle have emerged in recent months, although they do not yet appear to be signalling an immediate return to growth. The recovery is expected in the second half of 2024, by which time the peak of the lagged effects of the monetary tightening will have passed and the renewed purchasing power of households is expected to support private consumption. In 2024, credit and fiscal conditions will continue to be restrictive, preventing an acceleration in the average annual GDP growth relative to 2023. Compared to December 2023, the growth forecast for the Eurozone in 2024 remains at 0.4%, while the estimate for 2025 has been reduced by two-tenths of a percent to 1.3% in the wake of the ongoing weakness of the German economy, while the forecast for 2026 has been maintained at 1.6%.

For Italy, after stronger-than-expected growth in 2023, the estimates for Italian GDP have been maintained at 0.7% for 2024 and 1.2% for 2025. The risks in the forecast appear to be improving, as indications of an acceleration in expenditure funded by the National Recovery and Resilience Plan could lead to upside risks for the forecast scenario.

Inflation in the Eurozone is expected to return below 2% on average in 2025, although the risks for the forecast scenario are still moderately on the upside. Between June and December, the deposit rate is expected to fall by 75 to 100 basis points, as the ECB, cautiously, approaches the rate-cutting phase.

The above forecast has been prepared in a context where the main scenario uncertainties are related to possible adverse developments in the ongoing conflicts and the results of the US presidential elections at the end of 2024.

Managerial adjustments to the results of the models

In the interim statement as at 31 March, there were no changes to the approaches introduced in the 2023 Annual Report, which are mainly based on two complementary elements:

- the adjustment to the outcomes of the forward-looking conditioning model, due to the introduction of a factor derived from "extreme scenarios", aimed at capturing the impacts of increased uncertainty in the macroeconomic conditions (due, for example, to geopolitical risks or repercussions connected to the higher-than-expected inflation) not captured by the current methodology based on the most likely and alternative scenarios;
- the risk-sensitive post-model adjustments, aimed at reinforcing the provisioning on selected portfolios in relation to potential vulnerabilities and credit risk divergences not captured by the models used, especially in the current economic environment often characterised by crises that affect individual product sectors asymmetrically.

The approaches are described in detail in Part E, Section 2 - Risks of the prudential consolidation - 1.1 Credit Risk, of the Notes to the Consolidated Financial Statements 2023.

Overall, the adjustment allowances for performing exposures as at 31 March 2024 included prudential elements of 0.9 billion euro relating to both on-balance sheet exposures and unsecured exposures, unchanged from December. This figure does not include the additional provisions made on exposures to Russian and Ukrainian counterparties, relating to cross-border positions, and those of Banca Intesa Russia and Pravex, already described in the paragraph "The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine" above.

MARKET RISKS

TRADING BOOK

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

Daily managerial VaR of the trading book

	2024			2023			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total Group Trading Book (a)	31.9	19.9	42.2	26.4	33.7	35.5	27.9
<i>of which: Group Treasury & Capital Management</i>	6.2	2.8	9.7	3.8	3.7	4.4	5.1
<i>of which: IMI C&IB Division</i>	23.3	14.9	32.6	23.3	31.1	33.7	25.3

Each line in the table shows the historical variability of the daily managerial VaR calculated on the quarterly time series of the Intesa Sanpaolo Group (including the other subsidiaries), the Group Treasury & Capital Management and the IMI C&IB Division respectively. The values calculated on the Group perimeter (average, minimum and maximum) do not correspond to the sum of the values of the individual columns, because they are recalculated on the aggregate time series which also includes the perimeter of the other subsidiaries.

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

In the first quarter of 2024, as shown in the table above, compared to the averages for the fourth quarter of 2023, there was an increase in trading managerial risks, which rose from 26.4 million euro (average value in the fourth quarter of 2023) to 31.9 million euro (average value in the first quarter of 2024). This increase was mainly attributable to the management of the trading book's exposure to interest rate risk, only partially offset by the scenario "rolling effect".

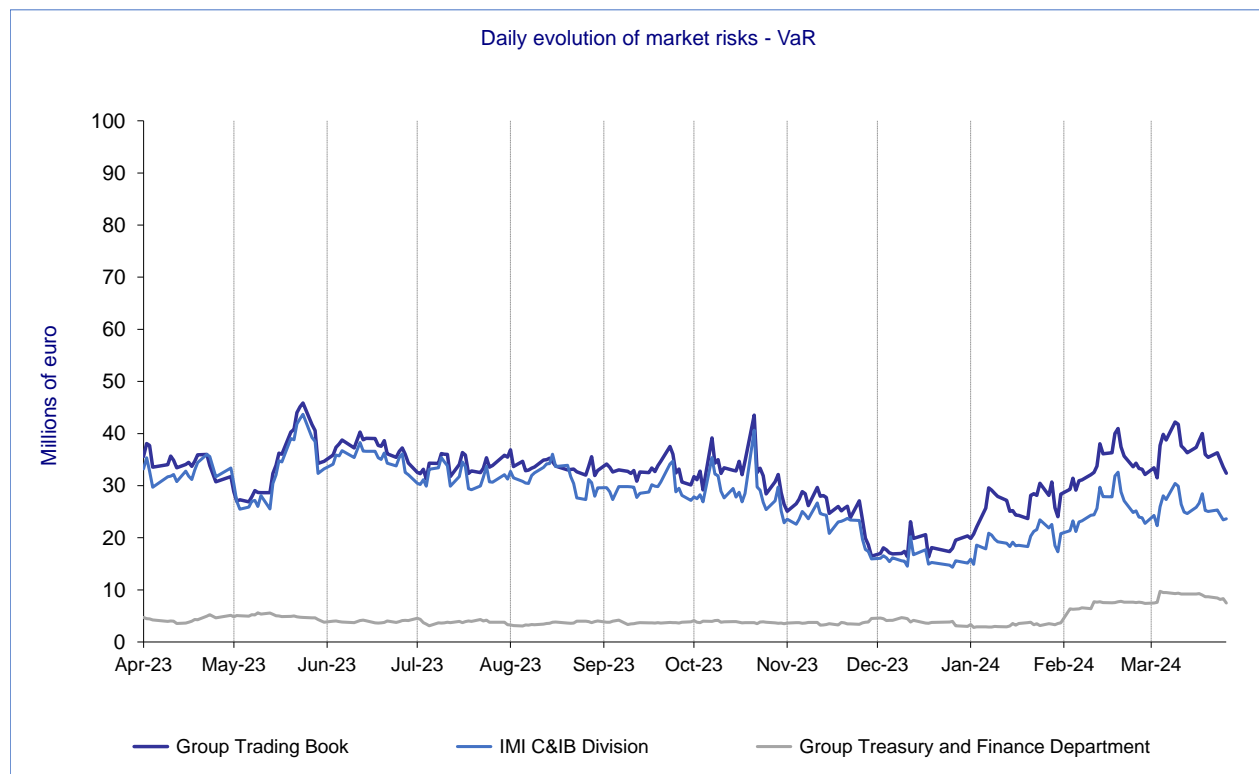
This trend can also be seen in the comparison, shown in the table below, between the summary statistics for the first quarter of 2024 and those for the same period in 2023.

	2024			2023		
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 1st quarter	minimum 1st quarter	maximum 1st quarter
Total Group Trading Book (a)	31.9	19.9	42.2	27.9	21.5	36.9
<i>of which: Group Treasury & Capital Management</i>	6.2	2.8	9.7	5.1	4.4	6.3
<i>of which: IMI C&IB Division</i>	23.3	14.9	32.6	25.3	19.5	34.8

Each line in the table shows the historical variability of the daily managerial VaR calculated on the quarterly time series of the Intesa Sanpaolo Group (including the other subsidiaries), the Group Treasury & Capital Management and the IMI C&IB Division respectively. The values calculated on the Group perimeter (average, minimum and maximum) do not correspond to the sum of the values of the individual columns, because they are recalculated on the aggregate time series which also includes the perimeter of the other subsidiaries.

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

In addition, as shown in the graph below, the main contribution to the movements in the Trading VaR continues to be the trading conducted by the IMI C&IB Division.



The breakdown of the Group’s risk profile in the trading book in the first quarter of 2024 shows a prevalence of interest rate risk and credit spread risk, accounting for 46% and 26% respectively, of the Group’s total managerial VaR. The individual risk-taking centres, on the other hand, show a prevalence of interest rate risk and exchange rate risk for the Group Treasury & Capital Management (54% and 40%, respectively) and of interest rate risk and credit spread risk for the IMI C&IB Division (42% and 32%, respectively).

Contribution of risk factors to total managerial VaR^(a)

1st quarter 2024	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury & Capital Management	4%	54%	2%	40%	0%	0%
IMI C&IB Division	14%	42%	32%	3%	4%	5%
Total	11%	46%	26%	10%	3%	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 2024, broken down between Group Treasury & Capital Management 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, commodity prices and inflation 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	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	117	157	-70	80	7	-4	17	-10	-14	1	-1	3

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 70 million euro in the event of a 40 basis point rise in interest rates;
- for positions in credit spreads, a widening of credit spreads of 25 basis points would result in an overall loss of 4 million euro;
- for positions in exchange rates, there would be potential losses of 10 million euro in the event of a 5% appreciation of the Euro against the other currencies;
- for positions in commodities, there would be a loss of 14 million euro in the event of a fall in prices of commodities other than precious metals;
- lastly, for the inflation-indexed positions, there would be potential losses of 1 million euro in the event of an increase 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 of 2024 from 116 million euro (average managerial VaR fourth quarter of 2023) to 136 million euro (average managerial VaR first quarter of 2024).

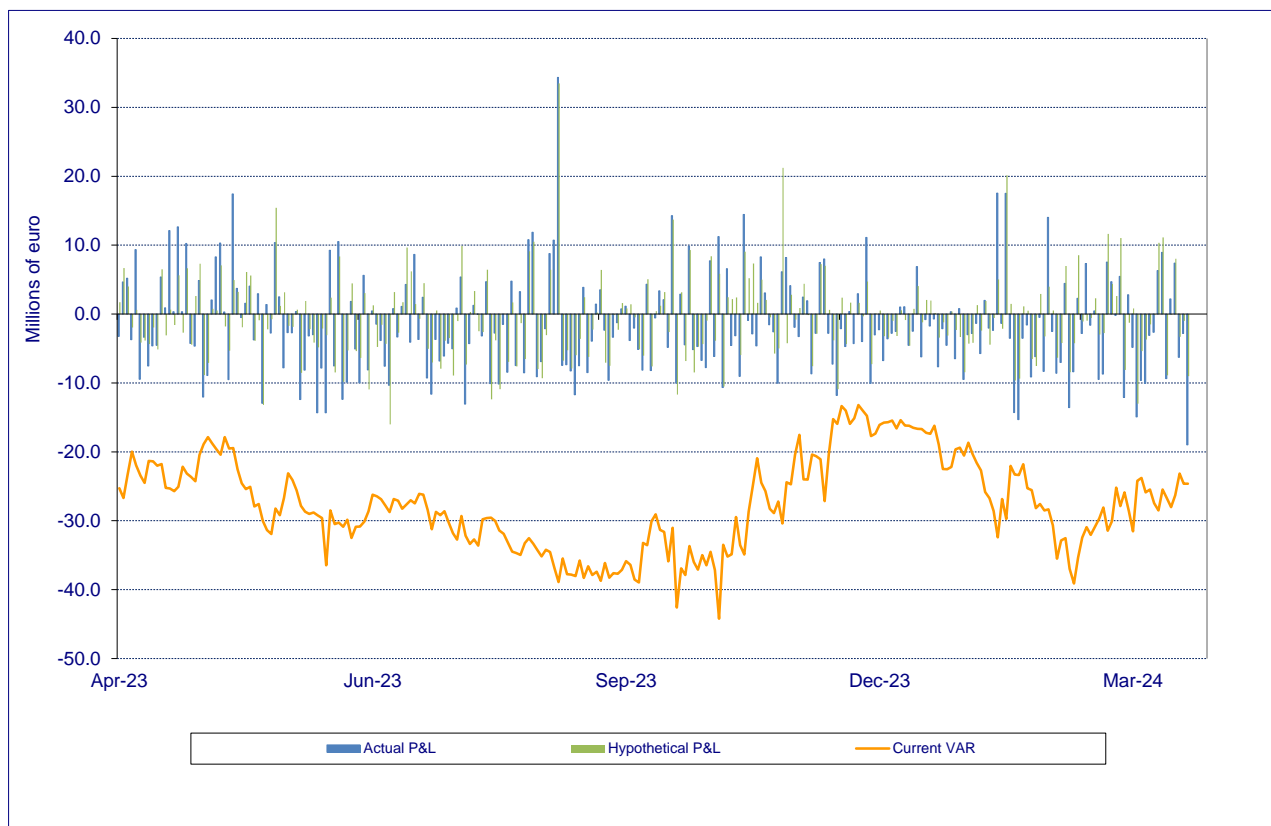
Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

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

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

During the last twelve months there were no backtesting exceptions²² for the regulatory VaR measure of Intesa Sanpaolo.



²² In the last 250 observations, the Bank has not recorded any Actual P&L exceptions and/or Hypothetical P&L exceptions. For the total calculation, in accordance with the applicable regulations, the maximum between Actual P&L and Hypothetical P&L exceptions is counted.

BANKING BOOK

At the end of March 2024, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of the economic value, amounted to -1,996 million euro. The increase from the end of 2023 reflected the implementation of a strategy to protect the net interest income from expected interest rate declines in the coming years.

The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 214 million euro, -170 million euro and 369 million euro, respectively, at the end of March 2024.

Interest rate risk, measured in terms of VaR, recorded a value of 566 million euro at the end of March 2024.

The table below shows the changes in the main risk measures during the first quarter of 2024, with regard to the Group's banking book.

	1st quarter 2024			(millions of euro)	
	average	minimum	maximum	31.03.2024	31.12.2023
Shift Sensitivity of the Economic Value +100 bp	-1,576	-1,074	-1,996	-1,996	-1,001
Shift Sensitivity of Net Interest Income -50bp	-235	-170	-323	-170	-332
Shift Sensitivity of Net Interest Income +50bp	266	214	320	214	350
Shift Sensitivity of Net Interest Income +100bp	467	369	564	369	614
Value at Risk - Interest Rate	455	326	566	566	273

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 $\pm 10\%$ for the minority interests, mainly held under the HTCS business model. This risk amounted to +/-57 million euro at the end of March 2024.

Price risk: impact on Shareholders' Equity

		(millions of euro)	
		Impact on shareholders' equity at 31.03.2024	Impact on shareholders' equity at 31.12.2023
Price shock	10%	57	52
Price shock	-10%	-57	-52

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 2024.

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 168.7% (168.1% in December 2023).

At the end of March 2024, the value of the total unencumbered HQLA reserves, at the various Treasury Departments of the Group, amounted to 119.5 billion euro (160.3 billion euro at the end of 2023). Adding the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group's total unencumbered liquidity reserves amounted to 192.4 billion euro (202.2 billion euro at the end of 2023).

The Group's total reserves decreased mainly due to higher liquidity absorption by the Commercial Networks and temporarily non-renewed of maturities of retained securitisations. The HQLA reserves decreased even more due to the repayment of the TLTRO tranche in March, which freed up non-HQLA collateral eligible for the Central Bank.

	(millions of euro)	
	Unencumbered (net of haircut)	
	31.03.2024	31.12.2023
HQLA Liquidity Reserves	119,459	160,309
Cash and Deposits held with Central Banks (HQLA)	43,012	80,461
Highly liquid securities (HQLA)	66,540	68,522
Other HQLA securities not included in LCR	9,907	11,326
Other eligible and/or marketable reserves	72,900	41,877
Total Group's Liquidity Buffer	192,359	202,186

The NSFR was significantly higher than minimum regulatory requirement of 100%, supported by a solid base of stable deposits from customers, in addition to adequate wholesale medium/long-term securitised funding. The remaining component of the TLTRO funding (around 9 billion euro at the end of March 2024) no longer contributes to the support of the indicator, as it is almost entirely maturing by 28 June 2024. As at 31 March 2024, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 121.0% (121.1% at the end of 2023).

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.

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

Assets / liabilities at fair value	(millions of euro)					
	31.03.2024			31.12.2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	109,259	27,800	9,112	107,488	27,918	9,188
a) Financial assets held for trading	11,524	26,399	173	11,546	26,487	130
of which: Equities	1,653	-	27	1,892	-	23
of which: quotas of UCI	385	-	27	444	-	6
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	97,735	1,400	8,939	95,942	1,430	9,058
of which: Equities	5,978	202	210	5,578	205	210
of which: quotas of UCI	84,613	199	7,601	83,672	192	7,501
2. Financial assets measured at fair value through other comprehensive income	138,547	10,481	579	130,591	9,489	673
of which: Equities	506	495	370	458	497	344
3. Hedging derivatives	-	6,728	-	-	7,006	-
4. Property and equipment	-	-	6,678	-	-	7,222
5. Intangible assets	-	-	-	-	-	-
Total	247,806	45,009	16,369	238,079	44,413	17,083
1. Financial liabilities held for trading	8,199	36,400	148	7,829	35,614	50
2. Financial liabilities designated at fair value	3,472	71,307	187	91	72,660	31
3. Hedging derivatives	-	4,740	-	-	5,188	-
Total	11,671	112,447	335	7,920	113,462	81

The table above shows the figures for the entire Group, including the insurance companies, which are applying IFRS 9 Financial Instruments from 2023, for which the application had been deferred under the Deferral Approach.

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 5.3% on total assets (5.7% as at 31 December 2023).

Level 3 financial assets refer mainly to UCI units under Financial assets mandatorily measured at fair value, and are mainly attributable to equity and bond funds of insurance companies. With regard to the banking segment, the UCI units under Financial assets mandatorily measured at fair value are mainly attributable to the Parent Company and in terms of composition they relate, in order of significance, to private equity funds, real estate funds, private debt funds, infrastructure funds, hedge funds, and venture capital funds. The caption also includes 247 million euro relating to interests held by the bank in the Atlante Fund and in the Italian Recovery Fund (formerly Atlante Fund II), alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 40.8% of the balance sheet assets at level 3 fair value.

A total of 80.15% of assets measured at fair value are determined based on market prices (level 1), and therefore without any discretion by the valuator.

A total of 90.4% of the liabilities at fair value are attributable to Level 2, primarily 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 Group and Other corporates)

Assets / liabilities at fair value	(millions of euro)					
	31.03.2024			31.12.2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	11,715	27,225	4,006	11,703	27,257	3,940
a) Financial assets held for trading	11,507	26,399	173	11,521	26,485	130
of which: Equities	1,653	-	27	1,892	-	23
of which: quotas of UCI	385	-	27	444	-	6
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	208	825	3,833	182	771	3,810
of which: Equities	153	202	127	137	205	128
of which: quotas of UCI	55	199	3,162	45	192	3,130
2. Financial assets measured at fair value through other comprehensive income	70,864	7,330	485	61,003	7,135	480
of which: Equities	506	488	370	458	490	344
3. Hedging derivatives	-	6,688	-	-	6,982	-
4. Property and equipment	-	-	6,671	-	-	7,214
5. Intangible assets	-	-	-	-	-	-
Total	82,579	41,243	11,162	72,706	41,374	11,634
1. Financial liabilities held for trading	8,195	36,394	148	7,825	35,611	50
2. Financial liabilities designated at fair value	3,472	19,559	187	91	21,222	31
3. Hedging derivatives	-	4,683	-	-	5,105	-
Total	11,667	60,636	335	7,916	61,938	81

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 8.3% on total assets (9.3% as at 31 December 2023).

A total of 61.2% of assets measured at fair value are determined based on market prices (level 1), and therefore without any discretion by the valuator.

Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 59.8% of the balance sheet assets at level 3 fair value.

A total of 83.5% of liabilities are classified in level 2 and the share of level 3 instruments is less than 1% of total liabilities.

Lastly, the caption "Other assets", not directly included in the table above, comprised tax credits recognised and measured at fair value for 9.7 billion euro as at 31 March 2024, of which 3.8 billion euro held under the Hold to Collect and Sell business model and 5.9 billion euro held under the Other/Trading business model. The fair value of those credits was determined with reference to the changes in interest rates. Given the specific characteristics of the credits in question, they have been assigned to level 3, also in line with the considerations set out in the clarification note issued by the Bank of Italy on 24 July 2023 ("Clarification Note on credit risk").

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

Assets / liabilities at fair value	(millions of euro)					
	31.03.2024			31.12.2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	97,544	575	5,106	95,785	661	5,248
a) Financial assets held for trading	17	-	-	25	2	-
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	97,527	575	5,106	95,760	659	5,248
of which: Equities	5,825	-	83	5,441	-	82
of which: quotas of UCI	84,558	-	4,439	83,627	-	4,371
2. Financial assets measured at fair value through other comprehensive income	67,683	3,151	94	69,588	2,354	193
of which: Equities	-	7	-	-	7	-
3. Hedging derivatives	-	40	-	-	24	-
4. Property and equipment	-	-	7	-	-	8
5. Intangible assets	-	-	-	-	-	-
Total	165,227	3,766	5,207	165,373	3,039	5,449
1. Financial liabilities held for trading	4	6	-	4	3	-
2. Financial liabilities designated at fair value	-	51,748	-	-	51,438	-
3. Hedging derivatives	-	57	-	-	83	-
Total	4	51,811	-	4	51,524	-

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 3% on total assets (3.1% as at 31 December 2023).

94.9% of financial assets measured at fair value in the insurance segment are determined based on market prices (level 1), and therefore without any discretion by the valuator.

Liabilities at fair value were almost entirely measured using level 2 inputs and attributable to Financial liabilities designated at fair value.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products, came to 4,520 million euro as at 31 March 2024, a net increase of 52 million euro compared to the stock of 4,468 million euro as at 31 December 2023. The exposure included investments in CLOs (Collateralised Loan Obligations) of 2,532 million euro, in ABSs (Asset Backed Securities) of 1,917 million euro and in CDOs (Collateralised Debt Obligations) of 71 million euro, which was again a marginal activity also in the first quarter 2024.

Accounting categories	(millions of euro)						
	31.03.2024			31.12.2023			
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total	changes		
					absolute	%	
Financial assets held for sale	318	449	-	767	775	-8	-1.0
Financial assets mandatorily measured at fair value	-	3	-	3	3	-	-
Financial assets measured at fair value through other comprehensive income	1,405	677	1	2,083	2,106	-23	-1.1
Financial assets measured at amortised cost	809	788	70	1,667	1,584	83	5.2
Total	2,532	1,917	71	4,520	4,468	52	1.2

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issuance consisting of various degrees of subordination and not issued within transactions originated by entities of the Intesa Sanpaolo

Group or by public entities, in addition to those issued within transactions where the Group finances its corporate and financial institution customers²³.

The performance of the portfolio in the first quarter of 2024 shows higher overall investments than disposals and redemptions, with a total increase of 52 million euro, mainly attributable to the operations of the IMI Corporate & Investment Banking Division.

Exposures measured at fair value (CLO, ABS and CDO debt securities) decreased sharply by 31 million euro, from 2,884 million euro in December 2023 to 2,853 million euro in March 2024. The decrease was attributable to higher redemptions and disposals totalling 553 million euro, of which 347 million euro relating to financial assets held for trading and 206 million euro to financial assets measured at fair value through other comprehensive income, offset by investments totalling 522 million euro, of which 339 million euro relating to the first component and 183 million euro to the second component.

Exposures classified among assets measured at amortised cost (CLO, ABS and CDO debt securities) amounted to 1,667 million euro in March 2024, compared with a balance of 1,584 million euro in December 2023, a net increase of 83 million euro, generated by higher investments of 135 million euro, only partially offset by sales and reimbursements of 52 million euro.

From the perspective of the income statement, the overall profit of +8 million euro as at 31 March 2024 compares with a profit of +3 million euro as at 31 March 2023.

The performance of assets held for trading in the first quarter of the year, caption 80 of the income statement, amounted to +6 million euro and related to the CLO and ABS exposures (+4 million euro from realisation impacts and +2 million euro from valuation effects), whereas in the first quarter of 2023 it amounted to +1 million euro, relating to exposures in CLO and ABS (+3 million euro on disposals and -2 million euro from valuations).

The profits (losses) from financial assets mandatorily measured at fair value as at 31 March 2024 were essentially nil, the same as the situation as at 31 March 2023.

The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a net increase in fair value of +12 million euro in the first three months of 2024 through a shareholders' equity reserve (from a reserve of -30 million euro in December 2023 to -18 million euro in March 2024), in addition to impacts from sales from the portfolio of +2 million euro (which were not present in the first three months of 2023).

On the debt securities classified as assets measured at amortised cost, the result was essentially nil as at 31 March 2024 compared to a profit of +2 million euro as at 31 March 2023 (attributable to valuation components for write-backs).

Income statement results broken down by accounting category	31.03.2024			31.03.2023			(millions of euro) changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total	absolute	%		
Financial assets held for sale	5	1	-	6	1	5		
Financial assets mandatorily measured at fair value	-	-	-	-	-	-		
Financial assets measured at fair value through other comprehensive income	2	-	-	2	-	2		
Financial assets measured at amortised cost	-	-	-	-	2	-2		
Total	7	1	-	8	3	5		

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 issuance 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.

For the SPE categories identified as non-consolidated structured entities, no changes have been made to the criteria applied by the Intesa Sanpaolo Group to decide whether to include said entities in the scope of consolidation, compared to the information provided in 2023 Annual Report.

With regard to the Covered Bond issuance programmes, under the programme issued by ISP CB Pubblico, in January, the last two remaining series, respectively the 13th and 14th, both retained, were redeemed in advance for an overall total of 1,850 million euro. In addition, during the first quarter of 2024, the Bank repurchased the entire residual loan portfolio segregated in the Vehicle, with payment of the sale price totalling 1,850 million euro in mid-March. The final payments for the closure of the Programme were made on 2 April 2024.

Within the covered bond programme guaranteed by ISP OBG, the 32nd retained series matured in February, for an amount of 1,650 million euro.

Within the covered bond programme guaranteed by UBI Finance, the 14th series matured in February for an amount of 1 billion euro. Under the covered bond programme guaranteed by ISP CB Ipotecario, the 25th series matured in March for an amount of 1 billion euro. In the same month, the 34th retained series was issued in the amount of 1 billion euro, with a floating rate and a 5-year maturity, listed on the Luxembourg Stock Exchange with a Moody's Aa3 rating.

²³ This is implemented by the Group through its subsidiary Duomo Funding Plc.

INFORMATION ON LEVERAGED TRANSACTIONS

In line with the ECB reference regulations, "Guidance on Leveraged Transactions", the scope of leveraged transactions 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 that scope. Specialised lending transactions (project finance, real estate and asset financing) and certain other types of credit facilities, such as trade finance transactions, are also excluded.

As at 31 March 2024, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to around 26.8 billion euro, relating to 1,885 credit lines. The stock was up by 5.3% compared to the end of the previous year (around 25.4 billion euro as at 31 December 2023). This movement, influenced by the inflows and outflows that characterise this type of portfolio, was mainly attributable to the Parent Company, which recorded net inflows of almost 1 billion euro, and to a lesser extent to the international subsidiaries, with new net inflows of around 0.4 billion euro. The geographical distribution shows that more than half of the transactions, in terms of volume, were with domestic counterparties (57%), in line with the last quarter of 2023. The main economic macro-sectors of the counterparties concerned were the industrial, services and financial sectors, with volumes as a proportion of the total portfolio in line with the figure at the end of December 2023.

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 on new transaction flows were submitted for approval to the Board of Directors, in line with the Group'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 2024 amounted to 220 million euro for the trading book and 201 million euro for the banking book for a total of 421 million euro, compared to 163 million euro and 184 million euro, respectively, as at 31 December 2023, for a total of 347 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 average redemption times that are longer than those of UCITS (Undertakings for Collective Investment Schemes in Transferable Securities) funds.

In the first quarter of 2024, there was an increase of 74 million euro on the end of the previous year, including investments of 61 million euro and increases in fair value of 13 million euro.

Specifically, the investments were mainly made in the trading book (50 million euro) in UCITS hedge funds that better meet the capital absorption requirements in accordance with the CRR2 that came into force on 30 June 2021, while the positive changes in fair value were made up of 6 million euro for the banking book and 7 million euro for the trading book.

In terms of effects on the income statement, as at 31 March 2024 there was an overall profit of +13 million euro, attributable to the valuation effects of funds in the portfolio, including financial assets mandatorily measured at fair value (+6 million euro) and financial assets held for trading (+7 million euro). As at 31 March 2023, the result in the income statement totalled +4 million euro, attributable to valuation effects of +3 million euro for the financial assets mandatorily measured at fair value and +1 million euro for the assets held for trading.

In the Intesa Sanpaolo Group, as at 31 March 2024, Eurizon Capital SGR held hedge funds for a total of 14 million euro (exposure unchanged from 31 December 2023), on which it recognised an income statement impact of +0.4 million euro in the quarter, entirely from valuations (+1 million euro as at 31 March 2023, also from valuations). 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 2024, 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 2,626 million euro (2,830 million euro as at 31 December 2023). The notional value of these derivatives totalled 38,536 million euro (40,555 million euro as at 31 December 2023).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,541 million euro (1,628 million euro as at 31 December 2023).

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 3,440 million euro as at 31 March 2024 (3,545 million euro as at 31 December 2023). The notional value of these derivatives totalled 61,130 million euro (60,349 million euro as at 31 December 2023).

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 2024, this led to a negative impact of 1 million euro under "Profits (Losses) on trading" in the income statement (negative impact of 4 million euro as at 31 March 2023).

For details of the methodologies used in determining the fair value of financial instruments, see the paragraphs specifically dedicated to this subject in the 2023 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 RISKS

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events²⁴.

The Intesa Sanpaolo Group has long defined the overall operational, ICT and security risk governance framework by setting up a Group policy and organisational processes for measuring, managing and controlling these risks.

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 2,278 million euro as at 31 March 2024, corresponding to the figure as at 31 December 2023.

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 2023 Annual Report.

Italian Antitrust Authority proceedings and representative action of the consumer association “Associazione Movimento Consumatori” against Intesa Sanpaolo and Isybank

In November 2023, the Italian Antitrust Authority (AGCM) announced the initiation of proceedings against Intesa Sanpaolo and Isybank aimed at verifying the existence of an unfair commercial practice regarding the transfer of relationships of around 2.4 million “predominantly digital” customers from Intesa Sanpaolo to Isybank as part of a transfer of business lines, with the accompanying unilateral amendment of the transferred contracts. The transfer of the first business line had already been made on 16 October 2023, while the transfer of the second business line was scheduled for 18 March 2024.

According to the arguments made by the Authority, among other things, the communication sent to the customers concerned was inadequate and the manner and timing of its distribution was not commensurate with the importance of the matter addressed.

In November 2023, the AGCM ordered the suspension, on a precautionary basis, of the commercial practice considered unfair.

In December 2023, Intesa Sanpaolo and Isybank filed a report containing the measures envisaged to comply with the precautionary measure, and specifically:

- for customers whose transfer to Isybank had already taken place on 16 October 2023, the possibility of opening a new account with Intesa Sanpaolo on terms at least similar to the original terms, with the option to close the Isybank account;
- for customers whose transfer to Isybank was scheduled to take place on 18 March 2024, exclusion from the transfer unless they give their express consent.

In December 2023, the two banks also submitted a proposal of commitments to the AGCM, detailing what they had already outlined in the report of compliance with the precautionary measure, for the purpose of reaching a positive conclusion of the proceedings.

In March 2024, the two banks submitted an addition to the proposal of commitments to the AGCM containing further measures in favour of the customers concerned.

The Authority now has to decide whether or not to accept the commitments submitted. If the Authority considers the commitments to be sufficient to rectify the claimed unlawfulness of the commercial practice, it will close the proceedings without a finding of infringement (proceedings that would continue if the commitments were to be rejected).

The deadline for the conclusion of the proceedings was extended to 14 June 2024.

Also with regard to the above-mentioned operation, the consumer association “Associazione Movimento Consumatori” brought a representative action against Intesa Sanpaolo and Isybank (with a petition served in January 2024) before the Court of Turin for alleged “violations of the collective interests of consumers”.

The association is asking the court to prohibit the use of the new clauses in the transferred contracts, without the consent of the consumers, and the prohibition of the repetition of the unlawful conduct, as well as the adoption of appropriate measures to eliminate or reduce the effects of the violations if the unlawful conduct is confirmed.

The two banks filed their defence briefs, contesting the arguments of the Associazione Movimento Consumatori – with detailed reasons both on the merits and from a procedural perspective – and requesting the rejection of the claims in consideration of the measures (outlined above) taken in the meantime in favour of the customers within the AGCM proceedings.

The first hearing, initially set for March 2024, was postponed to 31 May 2024 at the joint request of the parties.

Italian Antitrust Authority proceedings against Intesa Sanpaolo RBM Salute

In May 2023, the AGCM initiated proceedings against Intesa Sanpaolo RBM Salute (ISP RBM) for alleged unfair business practices, purported to have been adopted from January 2023, aimed at hindering the exercise of consumers’ rights arising from the contractual relationship, leading them to give up financial and welfare benefits provided by the insurance coverage held by them.

In its communication dated 15 February 2024, the Authority issued its conclusions on the preliminary findings, based on which it upheld the claims made in the decision to initiate proceedings and also considered that the unfair business practice was still ongoing. ISP RBM submitted a defence brief, in which it highlighted, among other things, the strategic and operational

²⁴ 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.

measures it had already taken prior to the commencement of the proceedings and the further improvements these measures had brought to the services provided to the policyholders.

The conclusion of the proceedings is set for 9 May 2024, by which time the Authority should have made its final decision known. In the event of an unfavourable decision, ISP RBM has the possibility of appealing it at the Lazio Regional Administrative Court.

Offering of diamonds

In 2017, the AGCM instituted proceedings for unfair business practices against the companies that sold diamonds (DPI and another company) and the banks that recommended the services of those companies. At the conclusion of the proceedings against Intesa Sanpaolo, the Authority imposed a fine of 3 million euro.

Intesa Sanpaolo filed an appeal at the Lazio Regional Administrative Court, which rejected the appeal in November 2022. The Bank then filed an appeal at the Council of State, which, in a ruling of March 2024, rejected the appeal and upheld the penalty measure.

Anatocism

In February 2017, the AGCM initiated proceedings against Intesa Sanpaolo for alleged unfair business practices involving, among other things, the methods used to request the above-mentioned authorisation from customers for the charging of the interest to the account imposed by the new regulations introduced in 2016.

The Authority completed the proceedings in October 2017, ruling that the Bank had implemented an “aggressive” policy aimed at acquiring the above-mentioned authorisation, and consequently setting a fine of 2 million euro.

The Bank filed an appeal at the Lazio Regional Administrative Court, which upheld the penalty measure in January 2023. Intesa Sanpaolo submitted an appeal to the Council of State, which, in a ruling of March 2024, rejected the appeal and upheld the penalty measure.

Azzurro 2000 S.a.s. di Tilli Renzo & C.

In 2004, the company Azzurro 2000 brought an action for damages against the former Sanpaolo Banco di Napoli for alleged unlawful reporting to the Central Credit Register, quantifying the claim at around 50 million euro.

The plaintiff's claim was rejected at both first and second instance.

Against the appeal ruling, the plaintiff filed (i) an appeal before the Court of Cassation and (ii) a revocation proceeding before the same Court of Appeal. The latter declared the request for revocation inadmissible and the plaintiff filed a further appeal before the Court of Cassation against this second ruling of the Court of Appeal.

The Supreme Court combined the two cases and upheld the first appeal, basing solely on one of the grounds of appeal, overturning the decision and referring the case back to the Naples Court of Appeal, and declared the request for revocation inadmissible.

The plaintiff then resumed the action and the Bank appeared before the Court.

Reyl & Cie (Switzerland) – Proceedings pursuant to Legislative Decree 231/2001 of the Public Prosecutor's Office of the Court of Milan

Within the criminal proceedings pursuant to Legislative Decree 231/01 pending before the Court of Milan for alleged money laundering offences, in February 2024 Reyl & Cie was notified of the indictment of the Bosia brothers, as well as Cramer & Cie and Reyl & Cie. The preliminary hearing was consequently set by the GIP (preliminary hearing judge) for 3 July 2024, in relation to which the Bank is assessing the best defence strategy, also in view of the fact that alleged actions took place before Reyl & Cie joined the Intesa Sanpaolo Group.

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 subsidiary filed an appeal with the Supreme Court, which overturned the second-instance decision, upholding the ruling of the First Instance Court.

The plaintiff then brought an action before the Constitutional Court and initiated review proceedings before the Court of First Instance. Both proceedings failed the admissibility test. An appeal is pending before the Court of Appeal against the ruling of the Court of First Instance.

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.

Labour litigation

In line with the situation as at 31 December 2023, as at 31 March 2024 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 tax litigation risks of the Group (considering the subsidiaries subject to line-by-line consolidation) are covered by adequate provisions for risks and charges.

No new significant disputes were reported in the quarter for the Parent Company Intesa Sanpaolo. For the subsidiaries, see the aspects discussed below concerning the claims against the former Intesa Sanpaolo Life DAC merged into Intesa Sanpaolo Vita and against Eurizon Capital and its subsidiary Epsilon SGR in relation to transfer price applied to cross-border intragroup relations with Eurizon Capital SA Luxembourg.

With regard to the Parent Company, as at 31 March 2024 there were 477 pending litigation proceedings (487 as at 31 December 2023) for a total amount claimed (taxes, penalties and interest) of 108.1 million euro (107.6 million euro as at 31 December 2023), considering both administrative and judicial proceedings at various instances.

In relation to these proceedings, the actual risks were quantified at 40.9 million euro as at 31 March 2024 (41.4 million euro as at 31 December 2023).

Compared to 31 December 2023, for the Parent Company, the main events that gave rise to significant movements in the amount claimed (0.5 million euro) consisted of:

- an increase (1.9 million euro), due to: i) new disputes of 0.7 million euro, for municipal property tax (IMU) on both terminated and current lease contracts; ii) new disputes of 1 million euro for registration tax on judicial documents; and iii) accrued interest expense of 0.2 million euro;
- a decrease (1.4 million euro), due to: i) closures of disputes concerning registration tax for 0.8 million euro, mainly relating to registration tax on judicial documents and debt restructuring agreements; ii) closures of municipal property tax (IMU) disputes on terminated lease contracts for 0.5 million euro; and iii) closure of VAT disputes on boat leases for 0.1 million euro.

Also compared to 31 December 2023, for the Parent Company, the main changes in provisions (-0.5 million euro) consisted of:

- an increase (0.3 million euro), due to: i) new municipal property tax (IMU) disputes on terminated lease contracts for 0.2 million euro; and ii) legal fees and interest accrued on outstanding disputes for 0.1 million euro;
- a decrease (0.8 million euro) attributable to:
 - o utilisations (0.3 million euro), due to: i) 0.1 million euro for the closure of VAT disputes on boats leases; and ii) 0.2 million euro for legal fees;
 - o releases to the income statement (0.5 million euro), due to: i) 0.4 million euro for the settlement of municipal property tax (IMU) disputes on terminated lease contracts; and ii) 0.1 million euro for the settlement of disputes concerning registration tax.

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 2023 Consolidated Financial Statements for a detailed analysis.

With regard to the questionnaires, as fully disclosed in the Notes to the 2023 Consolidated Financial Statements, several Regional and Provincial Departments of the Italian Revenue Agency raised doubts regarding the IRES tax treatment applied in 2017 by Intesa Sanpaolo (ISP) and its subsidiaries to the Parent Company's commitment to make shareholder payments to cover the expenses of the subsidiaries for the integration of Banca Popolare di Vicenza and Veneto Banca (below also the "Venetian Banks"). ISP, in performance of its management and coordination activities, took responsibility for safeguarding the subsidiaries from the impact on their income statements deriving from charges due to the integration of the going concerns acquired (charges for IT integration; charges for exit incentives for employees; charges for the closure, merger and standardisation of branches; and other charges), unilaterally undertaking to make a contribution, in the form of shareholder cash payments, without any obligation of repayment and/or reimbursement, calculated based on the charges incurred, net of tax.

The various Regional Revenue Directorates made a claim regarding the reduction applied by the subsidiaries with regard to the non-refundable payment. In particular, they objected an inconsistency between the tax treatment of said income component and the accounting treatment adopted by both Parent Company and subsidiaries, concluding that it could be classified as a contribution for operating expenses and as such subject to taxation.

After having set out, in various meetings and in a specific statement, the reasons why the arguments made by the Regional Revenue Directorates were unfounded, during the last meeting on 19 March 2024 the Italian Revenue Agency communicated that:

- it was of the opinion that the contributions in question i) were only taxable on a cash basis (obviously, therefore, only if and up to the amounts in which they were actually paid/received, thus excluding cases of contributions not paid due to the intervening merger of the subsidiary into ISP); and ii) were in any case only taxable outside the ISP tax consolidation (because within the consolidation, the taxation at the level of the consolidated entity corresponds to a deduction at the level of the consolidating parent company);
- it had consequently decided to abandon the initial claims and thus to close the assessments relating to 2017 (the year in which no contribution was paid by ISP to the subsidiaries).

The Italian Revenue Agency proposed a voluntary settlement to the Bank, based on the above criteria, for the years still open concerned by the issue (2018-2022) through the submission of supplementary tax returns "unfavourable" to the subsidiaries (which must tax the contribution received) and "favourable" to ISP (which must deduct the contribution paid). In which case they would not initiate any further audits regarding this matter.

During the above-mentioned meeting, the Bank agreed to examine/deepen their proposal and provide a statement in which the Bank would indicate how it intends to proceed with rectification and which criteria it intends to adopt in settling the various tax years of the companies involved. After obtaining the agreement of the Italian Revenue Agency, all the tax years would be settled voluntarily.

According to preliminary calculations, the total cost for net taxes, penalties and interest to heal the tax position of all years of

the companies involved will not be material.

If the Italian Revenue Agency will accept the settlement proposal in full – which is highly likely, given the agreement already reached on the principles it must adhere to – the matter in question (which could have led to a complex dispute involving large amount of money) would end without dispute and with a modest overall cost.

With regard to Intesa Sanpaolo's branches located abroad, as there were no significant new developments in the quarter, please refer to the Notes to the 2023 consolidated financial statements.

With regard to the subsidiaries, please note the following updates compared to 31 December 2023.

In 29 November 2023, the former Intesa Sanpaolo Life DAC – an insurance company incorporated under Irish law (hereafter ISL) – received a summons from Guardia di Finanza (Italian Tax Police) for clarifications regarding tax monitoring requirements. Following the merger into Intesa Sanpaolo Vita, this summons was renewed towards the absorbing company. At the end of the meeting, the investigating officials asked for the “*submission, for the tax periods 2018-2022, of an explanatory statement, accompanied by any supporting documentation, relating to the compliance with the obligations directly attributable to the above-mentioned foreign insurance company, concerning the tax monitoring, pursuant to Article 1 of Decree Law 167/1990, taking into account the content of the Resolution no. 62/E of 13 November 2023, of the Italian Revenue Agency*”. After the submission of the statement on 25 January 2024, the company met with the Auditors on 1 March 2024, together with its advisor, and restated all the reasons why ISL was not subject to the tax monitoring obligation.

Therefore, Italian Tax Police – making reference to the Questionnaire of 11 October 2022 sent to the former Intesa Sanpaolo Life DAC and responded to on 2 December 2022 with the information regarding insurance premiums collected and insurance benefits provided to the beneficiaries in the years 2017-2020 – requested the addition to the statements submitted in 2022, solely for the years 2018-2020 (as the year 2017 had lapsed in the meantime), of the information relating to both the premiums collected and the amounts paid (relating to the insurance benefits provided). In addition, the same documentation provided for the years 2021 and 2022 was also requested for the years 2017 to 2020 accompanied by the same detailed schedules.

In relation to these requests, the company reserved the right to make the appropriate assessments on the merits, which are underway and will be formalised in writing in a specific statement prepared by the advisor.

For Eurizon Capital SGR S.p.A. (EC ITA) and Epsilon SGR S.p.A. (Epsilon), it was disclosed in the 2023 Annual Report that on 22 December 2023 the Italian Revenue Agency – Lombardy Regional Directorate had served orders to file an appearance on both companies with claims relating to IRES (Corporate Income Tax) and IRAP (Regional Business Tax) concerning the fairness of transfer prices in the intragroup transactions with foreign entities for 2017 tax year, later extended to 2018.

On 24 April 2024, the settlement agreements were signed with the Italian Revenue Agency and the amounts due for the years 2017 and 2018 were set at 9.7 million euro for EC ITA and 4.1 million euro for Epsilon, amounts consistent with the provisions already made by said companies in their financial statements as at 31 December 2023.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, 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 2024, the investment portfolios of Group companies, recorded at book value, amounted to 175,147 million euro. Of these, a part amounting to 88,406 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 86,741 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, around 84% of assets, amounting to 73,948 million euro, were bonds, whereas assets subject to equity risk represented around 2% of the total and amounted to 2,059 million euro. The remainder (12,408 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (around 14%).

The carrying value of derivatives came to around -10 million euro, of which around 7 million euro relating to effective management derivatives, and the remaining portion (around -17 million euro) is attributable to hedging derivatives.

At the end of the first three months of 2024, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to around 802 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 14 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 4,480 million euro.

The distribution of the portfolio by rating class was as follows: AAA/AA bonds represented around 4.9% of total investments and A bonds around 11.6%; low investment grade securities (BBB) represented around 80.1% of the total and the portion of speculative grade or unrated was minimal (3.4%); and in the BBB area a considerable proportion was 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 74.3% of the total investments, while financial companies (mostly banks) contributed around 16.2% of exposure and industrial securities made up around 9.5%.

At the end of the first quarter of 2024, 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 -4,713 million euro, with -3,939 million euro due to government issuers and -774 million euro to corporate issuers (financial institutions and industrial companies).