
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 Intesa Sanpaolo 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 companies¹², 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 based on the specific characteristics of the subsidiaries and the local regulatory constraints: 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 Group Risk Appetite Framework approved by the Board of Directors of the Parent Company, 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 of the Parent Company, as part of the Tableau de Bord of 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.

In its risk management, the Group also pays close attention to the geopolitical context, the issues arising from it and their developments, in order to identify the main phenomena that could have an impact on an international scale and could significantly alter its risk profile and influence its operations.

The Group therefore conducts specific scenario and stress analyses to assess the potential impacts in terms of profitability and capital adequacy. Although the geopolitical situation is constantly evolving, leaving aside extreme scenarios of 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 the management of risks deriving from the Russian-Ukrainian conflict, details concerning credit risk are provided in the paragraph “The valuation impacts for the Intesa Sanpaolo Group of the military conflict between Russia and Ukraine”, and there continue to be no significant impacts of the conflict on the metrics for measuring the counterparty risks

¹² 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.

and market risks in 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 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.

BASEL REGULATION AND THE INTERNAL PROJECT

To ensure ongoing compliance with the Basel Committee agreements, in 2024 the Intesa Sanpaolo Group implemented appropriate project initiatives to improve the measurement systems and the related risk management systems.

With regard to credit risk, in February 2025 the ECB granted authorisation for regulatory purposes for the new Large Corporate model.

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 2024.

The Basel 4 reform project resulted in a major overhaul of the prudential framework, which came into effect on 1 January 2025, with the first regulatory reporting on the reporting date of March 2025¹³.

In accordance with the principles and guidelines formalised by the Basel Committee, in 2021 the European Commission put forward a legislative proposal (the CRR3/CRD4 package) to implement the standards set by the new Basel 4 framework, taking into account the specific features of the European banking sector and harmonising the supervisory regimes adopted by the Member States. The directive seeks to strengthen confidence in the representativeness of capital ratios and the resilience of the banking sector, also through measures aimed at reducing the volatility of the results of the internal models used by institutions. The final text was issued on 6 December 2023, following the completion of the negotiation in the trilogue between the European Commission, Parliament and Council, with the subsequent publication of Regulation (EU) 2024/1623 in the Official Journal of the European Union in June 2024.

The Intesa Sanpaolo Group has set up the compliance initiatives for the adoption of the regulatory provisions through a dedicated project (Basel 4 Project) in which procedural implementations have been developed for the management of the information required by the measurement system, with adaptations aligned to the governance processes.

Intesa Sanpaolo has implemented a multi-year work programme based on a specific project roadmap, launched in the second half of 2023, starting with an assessment to identify the main changes introduced by the regulatory provisions and develop coherent methodological, organisational and architectural approaches to adopt going forward. The activities continued steadily throughout 2024, including through systematic dialogue with the regulators, industry associations, recognised ECAs (External Credit Assessment Institutions), peers and consultancy firms, to organically introduce the required system of rules and measurement criteria, with modifications to IT architectures, application procedures, organisational processes, internal regulations and contractual relationships with customers. The work programme, which is constantly monitored with regular updates submitted to the Project Management, Control Functions and Management Bodies, is progressing smoothly in line with the scheduled timelines.

The new directive has reconfigured the calculation of the capital requirements for all the main types of risk (credit risk, market and counterparty risk, operational risk), as well as the regulatory reporting processes, also introducing the concept of "Output Floor", common to all the risk types, which involves applying a minimum threshold to RWA values calculated using internal models, to limit the potential deviation of these values to 72.5% (fully phased in) of the RWAs that would be determined using the standard approach.

With regard to the provisions concerning the determination of capital requirements for **credit risk**, the main amendments introduced involve the:

- discontinuation of the option of using the:
 - Advanced Internal Ratings-Based (AIRB) approach for the Large Corporate, Financial Institutions and Other Financial Sector Entities portfolios;
 - Internal Ratings-Based (IRB) approach for the Equity portfolio, which must now be treated according to the Standardised Approach (SA-CR);
- revision of the measurement criteria based on IRB approaches, with the:
 - introduction/recalibration of floors for some internally estimated risk parameters (i.e. PD, LGD, Credit Conversion Factor – CCF);
 - elimination of the multiplier factor (of 1.06) in the formula used to determine the risk weight;
- revision of the measurement criteria based on the standardised approach with substantial modifications applied to the:
 - risk weights assignment to Real Estate portfolio exposures;
 - introduction of sub-categories for Retail and Specialised Lending portfolios;
 - determination of CCF values for off-balance sheet exposures;
 - valuation process for unrated Banks exposures;

¹³ Transitional provisions have also been established with a phased introduction over time through to 2033.

- o validation, through internal due diligence, of the ratings obtained from ECAs, for Corporate, Institutions and Covered Bond portfolios.

With regard to the regulatory developments, the work programme involved modifications to the:

- input systems and application procedures, for the recovery of certain information attributes relating to the stock of existing exposures, in order to adapt the information necessary for valuations to the regulatory requirements;
- calculation systems for determining the capital requirements, to incorporate the new computation criteria, adapting the approaches, calculation algorithms and risk weights allocation criteria;
- reporting systems, to reflect the changes in the reporting templates and methods of consolidation.

Regarding compliance with Basel 4 regulation, counterparty risk has been affected by changes related to the credit risk weights applied to counterparties in derivative and SFTs (Securities Financing Transactions) operations. Additionally, the necessary developments for implementing the new CVA risk framework established by the regulation have been completed.

For **operational risks**, the Group used the internal AMA model (in partial use together with the standardised and basic approaches) for determining the capital requirement up to 31 December 2024.

The new CRR3/Basel 4 regulatory framework has fundamentally altered the methodology for calculating the prudential capital requirement, eliminating the possibility of using internal models and introducing a new, single standardised calculation method, referred to as the Standardised Approach (SA). This methodology requires the determination of the capital requirement in line with the size of business activities (Business Indicator – BI), primarily using FINREP items (averaged over the previous three years), weighted with regulatory coefficients by band. The methodology also requires the inclusion of the duly reconciled accounting impact of the operational losses over the three-year period. The new regulatory framework therefore maintains the importance of high-quality operational loss data collection, in addition to the requirement for an effective, properly structured overall operational risk governance framework, supported by suitable infrastructure and verified by an independent function.

However, the regulations permit the use of the Advanced Measurement Approach (AMA), based on internal models, for the calculation of economic capital for Pillar 2 management purposes.

The regulatory amendments also affect the Pillar 3 disclosure requirements, introducing the obligation to report a ten-year trend of net operational loss data.

With regard to the new developments in the regulatory framework for the calculation of own funds requirements for **market risk** (Fundamental Review of the Trading Book – FRTB), these will become applicable from 1 January 2026, unless there are further postponements to the regulations.

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 2025.

As part of its adoption of the Basel regulations, the Group publishes information on 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 disclosure or simply “Pillar 3”. The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

With regard to this disclosure, in line with the new regulatory framework described above introduced by CRR3, Commission Implementing Regulation (EU) 2024/3172 was published on 31 December 2024 in the Official Journal of the European Union, laying down implementing technical standards for the application of the provisions regarding the disclosure of information referred to in Titles II and III of Part Eight of the CRR, and repealing Regulation (EU) 2021/637. This implementing regulation, applicable from 1 January 2025, amends certain disclosure templates to reflect the regulatory changes introduced by CRR3.

THE VALUATION IMPACTS FOR THE INTESA SANPAOLO GROUP OF THE MILITARY CONFLICT BETWEEN RUSSIA AND UKRAINE

Details are provided below of the qualitative and quantitative aspects relating to credit exposures to counterparties resident in the countries in conflict, held in the portfolio of the two subsidiaries resident in Russia and Ukraine, Banca Intesa Russia and Pravex Bank (Ukrainian bank), or credit disbursed by other entities of the Group (cross-border exposures), with particular regard to their valuation.

As at 31 March 2025, 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).

	31.03.2025 (*)				31.12.2024 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	502	190	346	134	547	193	409	138
<i>Banca Intesa Russia</i>	123	-	48	-	126	-	71	-
<i>Pravex</i>	-	55	-	-	-	54	-	-
<i>Cross-border exposures</i>	379	135	298	134	421	139	338	138
Due from banks	50	48	41	48	759	72	751	72
<i>Banca Intesa Russia</i>	35	-	27	-	744	-	737	-
<i>Pravex</i>	-	48	-	48	-	72	-	72
<i>Cross-border exposures</i>	15	-	14	-	15	-	14	-
Securities	1	125	-	121	1	53	-	51
<i>Banca Intesa Russia</i>	-	-	-	-	-	-	-	-
<i>Pravex</i>	-	119	-	117	-	46	-	46
<i>IMI C&IB Division</i>	-	-	-	-	-	-	-	-
<i>Insurance Division</i>	1	6	-	4	1	7	-	5

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 33 million euro (28 million euro net) at Banca Intesa Russia, and 26 million euro (gross and net value) at Pravex, in addition to 20 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 8 million euro (8 million euro net) to customers resident in Ukraine. There is also 20 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 2025 and the increase of around 4 million euro compared to 31 December 2024 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 29 million euro (25 million euro net) at Banca Intesa Russia, and 33 million euro (gross and net value) at Pravex, in addition to 20 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 8 million euro (8 million euro net) to customers resident in Ukraine. There is also 27 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, mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

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, Belarus¹⁴ or Ukraine.

As shown in the table, at the end of the first quarter of 2025 the remaining on-balance sheet exposures to the total counterparties resident in Russia and Ukraine amounted, in terms of gross values, to 123 million euro (48 million euro net) for Banca Intesa Russia and 379 million euro (298 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks and debt securities totalling 51 million euro (41 million euro net). Exposures to customers resident in Ukraine amounted to 190 million euro (134 million euro net), of which 55 million euro (book value nil in net terms) related to the subsidiary Pravex Bank. There were also exposures to banks of 48 million euro (48 million euro net) and in securities totalling 125 million euro (121 million euro net).

During the first quarter of 2025, gross on-balance sheet exposures to all counterparties resident in Russia and Ukraine (customers, banks, and securities) decreased by 709 million euro (-44%) compared with 1,625 million euro at the end of 2024. This reduction mainly concerned amounts due from banks of the subsidiary Banca Intesa Russia, primarily attributable to the conversion of term deposits with Central Banks into liquid assets (cash and on-demand deposits). Gross exposures to cross border customers resident in Russia also decreased by 42 million euro, mainly due to repayments.

¹⁴ For these purposes, the small exposures to Belarusian counterparties have for simplicity been treated and disclosed together with the exposures to the Russian Federation.

The overall net exposure (customers, banks, and securities) to counterparties resident in Russia and Ukraine, amounting to 690 million euro, decreased by 731 million euro (-51%) from 1,421 million euro on 31 December 2024.

For the Interim Statement as at 31 March 2025, the key choices have been maintained regarding staging assignment and ECL calculation adopted by the Group for performing loans in the period 2022–2024, based on an approach strongly driven by the emergence of geopolitical risk.

In particular, with regard to the methodological aspects for determining the Expected Credit Loss (ECL) of cross-border exposures to residents in Russia within the Core scope, as at 31 March 2025 the following have been maintained: the classification to Stage 2 of in-scope counterparties, the decision to adopt the through-the-cycle PD associated with the assigned rating for the ECL calculation on the Core scope, without forward-looking conditioning, and the application of a prudential buffer to the Loss Given Default (LGD), in order to achieve equivalence with the use of a loss rate estimated using a methodology based on the transfer of the risk of the country of residence under Pillar 2 modelling (fixed LGD from transfer risk model set at 55%, not subject to conditioning). 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 International Banks 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.

For specific positions, the Group has recognised the related impairment, classifying them as non-performing loans and subjecting them to individual assessment. As at 31 March 2025, there were remaining positions of 9 million euro gross (4 million euro net), in line with 31 December 2024.

With reference to loans to customers disbursed by Pravex Bank, the choice adopted starting from the 2022 Financial Statements to classify loans to customers of the Ukrainian subsidiary as non-performing loans (bad loans), with full write-down of the on-balance sheet component (55 million euro gross as at 31 March 2025 and 54 million euro gross as at 31 December 2024), has been maintained.

For Banca Intesa Russia, in line with previous years, an approach to classifying and measuring performing loans has been adopted that strongly considers the geopolitical risk deriving from the ongoing crisis and the effects on macroeconomic prospects. With regard to the valuation of loans, the approaches already adopted have been maintained through the application of prudential adjustments. In summary, therefore:

- for exposures to counterparties in common with the Group, the principle of substantial consistency with the approach adopted for the Core scope has been maintained (Stage 2 classification, and ECL consistent with the assigned rating and the loss rate adopted by the Parent Company);
- for the remaining portfolio, based on the initial valuation criteria adopted by the bank, a significant and broader prudence factor has been applied, covering all segments (Corporate, SME Corporate, Retail) and set with a particularly high average coverage by the CRO Area, further strengthened in the first quarter of 2025 to reflect the continued conflict.

As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 45.5% of their gross value (36.3% in December 2024).

With regard to gross non-performing loans, these amounted to 35 million euro (35 million euro as at 31 December 2024) and have been fully written down, on a prudential basis, from 31 March 2025.

The Parent Company and two subsidiaries had also provided Banca Intesa Russia with loans to support its operations with a gross residual value as at 31 March 2025 of 121 million euro.

With regard to the valuation of the other balance sheet items, the remaining marginal positions in securities have been measured in line with the approach adopted in the 2024 Annual Report. These essentially relate to Pravex, 119 million euro as at 31 March 2025 and 46 million euro as at 31 December 2024, in connection with the purchase of short-term government securities or securities issued by central banks, as an investment of part of the liquidity.

The small real estate portfolio of the two subsidiaries has also been valued using the approach adopted in previous years.

There were no significant profit and loss impacts on the Russian and Ukrainian exposures as at 31 March 2025 (net total recoveries amounting to 19 million euro, before tax). In addition to these profit and loss impacts, the subsidiary Banca Intesa Russia generated positive earnings of 54 million euro, which have been included in the consolidated result from the first quarter of 2025, in consideration of the gradual reduction in the volume of operations and, consequently, the risk profile of Banca Intesa Russia (in compliance with the guidance from the EU Regulators) and its earnings outlook which still remains positive, despite an expected progressive decline. However, in line with the financial statements as at 31 December 2024, the provision made to eliminate the shareholders’ equity of the subsidiary on that date has been substantially maintained. This provision, allocated to a specific allowance for risks and charges, amounted to 447 million euro as at 31 March 2025 (382 million euro as at 31 December 2024, with the change mainly linked to the appreciation of the rouble against the euro).

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

	(millions of euro)						
	31.03.2025			31.12.2024			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,787	-2,550	1,237	3,502	-2,382	1,120	117
Unlikely to pay	5,659	-2,274	3,385	5,715	-2,277	3,438	-53
Past due loans	497	-154	343	516	-154	362	-19
Non-Performing Loans	9,943	-4,978	4,965	9,733	-4,813	4,920	45
<i>Non-performing loans in Stage 3 (subject to impairment)</i>	9,873	-4,941	4,932	9,666	-4,777	4,889	43
<i>Non-performing loans measured at fair value through profit or loss</i>	70	-37	33	67	-36	31	2
Performing loans	406,604	-2,117	404,487	412,397	-2,167	410,230	-5,743
Stage 2	33,894	-1,571	32,323	35,032	-1,610	33,422	-1,099
Stage 1	371,878	-546	371,332	376,608	-557	376,051	-4,719
<i>Performing loans measured at fair value through profit or loss</i>	832	-	832	757	-	757	75
Performing loans represented by securities	7,345	-13	7,332	6,300	-12	6,288	1,044
Stage 2	240	-7	233	195	-7	188	45
Stage 1	7,105	-6	7,099	6,105	-5	6,100	999
Loans held for trading	13	-	13	74	-	74	-61
Total loans to customers	423,905	-7,108	416,797	428,504	-6,992	421,512	-4,715
<i>of which forbore performing</i>	4,494	-264	4,230	4,465	-297	4,168	62
<i>of which forbore non-performing</i>	3,101	-1,392	1,709	3,061	-1,370	1,691	18
Loans to customers classified as non-current assets held for sale	11	-3	8	330	-291	39	-31

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

As at 31 March 2025, the Group's gross non-performing loans amounted to 9.9 billion euro, up by 210 million euro (+2.2%) compared to December 2024. 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 2024). According to the EBA methodology, on the same date the NPL ratio stood at 2.0% gross and 1.0% net, stable compared with December 2024 (when it was 2.0% and 1.0% respectively).

The initiatives aimed at containing non-performing loans continue to benefit from new inflows from performing loans which remain at moderate levels due to the performance of the prevention initiatives on non-performing loans.

During the first quarter, gross inflows amounted to 708 million euro. In the comparison period of 2024, gross inflows amounted to 739 million euro. In net terms, namely net of outflows to performing loans, inflows amounted to 606 million euro, compared to 617 million euro in the first three months of 2024.

The table shows that the increase in gross non-performing loans was driven by bad loans in the amount of 285 million euro (+8.1%), against a slight reduction in unlikely-to-pay loans of 56 million euro (-1.0%) and in past-due loans, which were also down by 19 million euro (-3.7%).

The Group's net non-performing loans stood at 4.97 billion euro at the end of the first quarter, slightly up on December 2024 (+45 million euro), with the non-performing loan coverage at 50.1%, up from 49.5% at the end of 2024.

In further detail, in March 2025 bad loans amounted to 1.2 billion euro (+10.4%), net of adjustments, representing 0.3% of total net loans with a coverage ratio of 67.3%. Loans included in the unlikely-to-pay category amounted to 3.4 billion euro,

down by 1.5%, accounting for 0.8% of total net loans to customers, with a coverage ratio of 40.2%. Past-due loans amounted to 343 million euro (-5.2%), with a coverage ratio of 31.0%. Within the non-performing loan category, forbore exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 1.7 billion euro, with a coverage ratio of 44.9%. Forborne exposures in the performing loan category amounted to 4.2 billion euro.

At the end of the first quarter of 2025, net performing loans amounted to 404.5 billion euro, down on December by 5.7 billion euro (-1.4%), with total coverage of 0.5% (stable compared to the end of 2024), of which 4.6% in Stage 2 loans and 0.1% in Stage 1 loans (both stable compared to the end of 2024).

Macroeconomic scenario for forward-looking conditioning

For the purposes of forward-looking conditioning of the ECL estimation parameters, Intesa Sanpaolo's policy involves the use of the macroeconomic scenario produced and updated by the Research Department (CFO Area) on at least a half-yearly basis (June/December). In March 2025, 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; therefore, in line with the Group policy, the next update will be made at the time of the Half-Yearly Report.

The baseline scenario adopted assumptions of continuity with respect to the conflict areas potentially relevant for the forecast, while incorporating the assumption of a generalised increase in tariff barriers by the United States starting from the second quarter of 2025, with a greater impact on China. The level of the barriers is assumed to subsequently fall during 2026.

Following the closure of the scenarios, the United States Government announced the introduction of a basic tariff of 10% and country-specific tariffs. However, the latter have been suspended for 90 days, except for the additional 125% tariff for China and those already introduced for Mexico and Canada. Compared to the underlying assumptions of the internal scenarios, the regime currently in force is more severe than assumed for China and North America. However, it is more lenient than the baseline assumptions for the European Union. If the suspension of bilateral tariffs is not extended, or a trade agreement is not reached with the EU, the level of the additional tariff applied by the United States to European exports (20%) would be close to the baseline assumptions.

In the Euro Area, only a marginal reduction in the growth estimate is assumed, to 0.8% in 2025 and 1.1% in 2026 (compared to 0.9% and 1.2% forecast in December). The scenario also factors in a looser fiscal policy stance in the Euro Area, mainly attributable to Germany.

In Italy, the annual average growth is forecast at 0.7% for 2025 (revised from 1% in December). This revision reflects assessments of the direct and indirect impact of trade restrictions and increased uncertainty, but also the strategic response by businesses (seeking new markets for production, partial absorption of tariffs within their margins, etc.). In addition to the easing of financial conditions, Italy's economic growth is supported by the increase in household real disposable income and increased expenditure related to the implementation of the NRRP, which are partially offsetting the drag on demand from trade restrictions and uncertainty.

The moderate level of real economic growth in Europe is accompanied by a decline in inflation, which is expected to fall steadily to the ECB target in the second half of 2025, allowing the European Central Bank to further cut rates.

For long-term interest rates, an increase in the slope of the yield curves is envisaged, also due to a rise in long-term rates and not just a fall in short-term rates. The precautionary forecast of a widening of the BTP-Bund spread over the medium to long term is maintained. With regard to energy prices, the scenario includes more negative changes in the average annual gas price due to the reduction in stocks, while the oil market remains characterised by weak demand.

For the United States, the changes in tariff policy outlined above has led to the incorporation of more adverse assumptions for US trade policies into the new baseline scenario, with structurally higher tariffs, save for possible subsequent reductions following negotiations and negative effects on domestic support. The consequence is an upward revision of inflation forecasts (to 2.8% from 2.3% this year, and to 2.5% from 2.4% next year) and a downward revision of GDP growth estimates (not only due to higher inflation but also increased uncertainty), to 1.7% from a previous 2% in 2025 and to 2% from 2.3% in 2026.

The Research Department produced alternative scenarios (best case and worst case), created according to the standard methodology set out in the Impairment Policy. The methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).

The best-case scenario was constructed using the standard methodology based on the higher GDP growth forecasts reported in the Consensus Economics survey published in March 2025. The worst-case scenario was also developed using this approach (i.e., based on the lower GDP growth forecasts from Consensus Economics). However, additional shocks have been introduced with negative effects on economic growth linked to the possibility of prolonged trade wars by the United States and temporary negative supply shocks due to subsequently emerging tensions in the Taiwan Strait. In addition to the internal demand shock, the worst-case scenario assumes a more aggressive implementation of the Trump agenda, with greater negative repercussions for the US economy.

With regard to the best-case scenario, the assumptions adopted yield a scenario with higher real growth rates (the distance of the growth rates from the baseline scenario is moderate, at +0.4% for Italy, but stably positive), moderately higher inflation, and lower unemployment rates.

Interest rates are higher across all maturities: higher growth is expected to lead the ECB to suspend the cuts to 2.25% and to begin its tightening phase earlier than in the baseline scenario. The Fed reduces rates to a lesser extent, resuming the rate hike cycle as early as 2026. Long-term rates are higher than in the baseline scenario, with a widening differential through to 2027.

With regard to the adverse scenario, the assumptions described above result in GDP growth below that of the baseline scenario over the entire forecast horizon. In the Euro Area, growth is lower by half a percentage point over the 2025-27 three-year period. Italy has an average annual growth rate of half a percentage point, with a greater deviation from the baseline scenario in 2026. Inflation falls marginally below the ECB's price stability definition during the period from 2026 to 2028, prompting the Central Bank to keep official interest rates in slightly accommodative territory (1.75%) throughout the forecast horizon, with a significant deviation from the baseline scenario, particularly towards the end of the forecasting period. The more accommodative monetary conditions are partially passed on to long-term rates: the 10-year IRS rate is 10-30 basis points lower than in the baseline scenario over the 2026-28 period. The euro/dollar exchange rate is 2% weaker than in the baseline scenario in 2026-27. The gap reverses in the following two years. The modest growth in economic activity is reflected in lower commodity prices than in the baseline scenario, particularly for oil.

Managerial adjustments to the results of the models (in-model and post-model)

As at 31 March 2025, there were no changes with respect to the methodological approaches adopted in the 2024 Financial Statements. The planned reassessment of the assumptions (such as emerging risks identified and associated sector-specific vulnerabilities) were carried out and did not result in substantial changes. The estimates were revised, along with the evidence updated to 31 March.

Starting from the 2023 Financial Statements and with subsequent refinements in December 2024, approaches based on two complementary elements have been introduced:

- 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.

Given the above, adjustment allowances for performing exposures as at 31 March 2025 included prudential elements of 0.9 billion euro relating to both on-balance and off-balance sheet exposures, substantially unchanged from December 2024.

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

	2025			2024			
	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)	26.8	19.6	42.0	27.8	24.0	30.9	31.9
<i>of which: Group Treasury & Capital Management</i>	11.8	9.1	12.6	14.4	12.1	13.1	6.2
<i>of which: IMI C&IB Division</i>	15.0	11.4	25.5	15.3	14.7	20.3	23.3

(millions of euro)

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 2025, as shown in the table above, compared to the averages for the fourth quarter of 2024, trading managerial risks remained substantially stable, with a marginal decrease from 27.8 million euro (average value in the fourth quarter of 2024) to 26.8 million euro (average value in the first quarter of 2025).

Compared to the first quarter of 2024, as reported in the table below, the average for the first quarter of 2025 shows a reduction in trading managerial risks of around -5 million euro, attributable to lower exposure and lower volatility arising from both interest rate risk and credit spread risk factors.

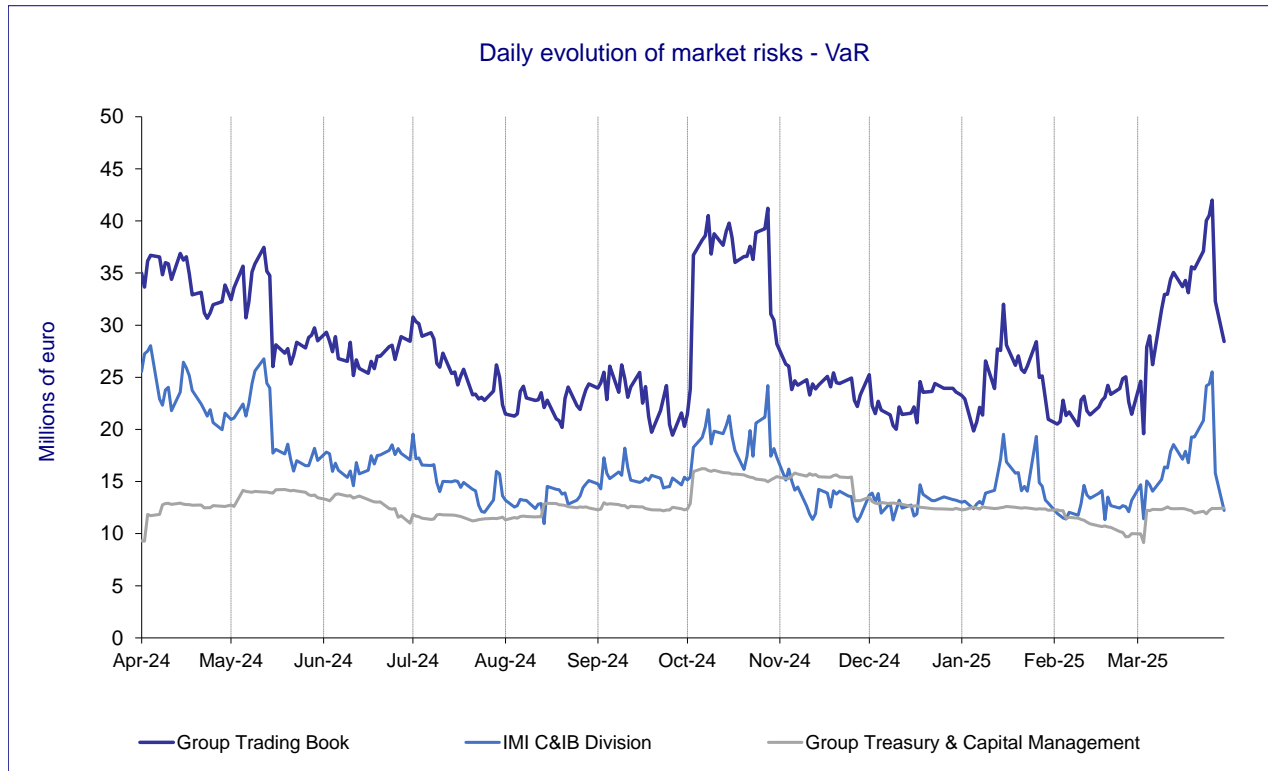
	2025			2024		
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 1st quarter	minimum 1st quarter	maximum 1st quarter
Total Group Trading Book (a)	26.8	19.6	42.0	31.9	19.9	42.2
<i>of which: Group Treasury & Capital Management</i>	11.8	9.1	12.6	6.2	2.8	9.7
<i>of which: IMI C&IB Division</i>	15.0	11.4	25.5	23.3	14.9	32.6

(millions of euro)

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.



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

The breakdown of the Group’s risk profile in the trading book in the first quarter of 2025 shows a prevalence of interest rate risk and credit spread risk, accounting for 47% and 24% 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 (71% and 25%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (35% and 31%, respectively).

1st quarter 2025	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury & Capital Management	3%	71%	1%	25%	0%	0%
IMI C&IB Division	18%	31%	35%	8%	4%	4%
Total	12%	47%	24%	12%	3%	2%

(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 2025, 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:

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES		INFLATION (millions of euro)	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	3	83	-35	48	-25	29	34	-13	-15	9	0	0

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 35 million euro in the event of a 40 basis point rise in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 basis points would result in an overall loss of 25 million euro;
- for positions in exchange rates, there would be potential losses of 13 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 15 million euro in the event of a fall in prices of commodities other than precious metals;
- lastly, for positions indexed to inflation, there would be no material impacts.

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 2025 from 155 million euro (average managerial VaR fourth quarter of 2024) to 175 million euro (average managerial VaR first quarter of 2025).

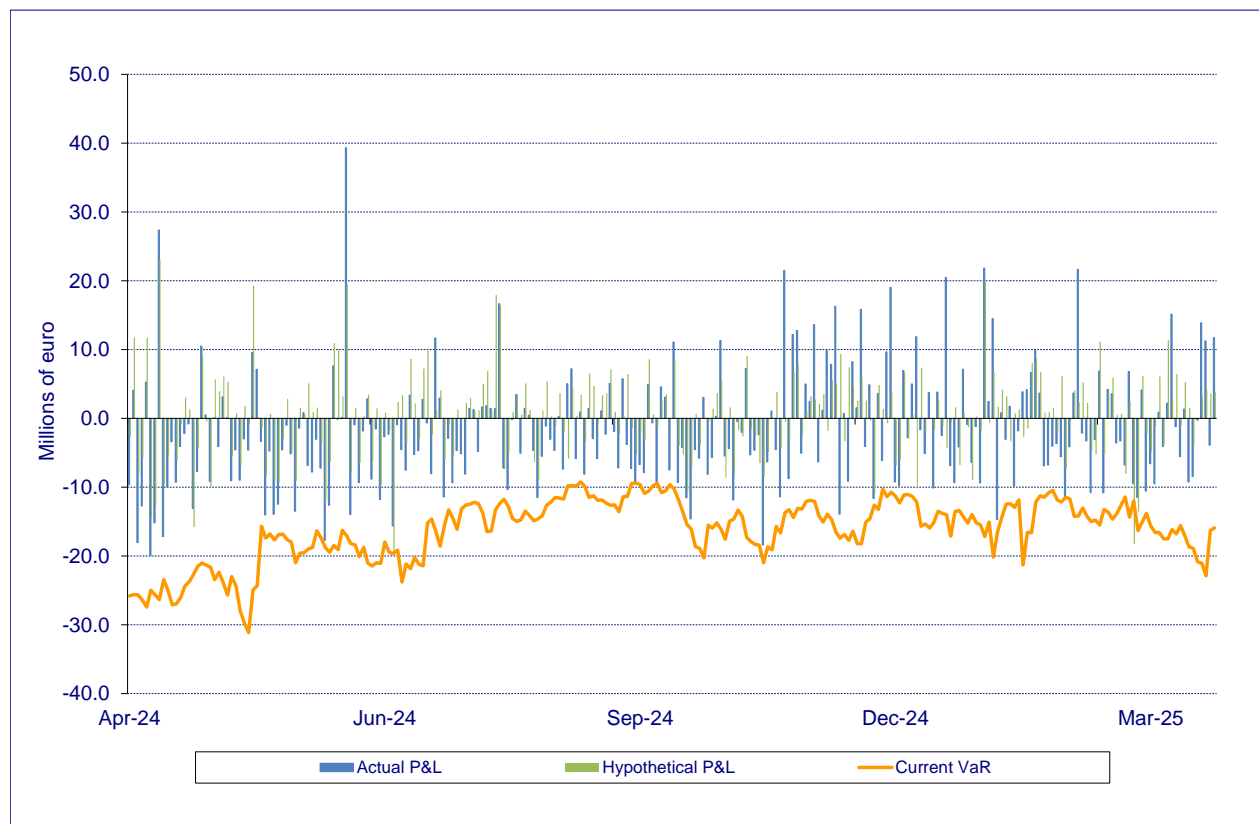
Backtesting

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 a backtesting overshooting¹⁵ occurred for the regulatory VaR measure.



¹⁵ In the last 250 observations, the Bank has recorded an Actual P&L exception and/or a Hypothetical P&L exception. 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 2025, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of the economic value, amounted to -2,664 million euro.

The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 73 million euro, -12 million euro and 108 million euro, respectively, at the end of March 2025.

Interest rate risk, measured in terms of VaR, recorded a value of 782 million euro at the end of March 2025.

The table below shows the changes in the main risk measures during the first quarter of 2025, with regard to the Group's banking book.

	1st quarter 2025			31.03.2025	(millions of euro) 31.12.2024
	average	minimum	maximum		
Sensitivity of the Economic Value +100 bp	-2,681	-2,662	-2,716	-2,664	-2,565
Sensitivity of Net Interest Income -50 bp	1	9	-12	-12	-69
Sensitivity of Net Interest Income +50 bp	35	-13	73	73	13
Sensitivity of Net Interest Income +100 bp	33	-61	108	108	-24
Value at Risk - Interest Rate	678	617	782	782	600

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 +/-83 million euro at the end of March 2025.

Price risk: impact on Shareholders' Equity

		Impact on	(millions of euro)
		shareholders' equity at 31.03.2025	Impact on shareholders' equity at 31.12.2024
Price shock	10%	83	74
Price shock	-10%	-83	-74

LIQUIDITY RISK

The Group's liquidity position, supported by suitable high-quality liquid assets (HQLA) and the significant contribution from stable customer deposits, remained within the risk limits set out in the current Group Liquidity Policy in the first quarter of 2025.

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 147.4% (154.8% in December 2024).

At the end of March 2025, the value of the total unencumbered HQLA reserves, at the various Treasury Departments of the Group, amounted to 127.1 billion euro (127.4 billion euro at the end of 2024). Adding the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group's total unencumbered liquidity reserves amounted to 206.9 billion euro (207 billion euro at the end of 2024).

The Group's total available reserves were substantially stable compared to the previous quarter.

	(millions of euro)	
	Unencumbered (net of haircut)	
	31.03.2025	31.12.2024
HQLA Liquidity Reserves	127,067	127,378
Cash and Deposits held with Central Banks (HQLA)	31,146	35,446
Highly liquid securities (HQLA)	84,713	81,064
Other HQLA reserves not included in LCR	11,208	10,868
Other eligible and/or marketable reserves	79,832	79,621
Total Group's Liquidity Buffer	206,899	206,999

As already mentioned above, The NSFR remained above the 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. As at 31 March 2025, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 121.1% (121.4% at the end of 2024).

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.

INFORMATION ON FINANCIAL PRODUCTS

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	31.03.2025			31.12.2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(millions of euro)						
1. Financial assets measured at fair value through profit or loss	111,986	29,403	10,393	112,812	28,322	9,809
a) Financial assets held for trading	16,858	27,389	216	14,948	26,337	154
of which: Equities	4,842	-	1	7,588	-	1
of which: quotas of UCI	424	-	37	440	-	37
b) Financial assets designated at fair value	-	2	4	-	2	4
c) Other financial assets mandatorily measured at fair value	95,128	2,012	10,173	97,864	1,983	9,651
of which: Equities	6,204	337	102	6,090	296	104
of which: quotas of UCI	81,124	198	8,319	83,884	201	8,236
2. Financial assets measured at fair value through other comprehensive income	149,417	10,494	793	139,665	9,792	812
of which: Equities	590	114	611	542	122	648
3. Hedging derivatives	-	6,723	-	-	6,505	-
4. Property and equipment	-	-	6,569	-	-	6,607
5. Intangible assets	-	-	-	-	-	-
Total	261,403	46,620	17,755	252,477	44,619	17,228
1. Financial liabilities held for trading	7,568	33,949	8	6,890	35,982	10
2. Financial liabilities designated at fair value	4,909	67,224	178	1,488	72,519	76
3. Hedging derivatives	-	3,569	-	-	4,410	-
Total	12,477	104,742	186	8,378	112,911	86

The above table shows the figures for the entire Group, including the insurance companies.

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, represent a small portion of the portfolio, with an impact of 5.5% on total assets (5.5% also as at 31 December 2024). 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 real estate funds, private equity funds, private debt funds, infrastructure funds, hedge funds, and venture capital funds.

The caption also includes 182 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 37% of the balance sheet assets at level 3 fair value.

A total of 80.2% 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 89.2% 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 companies)

Assets / liabilities at fair value	31.03.2025			31.12.2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	17,099	28,397	4,323	15,136	27,244	4,255
a) Financial assets held for trading	16,828	27,387	216	14,910	26,337	154
of which: Equities	4,842	-	1	7,588	-	1
of which: quotas of UCI	424	-	37	440	-	37
b) Financial assets designated at fair value	-	2	4	-	2	4
c) Other financial assets mandatorily measured at fair value	271	1,008	4,103	226	905	4,097
of which: Equities	215	337	13	172	296	13
of which: quotas of UCI	56	198	3,545	54	201	3,540
2. Financial assets measured at fair value through other comprehensive income	81,543	7,952	691	69,754	6,810	732
of which: Equities	590	114	604	542	122	641
3. Hedging derivatives	-	6,706	-	-	6,469	-
4. Property and equipment	-	-	6,562	-	-	6,600
5. Intangible assets	-	-	-	-	-	-
Total	98,642	43,055	11,576	84,890	40,523	11,587
1. Financial liabilities held for trading	7,558	33,947	8	6,882	35,974	10
2. Financial liabilities designated at fair value	4,909	19,088	178	1,488	21,873	76
3. Hedging derivatives	-	3,481	-	-	4,363	-
Total	12,467	56,516	186	8,370	62,210	86

Exclusively with regard to the assets of the Banking Group and Other Companies, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 7.6% on total assets (8.5% as at 31 December 2024).

A total of 64.4% 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 56.7% of the balance sheet assets at level 3 fair value.

With regard to these liabilities, 81.7% are classified in level 2, and the share of level 3 instruments is less than 1% of the total. Lastly, the caption "Other assets", not directly included in the table above, comprised tax credits recognised and measured at fair value for 10.4 billion euro as at 31 March 2025, of which 3.2 billion euro held under the Hold to Collect and Sell business model and 7.2 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	31.03.2025			31.12.2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	94,887	1,006	6,070	97,676	1,078	5,554
a) Financial assets held for trading	30	2	-	38	-	-
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	94,857	1,004	6,070	97,638	1,078	5,554
of which: Equities	5,989	-	89	5,918	-	91
of which: quotas of UCI	81,068	-	4,774	83,830	-	4,696
2. Financial assets measured at fair value through other comprehensive income	67,874	2,542	102	69,911	2,982	80
of which: Equities	-	-	7	-	-	7
3. Hedging derivatives	-	17	-	-	36	-
4. Property and equipment	-	-	7	-	-	7
5. Intangible assets	-	-	-	-	-	-
Total	162,761	3,565	6,179	167,587	4,096	5,641
1. Financial liabilities held for trading	10	2	-	8	8	-
2. Financial liabilities designated at fair value	-	48,136	-	-	50,646	-
3. Hedging derivatives	-	88	-	-	47	-
Total	10	48,226	-	8	50,701	-

With regard to the assets of Insurance Companies, level 3 instruments, which allow for more discretion in fair value measurement, account for a small portion of the portfolio, with an impact of 3.6% on total assets (3.2% as at 31 December 2024).

94.4% 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 6,128 million euro as at 31 March 2025, a net increase of 28 million euro compared to the stock of 6,100 million euro as at 31 December 2024. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 3,059 million euro, in ABSs (Asset-Backed Securities) of 2,999 million euro and in CDOs (Collateralised Debt Obligations) of 70 million euro, which continued to be a marginal activity also in 2025.

Accounting categories	31.03.2025			31.12.2024		Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	358	651	-	1,009	961	48	5.0
Financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	1,624	582	-	2,206	2,204	2	0.1
Financial assets measured at amortised cost	1,077	1,766	70	2,913	2,935	-22	-0.7
Total	3,059	2,999	70	6,128	6,100	28	0.5

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 customers¹⁶.

The performance of the portfolio in the first quarter of 2025 shows higher overall investments than disposals and redemptions, with a total increase of 28 million euro, mainly attributable to the operations of the IMI Corporate & Investment Banking Division.

Exposures measured at fair value (CLO and ABS debt securities) increased by 50 million euro, from 3,165 million euro in December 2024 to 3,215 million euro in March 2025. The net increase was attributable to higher investments totalling 520 million euro, of which 413 million euro relating to financial assets held for trading and 107 million euro to financial assets measured at fair value through other comprehensive income, offset by redemptions and disposals totalling 470 million euro, of which 365 million euro relating to the first component and 105 million euro to the second component.

Exposures classified among assets measured at amortised cost (CLO, ABS and CDO debt securities) amounted to 2,913 million euro in March 2025, compared with a balance of 2,935 million euro in December 2024, a net decrease of 22 million euro, generated by disposals and reimbursements totalling 299 million euro, only partially offset by investments totalling 277 million euro.

From the perspective of the income statement, the overall profit of +3 million euro in the first quarter of 2025 compares with a profit of +8 million euro in the same period of 2024.

The performance for the first quarter of 2025 of +3 million euro, entirely attributable to assets held for trading, relates to exposures in CLOs and exposures in ABSs, of which +2 million euro resulting from realisations and +1 million euro from valuations. As at 31 March 2024, the result for these exposures was +6 million euro, consisting of +4 million euro from realisations and +2 million euro from valuations.

The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a net increase in fair value of +3 million euro in 2025 through a shareholders' equity reserve (from a reserve of -9 million euro in December 2024 to -6 million euro in March 2025), while there were no impacts from sales in the first quarter of 2025, compared to +2 million euro in the first quarter of the previous year.

For debt securities classified as financial assets measured at amortised cost, the result as at 31 March 2025 was nil, unchanged from 31 March 2024.

Income statement results broken down by accounting category	31.03.2025			31.03.2024		Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	1	2	-	3	6	-3	-50.0
Financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	2	-2	
Financial assets measured at amortised cost	-	-	-	-	-	-	-
Total	1	2	-	3	8	-5	-62.5

¹⁶ This is implemented by the Group through its subsidiary Duomo Funding Plc.

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 2024 Annual Report.

With regard to the Covered Bond issuance programmes, under the Covered Bond issuance programme guaranteed by **ISP CB Ipotecario**, two retained issues of Covered Bonds were carried out in January, listed on the Luxembourg Stock Exchange with a Moody's rating of Aa3: the 39th series for 1.5 billion euro, with floating rate and 6-year maturity and the 40th series for 1.5 billion euro, with floating rate and 11-year maturity. The 14th series also matured in January, for an amount of 1 billion euro.

Under the Covered Bond programme guaranteed by **ISP OBG**, the 25th retained series matured in February for the remaining amount of 500 million euro. In March, the following retained series were redeemed early:

- 22nd, for the total amount of 1.75 billion euro;
- 33rd, for the amount of 185 million euro (with a consequent remaining amount of 1.465 billion euro);
- 36th, for the amount of 1.3 billion euro (with a consequent remaining amount of 500 million euro);
- 37th, for the amount of 250 million euro (with a consequent remaining amount of 1 billion euro);
- 38th, for the amount of 250 million euro (with a consequent remaining amount of 1.5 billion euro).

In March, the 48th retained series was issued for 3 billion euro, with a fixed rate and an 8-year maturity.

Within the covered bond programme guaranteed by **UBI Finance**, the 17th series matured in February for an amount of 1 billion euro.

With regard to self-securitisations, for Brera Sec (SEC 2), the second Residential Mortgage Backed Security ("RMBS") transaction in the Brera series, the loan portfolio was fully repurchased in the last ten days of January, with payment of the corresponding price at the end of the same month for an amount of 4.4 billion euro. The transaction was closed with full early redemption of the securities on the final payment date of 17 March 2025.

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 2025, for the Intesa Sanpaolo Group, transactions that meet the definition of "Leveraged Transactions" according to the ECB Guidance amounted to 29.1 billion euro, relating to 2,275 credit lines. The geographical distribution shows that more than half of the transactions, in terms of volume, were with domestic counterparties (56%). The main economic macro-sectors of the counterparties concerned were the industrial, services and financial sectors.

In accordance with the requirements of the ECB Guidance, within the Credit Risk Appetite, specific limits for the outstanding stock of leveraged transactions, limits on new transaction flows, and early warning thresholds on concentration have been approved by the Parent Company's Board of Directors, in line with the Group's risk appetite for these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company's hedge fund portfolio as at 31 March 2025 amounted to 244 million euro for the trading book and 200 million euro for the banking book for a total of 444 million euro, compared to 245 million euro and 204 million euro, respectively, for a total of 449 million euro as at 31 December 2024.

The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium- to 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 2025 there was a slight decrease in the balances, compared to the end of the previous year, of -5 million euro, which included disposals of -2 million euro, fair value measurements of -1 million euro and foreign exchange revaluations of -2 million euro.

Specifically, the disposals and foreign exchange revaluations related to the banking book, while the fair value measurements related to the trading book. In the latter, although no new positions were recorded in the first quarter of 2025, the due diligence continues to be implemented, aimed at prioritising trading investments in UCITS hedge funds that best meet the capital absorption requirements, in line with the CRR2 provisions effective from 30 June 2021.

In terms of effects on the income statement, the overall result for the first quarter of 2025 was nil (+1 million euro from the banking book and -1 million euro from the trading book), whereas in the first quarter of 2024 the income statement result was positive at +13 million euro, attributable to the measurement of financial assets mandatorily measured at fair value (+6 million euro) and financial assets held for trading (+7 million euro).

Within the Intesa Sanpaolo Group, as at 31 March 2025 Eurizon Capital SGR held hedge funds for a total of 14 million euro (exposure unchanged compared to 31 December 2024), at fair value through profit or loss of +0.2 million euro from valuation effects (+0.4 million euro also from valuations as at 31 March 2024). 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 2025, 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 2,558 million euro (3,039 million euro as at 31 December 2024). The notional value of these derivatives totalled 46,934 million euro (47,654 million euro as at 31 December 2024).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,388 million euro (1,544 million euro as at 31 December 2024).

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 2,206 million euro as at 31 March 2025 (2,417 million euro as at 31 December 2024). The notional value of these derivatives totalled 50,124 million euro (52,267 million euro as at 31 December 2024).

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 2025, these led to a negative impact of 10 million euro under "Profits (Losses) on trading in the income statement" (negative impact of 1 million euro as at 31 March 2024).

For details of the methodologies used in determining the fair value of financial instruments, see the paragraphs specifically dedicated to this subject in the 2024 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 events¹⁷.

The Intesa Sanpaolo Group has been using for some time a specific framework for the governance of operational, ICT and security risks, recently updated to incorporate the regulatory changes introduced by CRR3 – as reported in detail in the section “Basel regulation and the internal project” of this Report – effective from January 2025, which in turn incorporated the changes contained in the final Basel 4 reform, promoted internationally by the Basel Committee.

The new CRR3/Basel 4 regulatory framework has fundamentally altered the methodology for calculating the prudential capital requirement, eliminating the possibility of using internal models (the Group used the AMA internal model – in partial use with the Standardised and Basic approaches – to determine the capital requirement until 31 December 2024) and introducing a single standardised calculation method, referred to as the Standardised Approach (SA).

Under the new rules, the capital requirement is determined in line with the size of business activities (Business Indicator – BI), primarily using FINREP items (averaged over the previous three years), weighted with regulatory coefficients by band. The methodology also requires the inclusion of the duly reconciled accounting impact of the operational losses over the three-year period. The new regulatory framework therefore confirms the importance of high-quality operational loss data collection, in addition to the requirement for an effective, properly structured overall operational risk governance framework, supported by suitable infrastructure and verified by an independent function.

For the first report in March 2025, to be sent to the Regulator by June 2025, the average of the FINREP entries for the three-year period 2022-2024 will be used. Thereafter, the reporting will be done quarterly, and capital requirement calculation will be updated annually, with reference to 31 December of each year, subject to any changes in the scope of consolidation that may have occurred during the quarter.

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 information on past disputes and for a detailed description of individual significant disputes, see the Notes to the 2024 Annual Report of the Intesa Sanpaolo Group.

Transfer of business units to Isybank – Proceedings of the Italian Personal Data Protection Authority

By order of 3 January 2025, the Italian Personal Data Protection Authority - after having carried out a preliminary investigation in the context of which it had made a number of requests for information to the Bank, which were duly fulfilled - informed Intesa Sanpaolo that its conduct in the context of the transfer of the business lines to Isybank was in breach of certain provisions of the General Data Protection Regulation (GDPR), with regard to the identification of the legal basis for the processing of data aimed at identifying the “mainly digital” customers included in the branches being contributed and to the information provided to such customers.

With the same measure, the Data Protection Authority announced the start of a procedure for the adoption of corrective measures and – if deemed applicable – the administrative penalties provided for by the GDPR.

On 3 March 2025, the Bank filed its defence submissions with the Data Protection Authority.

Unauthorised access to personal data - current judicial and administrative proceedings

In July 2024, the Bank notified the Italian Personal Data Protection Authority of certain accesses to customer data by an employee apparently not justified by service reasons and detected by the Bank’s alert systems.

As a result of the investigations carried out, the employee was first suspended from duty and then dismissed for cause. The Bank also lodged a complaint with the Public Prosecutor’s Office at the Court of Bari against the former employee for unauthorised access to a computer system. In the criminal proceedings against the former employee, the Bank, in addition to being the plaintiff and injured party, is under investigation as an entity pursuant to Legislative Decree no. 231/2001, even though, as things stand, the acts attributed to the former employee appear to have been committed to the detriment of the Bank and not for its benefit. The Bank received a number of requests for information and documents from the Public Prosecutor’s Office, to which it responded providing full cooperation.

The Bank notified the customers whose data was accessed by the former employee of the data breach where such access could not be attributed with certainty to service needs, as required by the Italian Personal Data Protection Authority by measure of 2 November 2024.

In that measure, the Authority reserved “any other decision at the end of its investigation into the case”. Once the Authority has communicated the outcome of its investigation, a clearer picture of possible developments of the proceedings will be available.

¹⁷ As far as the financial losses component is concerned, operational risk also includes the following risks: legal, conduct, compliance, financial crime, fiscal, technological, cybersecurity, physical security, third-party, data quality, fraud, process and employer risk. Strategic and reputational risk are not included.

Dispute regarding financial derivative instruments

With regard to derivative transactions, the legal risks linked to legal proceedings with local authorities, their subsidiaries and individuals continue to be subject to careful monitoring.

Specifically, 15 disputes are pending with local authorities, with possible or likely risk, for total claims of 77 million euro, and 5 disputes with subsidiaries of public entities, with total claims of 19 million euro. Disputes with individuals, assessed as having possible or likely risk, total 153, and of these, 42 positions also regard requests for refunds of amounts on other accounts held with the Bank. Net of those latter positions, the total value of the claims lodged in the proceedings regarding only derivatives amounts to around 83 million euro.

Dispute regarding Euribor Manipulation

By two decisions, in 2013 and 2016, the European Commission established the existence of a cartel between a number of European banking groups (Barclays, Deutsche Bank, Société Générale, The Royal Bank of Scotland, Crédit Agricole, HSBC and JPMorgan Chase) in the period between 29 September 2005 and 30 May 2008 aimed at manipulating Euribor.

In Italy, a dispute has arisen in which customers – in addition to making general claims concerning loan agreement – claim the nullity of the Euribor indexation clause included in the contracts, even where, as in the case of Intesa Sanpaolo, the lending bank did not participate in the cartel. To date, this phenomenon has had a limited impact in terms of volume; the lower courts have mainly ruled in the Banks' favour.

In July 2024, in the context of a dispute brought against a credit intermediary, the matter was referred to the Joint Divisions to resolve the conflict that had emerged between the First and Third Divisions of the Court on the perimeter of the contracts potentially affected by the cartel ("downstream contracts") and on the potential remedies available to clients to challenge their validity.

In his conclusions in the proceedings before the Joint Divisions, the Public Prosecutor's Office requested the rejection of the clients' claim, noting the absence of an objective connection between the cartel and the "downstream" mortgage loan contracts at issue in the dispute.

In the first quarter of 2025, as part of a dispute brought against Intesa Sanpaolo on a securitised bad loan deriving from a mortgage loan contract, the Cagliari Court of Appeal made a reference for a preliminary ruling to the European Court of Justice (CJEU) to verify the possible impact of Euribor manipulations on "downstream" contracts concluded between banks and their clients.

The questions put to the Court was:

- whether the evidence of manipulation established by the European Commission is binding on national courts;
- whether the anti-competitive cartel constitutes a prohibited agreement solely in the derivatives market (where it took place) or in any market which used the manipulated Euribor benchmark, such as the mortgage loan market.

In the light of the reference for a preliminary ruling made by the Court of Cagliari, the Joint Divisions of the Court of Cassation decided to handle the action brought against another intermediary as a new case.

Reference for a preliminary ruling to the Court of Cassation on the legitimacy of the fixed instalment repayment plan

On 29 May 2024 the Joint Divisions of the Court of Cassation (by ruling no. 15130) ruled on an important issue for banking operations: specifically, whether the failure to indicate in a fixed-rate mortgage loan agreement the fixed instalment repayment method (called French amortization method) and the compound capitalisation regime makes the purpose of the contract vague or impossible to determine.

The Joint Divisions set out the following approach to interpretation, also applicable beyond the case submitted to their examination (as per the role as guarantor of the uniform interpretation of the law): "Regarding fixed-rate bank mortgages with repayment of the loan in instalments governed by a standardised, traditional repayment plan, the failure to indicate the repayment method and compound capitalization of debt interest regime cannot give rise to partial nullity of the contract, either due to vagueness of or the inability to determine the purpose of the contract, or due to breach of the regulations on transparency of contractual conditions and relations between credit institutions and their customers".

This ruling will make it possible to significantly limit the risk of proliferation of disputes regarding objections to fixed instalment repayment methods.

The Court of Cassation issued a further ruling on the matter by Order no. 7382 of 19 March 2025. It found that the principles upheld by the Joint Divisions in their judgment of May 2024 with regard to fixed-rate mortgage loans should also be extended to floating-rate mortgage loans having an annexed amortisation plan.

Italian Antitrust Authority (AGCM) proceedings against Intesa Sanpaolo RBM Salute – now Intesa Sanpaolo Protezione.

In November 2020, the AGCM had initiated proceedings against Intesa Sanpaolo RBM Salute for unfair business practices, which concluded in July 2021 with a fine of 5 million euro and a warning to cease the unfair practice. Intesa Sanpaolo RBM Salute appealed the AGCM's decision before the Lazio Regional Administrative Court, which, in November 2022, after having considered the complaint made regarding the lateness of the Authority's intervention to be valid, upheld the appeal and annulled the penalty measure in full. The AGCM appealed the judgement of the Regional Administrative Court before the Council of State, which suspended the judgement in January 2024, pending the ruling of the Court of Justice of the European Union on a number of preliminary questions relevant to the judgement. Following the Lazio Regional Administrative Court's judgement, the Italian Antitrust Authority issued an order of "no grounds for further action" in the non-compliance proceedings, which it had initiated on the grounds that Intesa Sanpaolo RBM Salute was not complying with the warning contained in the penalty measure. However, the Authority has reserved the right to defer any decisions until the outcome of the proceedings before the Council of State.

In its judgments of 30 January 2025, the Court of Justice of the European Union issued its preliminary ruling, where it held that the peremptory 90-day time limit, under Law no. 689/1981, by which the Authority must notify the company concerned of the proceedings against it, is incompatible with EU consumer law. The breach of said time limit was one of the grounds for the Lazio Regional Administrative Court's decision to annul the AGCM's measure.

On 28 February 2025, the AGCM filed a petition for the resumption of the suspended case before the Council of State, which set the hearing for 25 September 2025.

Reyl & Cie (Switzerland) – Proceedings pursuant to Legislative Decree no. 231/2001 of the Public Prosecutor's Office at the Court of Milan

The Public Prosecutor's Office of Milan initiated criminal proceedings pursuant to Legislative Decree no. 231/2001 against Reyl & Cie (a Swiss subsidiary of Fideuram – Intesa Sanpaolo Private Banking) for the predicate offence of money laundering, allegedly committed by one of its former employees (dismissed in 2020), and ordered the seizure of securities owned by Reyl & Cie for around 1.1 million euro. The proceedings also involve the Swiss bank Cramer & Cie. Neither Fideuram Intesa Private Banking nor Intesa Sanpaolo were involved in the proceedings. The circumstances alleged relate to events that took place in 2018, before Reyl & Cie joined the Intesa Sanpaolo Group in May 2021. According to the prosecution, the former employee, together with his brother, an employee of the bank Cramer & Cie, and an external advisor, allegedly engaged in practices aimed at facilitating tax evasion by Italian customers through the transfer of accounts from Switzerland to branches located in the Bahamas, in order to allow those customers to withdraw money from those accounts without the possibility of being traced by the Italian authorities. 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 former employee and his brother, as well as Cramer & Cie and Reyl & Cie. The preliminary hearing was consequently set by the preliminary investigation judge (GIP) for 3 July 2024. On conclusion of discussion between Reyl & Cie's defence counsel and the Public Prosecutor at the hearing of 3 July 2024, with the view to avoiding a drawn out dispute, and without recognising any liability for the circumstances alleged, the bank filed a petition to apply a financial penalty (plea bargain), which was accepted by the Public Prosecutor.

By judgement of 13 March 2025, the preliminary investigation judge (GIP) of the Court of Milan, accepting the plea bargain request submitted by Reyl & Cie, imposed a fine of 267,000 euro and ordered the confiscation of 723,000 euro. At the same time, the judge ordered the release of 1.1 million euro previously seized from Reyl & Cie.

Labour litigation

In line with the situation as at 31 December 2024, as at 31 March 2025 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.

With regard to **Intesa Sanpaolo**, as at 31 March 2025, the claims decreased by 0.2 million euro, while provisions increased by 0.2 million euro. There are 448 pending litigation proceedings (429 as at 31 December 2024) for a total amount claimed (taxes, penalties and interest) of 107.7 million euro (107.9 million euro as at 31 December 2024), considering both administrative and judicial proceedings at various instances.

In relation to these proceedings, the actual risks were quantified at 40.6 million euro as at 31 March 2025 (40.4 million euro as at 31 December 2024).

Compared to 31 December 2024, for the Parent Company, the main events that gave rise to significant changes in the amounts claimed (-0.2 million euro) include:

- an increase (1.8 million euro), due to: i) new claims of 0.6 million euro for municipal property tax (IMU) on terminated lease contracts; ii) new claims of 0.4 million euro for registration tax, almost entirely concerning registration tax on judicial documents; iii) new claims of 0.6 million euro for mortgage and land registry taxes; and iv) accrued interest expenses of 0.2 million euro;
- a decrease (2 million euro) due to: i) closures of claims concerning registration tax for 1.6 million euro, of which: 0.8 million euro on judicial documents, 0.6 million euro on real estate sales, and 0.2 million euro on the reclassification into business sale of a business contribution followed by the sale of the equity investment; ii) closures of disputes for municipal property tax (IMU) on real estate from both terminated and current lease contracts for 0.4 million euro.

Also compared to 31 December 2024, for the Parent Company, the main changes in provisions (0.2 million euro) consisted of:

- an increase (0.9 million euro), due to: i) new municipal property tax (IMU) claims on terminated lease contracts amounting to 0.2 million euro; ii) new claims of 0.6 million euro for mortgage and land registry taxes; and iii) legal fees and interest expenses on pending disputes amounting to 0.1 million euro;
- a decrease (0.7 million euro) attributable to:
 - use (0.1 million euro) for legal expenses;
 - releases to the income statement (0.6 million euro) referring to: i) the closure of municipal property tax (IMU) disputes on real estate from terminated lease contracts (0.3 million euro); ii) registration tax on real estate sales (0.1 million euro), as well as registration tax on the reclassification into business sale of a business contribution followed by the sale of the equity investment (0.2 million euro).

For details of the main outstanding claims, see the Notes to the consolidated financial statements as at 31 December 2024, except for the following.

Former Medioleasing – Registration tax on Ancona Civil Court judgment

On 18 October 2023, the Italian Revenue Agency – Provincial Directorate I of Ancona served a notice of assessment for registration tax of 0.5 million euro relating to a 2021 judgment of the Civil Court of Ancona which ordered a real estate company, the lessee of a hotel complex, to pay Medioleasing (merged by incorporation into Nuova Banca Marche, in turn merged into the former UBI Banca) 11.1 million euro for overdue pre-lease fees, sums paid in relation to work-in-progress and interest on arrears, following the declared termination of the lease contract due to non-performance by the lessee.

Intesa Sanpaolo challenged the notice by filing an action in December 2023 with the Ancona Tax Court of first instance, claiming that the 3% proportional registration tax on the lease payment order was unlawful, and thus the tax was unlawful as to 0.3 million euro. In the course of the proceedings, the Revenue Agency issued on 24 March 2024 a new notice replacing the challenged notice, of substantially the same amount but with a different reason, which was also challenged by the Bank. By judgment filed on 25 March 2024, the Tax Court of first instance of Ancona declared the matter of the dispute in relation to the first notice to have ceased, ordering the Revenue Agency to pay the costs of the proceedings. In a subsequent judgment filed on 5 November 2024, the Court upheld the action against the second notice, holding that the fixed registration tax and not the proportional tax was applicable, since the payment concerned the refund of sums as a consequence of the termination of a contract. The Revenue Agency appealed the judgment before the second instance Tax Court of Marche region on 10 January 2025; Intesa Sanpaolo filed its counter-arguments in the appeal on 11 March 2025. We are awaiting the date for the court hearing to examine the case.

Intesa Sanpaolo – Registration tax on the judgment of the Civil Court of Lecco

On 4 December 2023, the Italian Revenue Agency – Provincial Directorate of Lecco issued a notice of assessment for registration tax of 0.5 million euro relating to a 2022 injunction issued by the Civil Court of Lecco ordering an industrial company to pay Intesa Sanpaolo – as assignee of the receivable for (non-financial) lease payments on the building where the company has its production plant – a total of 13.2 million euro plus VAT and interest on arrears. The notice was challenged within the legal deadlines by objecting, inter alia, with regard to the proportional 3% registration tax on the lease payment order (0.4 million euro), infringement of the principle that VAT and registration tax are mutually alternative taxes.

By judgment filed on 14 June 2024, the first instance Tax Court of Lecco upheld Intesa Sanpaolo's action, annulling the challenged notice and ordering the Revenue Agency to pay the costs. The Agency appealed to the Lombardy Tax Court of second instance, and Intesa Sanpaolo filed its own counter-arguments in the appeal. By judgment filed on 31 March 2025, the Court rejected the Revenue Agency's appeal, upholding the first instance decision.

Former Banca Apulia – Registration tax on ruling of the Civil Court of Bari

On 15 July 2024, the Italian Revenue Agency – Provincial Directorate of Bari issued a notice of assessment for registration tax of 1.1 million euro related to a 2023 ruling by the Court of Bari. This ruling ordered Intesa Sanpaolo, as the successor of Banca Apulia, to pay the Municipality of Bari 18 million euro, including 1 million euro in interest (based on a guarantee provided by the Bank in favour of the consortium that carried out the contract for the construction of the San Nicola Stadium in Bari), and also ordered the consortium to indemnify Intesa Sanpaolo with respect to the ruling. This notice was annulled by way of internal review and replaced by a new notice, with amended grounds, served on 8 August 2024 for an almost identical amount (difference of a few thousand euro). Intesa Sanpaolo filed an action against the latter notice and subsequently accepted a settlement proposal from the Revenue Agency, which recognised the amount of 262,000 euro as not due. As a result, the proceedings were discontinued by judgment of the Bari Tax Court of first instance on 11 February 2025.

* * *

With regard to the disputes settled during the period, one of the main ones concerned the registration charged on the 2021 judgment of the Court of Rome. On 13 February 2022, the Italian Revenue Agency – Provincial Directorate I of Rome issued an assessment notice for 0.7 million euro, which Intesa Sanpaolo challenged in court, requesting its full cancellation and, in the alternative, the cancellation of 0.2 million euro. The Revenue Agency, following internal review partially cancelled notice as to 0.2 million euro – thus accepting Intesa Sanpaolo's alternative claim. This was acknowledged by the judgment of the Tax Court of first instance of Rome filed on 18 March 2024, which Intesa Sanpaolo decided not to appeal. The judgment has become final and, as a result, this dispute is closed.

* * *

With regard to Intesa Sanpaolo's international branches, please see the Notes to the Consolidated Financial Statements as at 31 December 2024; new events are reported below.

The tax audit on the Munich branch of the former UBI Banca for the years 2015 to 2018, which started in 2021, was closed without any findings for the years 2015 to 2017. In March 2025, the Munich Tax Office requested details and documentation on VAT for the year 2018, which the Bank delivered via local consultants. There are currently no findings.

The tax audit of the Frankfurt branch for the year 2019, concerning income tax, which started in June 2024, was closed without any findings in February 2025.

The audit of the London branch – started with a questionnaire dated 4 January 2023 from the UK tax authority (HMRC) with regard to the year 2020, extended in December 2024 to the year 2022 and continued with the delivery of a substantial amount of documentation in 2023 and 2024 in response to questions from the HMRC (mainly on international transfer pricing) – continued in February 2025 with a further communication from the authority restricting the investigations to the provision of services/transfers of goods between Intesa Sanpaolo's London branch and other Group entities as well as to the branch's own funds. The additional information requested was duly provided.

* * *

With regard to the whole amount of the tax disputes pending as at 31 March 2025, Intesa Sanpaolo's provisional tax payment assets amounted to 13.7 million euro (13.2 million euro as at 31 December 2024). The increase of 0.5 million euro was due to new payments made during the quarter. The provisional payments in question were made in compliance with specific legal provisions, which provide for the mandatory payment based on an automatic mechanism totally independent of whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely because the administrative acts containing the tax claim are enforceable even in the event of an appeal, which has no suspensive effect. Provisional tax payments do not affect assessments of the actual risk of loss, which is measured in accordance with IAS 37 for liabilities.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Assicurazioni, Intesa Sanpaolo Protezione and Fideuram Vita) are made with their shareholders' 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 2025, the investment portfolios of Group companies, recorded at book value, amounted to 175,874 million euro. Of these, a part amounting to 91,400 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 shareholders' 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 84,474 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 shareholders' fund.

In terms of breakdown by asset class, net of derivative financial instruments, 83.6% of assets, i.e. 76,428 million euro, were bonds, whereas assets subject to equity risk represented 2.4% of the total and amounted to 2,236 million euro. The remainder, amounting to 12,787 million euro (14%) consisted of investments relating to UCI, Private Equity and Hedge Funds. The carrying value of derivatives came to around -51 million euro, of which around 21 million euro relating to effective management derivatives, and the remaining portion (around -70 million euro) is attributable to hedging derivatives.

At the end of the first three months of 2025, investments made with the shareholders' fund of Intesa Sanpaolo Assicurazioni and Fideuram Vita amounted to around 1,301 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 16 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 -4,378 million euro.

The distribution of the portfolio by rating class was as follows: AAA/AA bonds represented 4.7% of total investments and A bonds 12.7%; low investment grade securities (BBB) represented 79.4% of the total, while the portion of speculative grade or unrated was minimal (3.2%); 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 shows the following components: securities issued by Governments and Central Banks make up 69.7% of the total investments, while financial companies (mostly banks) contribute 20.6% of exposure and industrial securities make up 9.7%.

At the end of the first quarter of 2025, 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 -4,554 million euro, with -3,722 million euro due to government issuers and -832 million euro to corporate issuers (financial institutions and industrial companies).