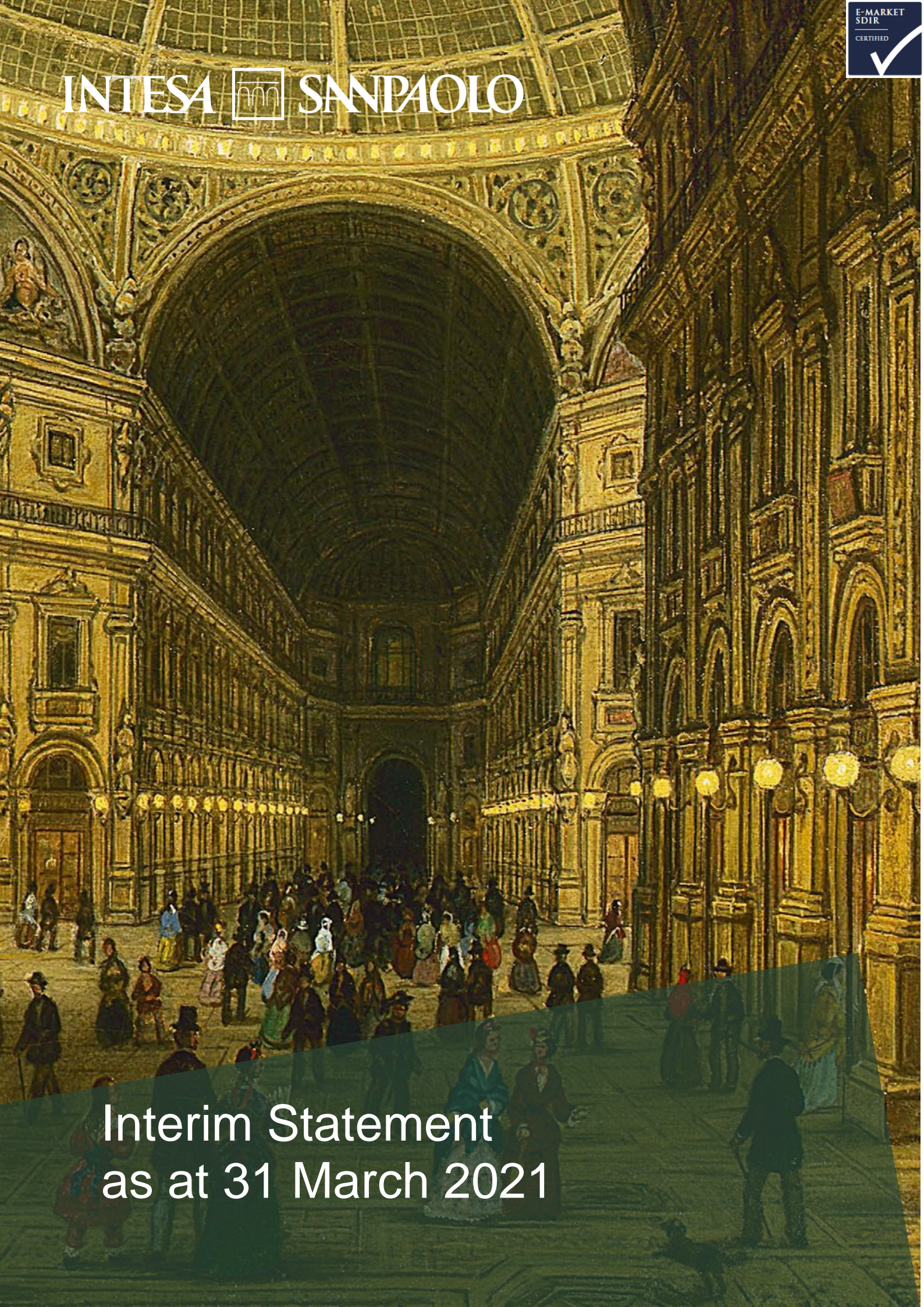


INTESA  SANPAOLO



Interim Statement
as at 31 March 2021

This is an English translation of the original Italian document "Resoconto Intermedio al 31 marzo 2021". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.

This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Interim Statement as at 31 March 2021

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THE INTESA SANPAOLO GROUP



The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA  **SANPAOLO**

BANCA 5 LA BANCA
A PORTATA
DI MANO
Gruppo INTESA  SANPAOLO

FIDEURAM
INTESA SANPAOLO PRIVATE BANKING

IWBank
PRIVATE INVESTMENTS

UBI Banca



NORTH WEST

INTESA SANPAOLO Branches	Subsidiaries	
	Company	Branches
966	Banca 5	1
	Fideuram	95
	IWBank	9
	UBI Banca	522

NORTH EAST

INTESA SANPAOLO Branches	Subsidiaries	
	Company	Branches
808	Fideuram	56
	UBI Banca	98

CENTRE

INTESA SANPAOLO Branches	Subsidiaries	
	Company	Branches
699	Fideuram	40
	IWBank	6
	UBI Banca	309

SOUTH

INTESA SANPAOLO Branches	Subsidiaries	
	Company	Branches
607	Fideuram	26
	IWBank	7
	UBI Banca	195

ISLANDS

INTESA SANPAOLO Branches	Subsidiaries	
	Company	Branches
216	Fideuram	10
	UBI Banca	1

Figures as at 31 March 2021

Product Companies

BAP  **ASSICURAZIONI**

**FIDEURAM
VITA**

**INTESA SANPAOLO
ASSICURA**

**INTESA SANPAOLO
RBM SALUTE**

**INTESA SANPAOLO
VITA**

Bancassurance and Pension Funds

PRESTITALIA **UBI**  **Factor** **UBI**  **Leasing**

Factoring, Leasing and Consumer Credit (*)

EURIZON
ASSET MANAGEMENT **Pramerica**

Asset Management

SIREF
FIDUCIARIA

Fiduciary Services

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

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO



AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

OCEANIA

Direct Branches
Sydney

ASIA

Direct Branches	Representative Offices
Abu Dhabi	Beijing
Doha	Beirut
Dubai	Ho Chi Minh City
Hong Kong	Jakarta
Shanghai	Mumbai
Singapore	Seoul
Tokyo	Shanghai ⁽³⁾

EUROPA

Direct Branches	Representative Offices
Frankfurt	Brussels ⁽¹⁾
Istanbul	Moscow
London	
Madrid	
Nice ⁽²⁾	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	47
Croatia	Privredna Banka Zagreb	159
Czech Republic	VUB Banka	1
Hungary	CIB Bank	63
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram Bank Luxembourg	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	32
Russian Federation	Banca Intesa	28
Serbia	Banca Intesa Beograd	154
Slovakia	VUB Banka	175
Slovenia	Intesa Sanpaolo Bank	46
Switzerland	Intesa Sanpaolo Private Bank (Suisse) Morval	2
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex Bank	45
United Kingdom	Intesa Sanpaolo Private Bank (Suisse) Morval	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	178

Figures as at 31 March 2021
 (1) European Regulatory & Public Affairs
 (2) UBI Banca branch
 (3) UBI Banca Representative Office

Product Companies

PBZ CARD

E-money and Payment Systems



Leasing



Wealth Management

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

Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA ^(a)
Directors	Franco CERUTI Roberto FRANCHINI ^{(1) (*)} Anna GATTI Rossella LOCATELLI Maria MAZZARELLA Fabrizio MOSCA ^(*) Milena Teresa MOTTA ^(*) Luciano NEBBIA Bruno PICCA Alberto Maria PISANI ^(**) Livia POMODORO Andrea SIRONI ⁽²⁾ Maria Alessandra STEFANELLI Guglielmo WEBER Daniele ZAMBONI Maria Cristina ZOPPO ^(*)

Manager responsible for preparing the company's financial reports

Fabrizio DABBENE

Independent Auditors

EY S.p.A.

(a) General Manager

(*) Member of the Management Control Committee

(**) Chairman of the Management Control Committee

(1) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020 replacing Corrado Gatti who had ceased to hold office

(2) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020, following co-option by the Board of Directors on 2 December 2019

Introduction

As is known, Legislative Decree 25 of 15 February 2016, which implemented the Transparency Directive (2013/50/EU), eliminated the obligation to publish interim statements and gave Consob the option of establishing any additional disclosure obligations with respect to the annual and half-yearly reports. By Resolution 19770 dated 26 October 2016, Consob, pursuant to regulatory delegation provided for in said Decree, approved the changes to the Issuers' Regulation on periodic additional financial disclosure, which have applied since 2 January 2017.

Under these regulations, listed companies have the right to select whether or not to publish periodic additional financial disclosure.

When it announced its 2021 financial calendar to the market, Intesa Sanpaolo confirmed that, pursuant to Art. 65-Bis and Art. 82-ter of the Issuers' Regulation, it intends to publish financial information – on a voluntary basis – as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly reports. This information consists of interim statements approved by the Board of Directors.

As illustrated in detail in the chapter "Criteria for the preparation of the Interim Statement", the Interim Statement as at 31 March 2021" has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The Interim Statement contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Report on operations. It is also complemented by information on significant events which occurred during the period.

In support of the comments on the results, the Interim Statement also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, as required by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Interim Statement also contains other financial information taken from or attributable to the financial statements, as well as other information – for example, figures on quarterly trends, and other alternative performance measures – not taken from or directly attributable to the financial statements.









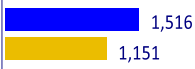
In this regard, see the chapter Alternative Performance Measures in the Report on operations accompanying the 2020 consolidated financial statements for a detailed description. In the aftermath of the COVID-19 epidemic, no new measures have been added to this Interim Statement, nor have any changes been made to the measures normally used. However, it should be noted that – as discussed in further detail below in this Interim Statement – in order to provide a uniform comparison of the 2021 income statement figures, inclusive of the UBI Group, including with regard to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata correlated to the acquisition undertaken in the first quarter of 2021 and those planned in the second quarter, use was also made of management figures, in relation to the nature of the necessary restatements. Accordingly, to present the figures "redetermined" on the basis of accounting and management records, schedules have been produced in addition to those determined on the basis of the actual figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the "Redetermined figures".

A reconciliation of these "Redetermined figures" and the accounting figures has been appended to this Report. For periods prior to the acquisition, and thus for the first three quarters of 2020, balance sheet figures were subject to line-by-line inclusion of the figures concerning the UBI Group and line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold in the first quarter of 2021 and those that are to be sold in the second quarter, which in the quarterly reclassified balance sheet have by convention been allocated, as "redetermined" figures, to the captions - Non-current assets held for sale and discontinued operations and Liabilities associated with non-current assets held for sale and discontinued operations.

Finally, the consolidated financial statements are subject to a limited review by the Independent Auditors Ernst & Young for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation 575/2013 and European Central Bank Decision 2015/656.

Overview of the first quarter 2021

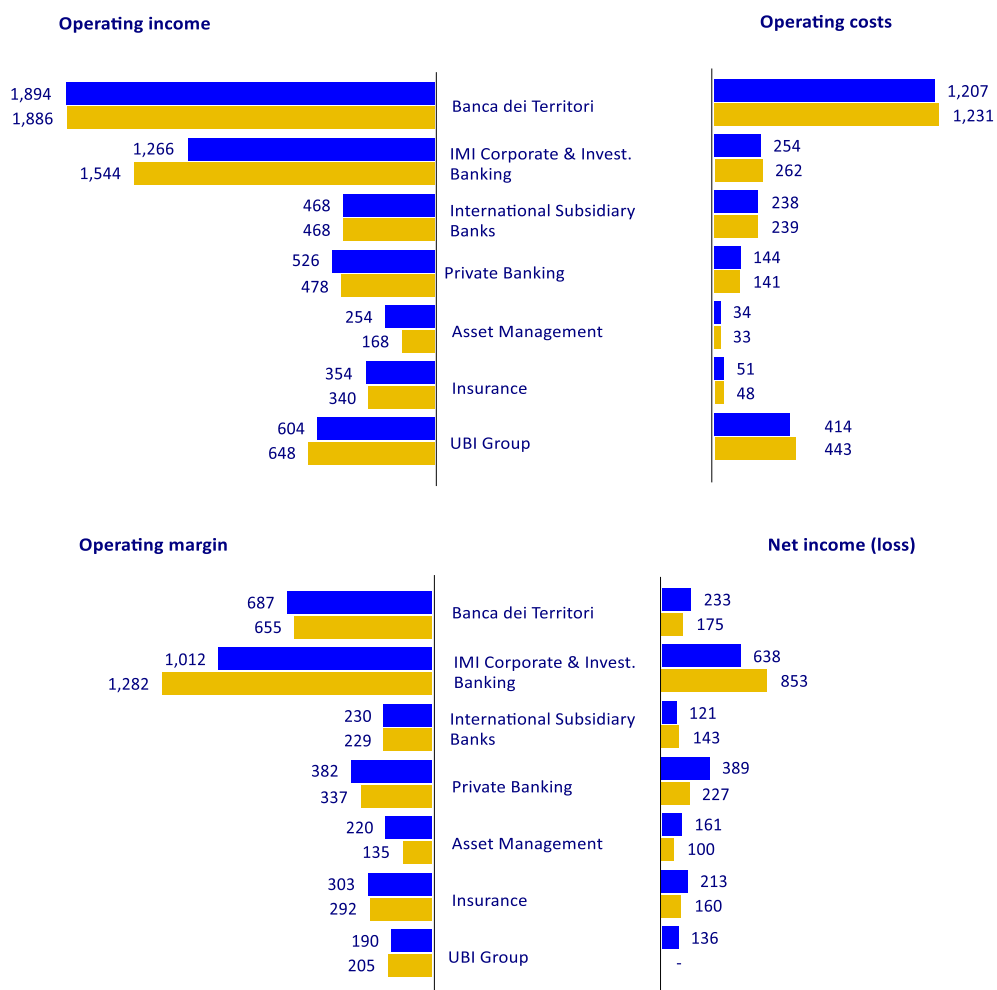
Income statement figures and Alternative Performance Measures

Consolidated income statement figures - Redetermined figures (millions of euro)		Changes	
		amount	%
Net interest income		-88	-4.3
Net fee and commission income		189	8.9
Income from insurance business		1	0.3
Profits (Losses) on financial assets and liabilities designated at fair value		-253	-24.2
Operating income		-109	-2.0
Operating costs		-68	-2.6
Operating margin		-41	-1.4
Net adjustments to loans		-136	-25.3
Net income (loss)		365	31.7

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

31.03.2021 
 31.03.2020 

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



(*) Excluding Corporate Centre

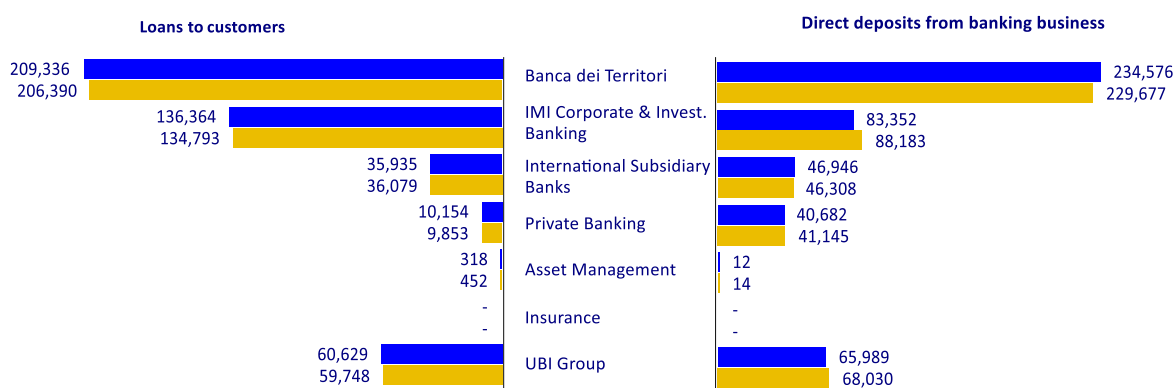
Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents.

31.03.2021
 31.03.2020

Balance sheet figures and Alternative Performance Measures

Consolidated balance sheet figures (millions of euro)		Changes amount	%
Financial assets	161,059 161,752	-693	-0.4
Financial assets pertaining to insurance companies measured pursuant to IAS 39	179,018 178,381	637	0.4
Loans to customers	463,286 461,572	1,714	0.4
Total assets	1,000,628 1,002,614	-1,986	-0.2
Direct deposits from banking business	522,888 524,999	-2,111	-0.4
Direct deposits from insurance business and technical reserves	175,906 175,279	627	0.4
Indirect deposits:	650,872 636,517	14,355	2.3
of which: Assets under management	432,766 424,410	8,356	2.0
Shareholders' equity	65,347 65,871	-524	-0.8

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



(*) Excluding Corporate Centre

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

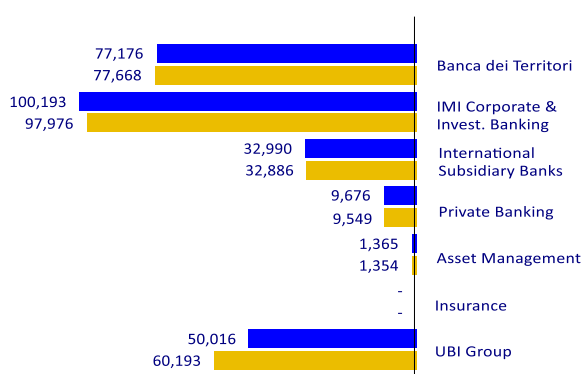
31.03.2021

31.12.2020

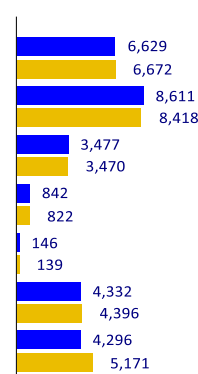
Alternative Performance Measures and other measures

Consolidated capital ratios (%)	
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	
TIER 1 Capital / Risk-weighted assets	
Total own funds / Risk-weighted assets	
Risk-weighted assets (millions of euro)	
Absorbed capital (millions of euro)	

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



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


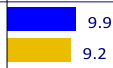



(*) Excluding Corporate Centre

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

31.03.2021

31.12.2020

Consolidated profitability ratios (%)	
Cost / Income (Redetermined figures) (a)	
Net income / Shareholders' equity (ROE) ^(b)	
Net income / Total assets (ROA) ^(c)	

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

(a) Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not include AT 1 capital instruments, income for the period and dividend distributions in May. The figure for the period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line.

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

31.03.2021 
 31.12.2020 

Earnings per share (euro)

Basic earnings per share (basic EPS) ^(d)	0.08
	0.07
Diluted earnings per share (diluted EPS) ^(e)	0.08
	0.07

Consolidated risk ratios (%)

Net bad loans / Loans to customers	0.9
	0.9
Cumulated adjustments to bad loans / Gross bad loans to customers	59.4
	58.3

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

(d) Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.




(e) The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

Operating structure	31.03.2021	31.12.2020	Changes amount
Number of employees (f)	99,599	100,383	-784
Italy	76,877	77,546	-669
Abroad	22,722	22,837	-115
Number of financial advisors	5,615	5,616	-1
Number of branches (g)	5,675	6,314	-639
Italy	4,671	5,299	-628
Abroad	1,004	1,015	-11

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

(f) The workforce indicated refers to the exact number of employees at the end of the period, counting part-time workers as equal to 1 unit. The employees of the branches that are to be sold as part of the acquisition of the UBI Group are not included.

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

31.03.2021	
31.03.2020 (Income statement figures)	
31.12.2020 (Balance sheet figures)	

The first quarter of 2021

The aftermath of the COVID-19 epidemic

Economic trends

The world economy continued to recover from the pandemic crisis in the first quarter of 2021, but with different geographical patterns and intensity. The key factors were the speed of vaccination campaigns, the efficiency of infection prevention mechanisms and, lastly, the level of fiscal support for recovery. As a result, recovery was more robust in the Far East and the United States than in the Eurozone, where the early months of the year still suffered from the effects of the pandemic on the service sector. In the United States, growth forecasts were revised significantly upwards following the announcement of a series of aggressive fiscal stimulus programmes by the new federal administration. In the Eurozone, the preparations for the launch of Next Generation EU are still underway, in a context of continued accommodative fiscal policies and extensive use of the bond market by governments. The rebound in world trade and manufacturing output has begun to encounter significant obstacles in shipping and in the availability of commodities and some intermediate goods, affecting production costs and, in some sectors, the ability of companies to meet demand. Inflation is recovering in all the advanced countries, although partly due to transient factors.

Central banks have continued to prioritise support for the recovery, even where it has come earlier and been stronger. The Federal Reserve has signalled that the rate hike will only take place once full employment and inflation above target have been achieved for some time and that the reduction in securities purchases will not take place until there has been significant progress towards the targets. Faced with a less favourable economic situation and lower inflationary pressures, in March the European Central Bank announced a significant increase in net purchases under the Pandemic Emergency Purchase Programme (PEPP) to counter the risk of a possible tightening of financial conditions driven by the rise in US Treasury yields. In fact, the revision of US growth and inflation forecasts has led to a rise in medium and long-term interest rates on US markets, with a moderate spillover also to European markets. Despite the sharp upward revision of planned gross and net issuances in 2021, the Btp-Bund spread has stabilised at modest levels.

In the Italian bank lending market, the strong growth in loans to businesses, which started in March 2020 with the liquidity and credit support measures, continued. After peaking at the end of 2020, the growth slowed to a slightly more moderate pace, in line with the Eurozone average. In the first two months of the year, the trend remained very robust for loans to manufacturing businesses, which grew at double-digit rates, while loans to the trade sector accelerated and loans to the construction sector started to grow slightly after several years of sharp decline. Within the loans to households, the contraction in consumer credit continued, while the pace of growth in the stock of mortgages gradually improved, returning in February to the +2.5% year-on-year recorded pre-COVID-19. Interest rates on loans remained very low, although the average mortgage rate showed signs of recovery from its lows.

Funding from customers also continued the strong growth, driven by the performance of deposits, particularly current accounts. For deposits, January marked a peak in the growth, followed by a moderate slowdown. In the quarter, liquidity flows into current accounts were still positive, driven by household savings, but were lower than a year earlier. Over the same period, current accounts of non-financial companies maintained an exceptional growth rate of 28% year-on-year on average. Assets under management continued to perform well overall. Mutual funds saw strong inflows, particularly into the equities segment. Positive signs also emerged for the life insurance market, driven by the new business for unit-linked policies.

The actions taken in relation to the Group's stakeholders

In the wake of the COVID-19 pandemic, Intesa Sanpaolo has continued its commitment to supporting the numerous actions taken to support the efforts of institutions and society since the beginning of the health emergency, in the knowledge of its responsibility as a major bank in a long and profound emergency situation, which is in many ways unknown.

Specifically, the Group has implemented additional actions and initiatives to support the economic and social recovery of the communities where it operates:

- The “Rinascimento Firenze” Programme aimed at supporting the revival of the city’s economy through impact lending, developed and promoted in collaboration with Fondazione CR Firenze, which provides 60 million euro – through non-repayable grants and impact loans – to support small and medium enterprises operating in the sectors of arts and crafts, tourism and culture, fashion and lifestyle, start-ups and agro-industry in the metropolitan area of the city of Florence. This initiative is aimed at businesses that were healthy before the pandemic, which have suffered in recent months and intend to relaunch their operations by investing in projects that have a measurable social impact, such as stabilising or increasing their staff numbers, making investments under the new health regulations, and promoting forms of networking between competing businesses to increase the network’s resilience.
- Locally-based programmes aimed at households and micro-businesses, through a solidarity fund that contributes to containing the current social and economic emergency linked to unemployment and loss of work and revenue, caused by the pandemic. The programmes involve the provision of impact loans by the Group backed by a pre-established solidarity guarantee fund. More specifically:

- “Progetto Vigevano Solidale”, with a total budget of around 700,000 euro managed by the Diocese of Vigevano, aims to support the local area through non-repayable grants to households and impact loans for micro-enterprises provided on favourable terms by the Bank and guaranteed by the fund;
- “Programma Torino - Fondo Sorriso” promoted by the Archdiocese of Turin and the Operti Foundation in collaboration with other associations and entrepreneurs in the area and in coordination with the main trade associations. The fund, amounting to 300,000 euro, guarantees impact loans to local micro-enterprises and self-employed workers.

In addition, for these two initiatives, the Bank has also provided the possibility for private individuals to participate in dedicated fundraising through the Forfunding platform.

The solidarity initiatives aimed at supporting the difficult and delicate recovery following the health emergency also included the support provided by Intesa Sanpaolo and Caritas to the Italian dioceses with the project “*Aiutare chi aiuta: un sostegno alle nuove fragilità*”. This initiative, which supports twenty-two projects throughout Italy in support of several dioceses, stems from listening to the urgent needs of communities affected by the severe economic and social crisis and provides 10,000 vulnerable people with goods and material aid for the needy (with particular emphasis on providing meals), clothing, medicines, housing and shelter for those experiencing accommodation difficulties, and support in finding work and starting up new businesses for people in difficulty.

Lastly, Intesa Sanpaolo provided a donation of 100,000 euro in support of the “A sostegno di chi ha più bisogno” initiative of the organisations Coldiretti, Filiera Italia and Campagna Amica, which distributed food parcels of Italian made products to households in need throughout Italy during the 2021 Easter period.

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

One year after the start of the COVID-19 health emergency, the first quarter of 2021 finally saw the start of the mass and long-awaited vaccination campaigns, which should ensure that new waves of the pandemic are contained, hopefully by the end of the summer, with a subsequent strong recovery of all economic activities. Despite the optimism generated by the effectiveness of the vaccines, the path to recovery is still characterised by uncertainties, obstacles and possible unforeseen events, in particular the delay in deliveries of the vaccines and the consequent need to extend restrictive measures to contain infections, with inevitable repercussions for the attempted recovery of the real economy.

Governments and central banks are still showing strong willingness to continue supporting the real economy and the markets in order to avoid repercussions similar to those seen after the Great Recession. To this end, the regulators are currently focusing on the need to contain any financial shock and the consequent pro-cyclical effects that may be seen when the measures to support the real economy come to an end, with businesses facing possible liquidity crises that until then have been “mitigated” by the extensive support measures such as moratoria and government guarantees.

In this context, for the financial intermediaries, the monitoring and proactive management of credit risk continue to be the main focus of attention, both with regard to the classification of credit exposures and their consequent assessment. This is consistent with the guidance and instructions provided by the international authorities on several occasions throughout 2020, which stressed the importance of credit institutions paying close attention to the management of credit risk during this delicate phase, in meeting the need to promptly identify all possible signs of impairment of exposures in order to ensure the implementation of early interventions to avoid, or at least reduce, their transition to non-performing status.

In the first quarter of the year, no further provisions relating to the pandemic were issued by the regulators and standard setters, which had already provided their guidance during 2020, setting out a framework that still applies. However, it is worth noting the publication by the ECB of the usual quarterly update of the macroeconomic projections for the Euro Area published on 11 March by the central bank’s staff. The ECB has repeatedly instructed the banks¹ under its supervision to anchor the macroeconomic forecasts used in the models for determining expected credit losses to the projections published by the central banks.

The update, which includes both the baseline scenario and the alternative scenarios (mild and severe), substantially confirms the December projections, which the Group has used as the base for its IFRS9 forward-looking credit assessments, in accordance with the above-mentioned guidance from the regulators.

The table below summarises the comparison of the baseline and alternative scenarios against the equivalent and previous ECB projections published in December 2020.

¹ ECB Letter to banks: Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic, (4 December 2020).

			Baseline				Mild				Severe			
			2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
ECB Mar 21	<i>Real GDP EUR</i>		-6.9%	4.0%	4.1%	2.1%	-6.9%	6.4%	4.5%	2.2%	-6.9%	2.0%	2.2%	2.5%
ECB Dec 20	<i>Real GDP EUR</i>		-7.3%	3.9%	4.2%	2.1%	-7.2%	6.0%	4.3%	2.1%	-7.6%	0.4%	3.0%	2.9%
	Gap		0.4%	0.1%	-0.1%	0.0%	0.3%	0.4%	0.2%	0.1%	0.7%	1.6%	-0.8%	-0.4%
Euro Area	ECB Mar 21	<i>HICP inflation</i>	0.3%	1.5%	1.2%	1.4%	0.3%	1.6%	1.5%	1.7%	0.3%	1.5%	1.0%	1.1%
	ECB Dec 20	<i>HICP inflation</i>	0.2%	1.0%	1.1%	1.4%	0.2%	1.1%	1.3%	1.5%	0.2%	0.7%	0.6%	0.8%
	Gap		0.1%	0.5%	0.1%	0.0%	0.1%	0.5%	0.2%	0.2%	0.1%	0.8%	0.4%	0.3%
	ECB Mar 21	<i>Unemployment rate</i>	7.8%	8.6%	8.1%	7.6%	7.8%	8.2%	7.2%	6.6%	7.8%	9.0%	9.3%	8.7%
	ECB Dec 20	<i>Unemployment rate</i>	8.0%	9.3%	8.2%	7.5%	7.9%	8.8%	7.5%	6.9%	8.1%	10.3%	9.9%	9.4%
	Gap		-0.2%	-0.7%	-0.1%	0.1%	-0.1%	-0.6%	-0.3%	-0.3%	-0.3%	-1.3%	-0.6%	-0.7%

Overall, as expected, the changes compared to the December projections are quite small, particularly for the real growth. Average annual GDP growth has been raised slightly from 3.9% to 4.0% in 2021, but this is offset by a downward revision for 2022 from 4.2% to 4.1%. The revision is larger for inflation, as a result of the evidence of short-term tensions that emerged in previous months on commodity prices: from 1.0% to 1.5% in 2021 and from 1.1% to 1.2% in 2022. The projection for the unemployment rate in 2021 has changed quite significantly, presumably due to the difficulty in predicting changes in the participation rate² at this stage, while a small revision has been made for 2022-23.

With regard to the alternative scenarios, the mild scenario envisages a more rapid roll-out of vaccines, a higher degree of public acceptance and a higher level of vaccine effectiveness also towards virus mutations, which allow a swifter relaxation of containment measures, while more effective decisions taken by authorities and economic agents further limit the economic costs of containment measures. In contrast, the severe scenario envisages a strong intensification of the pandemic in the coming months with the emergence of virus mutations, which also imply a reduction in the effectiveness of vaccines, and maintenance of very stringent measures in the short term, albeit with limited results. In addition, while the implementation of decisive health measures is assumed to take place by the end of 2021 in the mild scenario and early 2022 in the baseline scenario, the severe scenario envisages that some containment measures will be needed until mid-2023.

With regard to Italy, the Bank of Italy has not published any update of the macroeconomic scenario: the frequency of the Eurosystem's coordinated exercise is half-yearly and the first revision of the projections for the Italian economy will therefore be released in June. That said, the Intesa Sanpaolo Group's most recent forecast for Italy's GDP in 2021 (+3.7%) is close to the Bank of Italy's latest forecast (+3.5%), as is the projection published in February 2021 by the European Commission (+3.4%). The median of the Consensus Economics panel is higher, at 4.0%, although it is falling. With regard to possible alternative scenarios, the available information does not indicate any deterioration compared to the situation used for the 2020 Annual Report, which may indeed have improved.

On the basis of these forecasts, the Group has chosen, also on a conservative and prudential basis, to continue using the scenarios adopted for the 2020 Annual Report for the Interim Statement as at 31 March 2021.

With regard to loan valuations, in line with the guidance from the regulators and the best practices in the market, specific management overlays are still being used to include ad hoc corrective measures, not captured by the models, to better reflect the particularities of the COVID-19 impacts in the measurement of loans. Therefore, given that the underlying reasons continue to apply in substance, the choices already made at the time of the 2020 Annual Report have been maintained. In summary:

- one-off treatments to provide more granularity through extraordinary staging triggers for the impacts of the current scenario on counterparties, also based on the specific analyses on the counterparties, on the presence of moratoria measures and – for the businesses segment – on whether they belong to the micro-sectors most affected by the crisis;
- adoption of corrective factors on the default rate forecasts to include the expected benefits of major economic support initiatives such as government guarantees not captured by satellite models, on the one hand, and incorporate in the models the worsening effects of the moratoria during the period of their validity in postponing the transition to default status to future years.

Impacts of the epidemic on the operating results, business activities and risk profile

In the early months of 2021, the Intesa Sanpaolo Group continued the actions taken in 2020 following the spread of the COVID-19 virus, aimed at protecting the health of employees, suppliers and customers, ensuring business continuity and control of risk, and countering the social and economic effects of the pandemic.

The initiatives concerning business continuity and protection of health were implemented in the following areas:

- prevention of workplace hazards, with the formalisation and adoption of the personal and collective protection measures required to respond effectively to the continuous evolution of the public health requirements at national, local and sector level in relation to the spread of the pandemic;
- wide-scale adoption of smart working, with the associated investments in technological equipment and strengthening of the corporate information technology network to permit simultaneous access by a growing number of users;
- enhancement of remote channels for contact with customers and implementation of measures to facilitate digital interaction (improving the remote offering, expanding the contract dematerialisation and digital signature processes, etc.);

² The labour participation rate is the ratio of the labour force (employed plus actively seeking work) to the population of a country.

- strengthening of IT security measures to reduce the risk of fraud attempts against customers;
- revision of operational processes at the head offices and the distribution network including, for example, revision of site access and travel management policies or changes to branch opening hours.

Many of the above measures have evolved from a tactical basis – aimed at ensuring a timely response to emergencies – to a strategic vision oriented towards addressing structural change in work organisation, business processes, customer interaction, business opportunities and the related risk management. One of the key indicators of this evolution is the rapid growth in smart working, both in the sales network and the head office structures: compared to the “pre-COVID” situation, the number of users enabled for smart working has risen from around 19,000 to around 67,500, representing around 78% of the staff of the Intesa Sanpaolo Group and from around 2,000 to around 11,700, representing around 86% of the staff of the UBI Group. Compared to the end of 2020, the number of UBI staff enabled for smart working fell by around 3,000 as a result of the reduction in staff following the sale of the going concern to BPER Banca under the merger with the Intesa Sanpaolo Group.

As a result, in the space of a few months, smart working has become a key element of a new model for work activity based on the dual notion of strengthening individual responsibility and improving work-life balance.

In terms of staff welfare, as well as giving additional days off to Group employees working in the branch network during the most acute phases of the emergency, the initiatives also included at the end of 2020 the promotion of a voluntary campaign for employees to receive flu and pneumococcal vaccines, which saw a significant contribution from the various corporate functions involved in procuring supplies on the market, gathering and prioritising requests and final distribution to the affiliated medical centres throughout Italy. In the same vein, rapid tests were made available to staff at sites in areas with very high spread of the COVID-19 virus. During the first quarter of 2021, the initiative covered around half of the staff working in Italy and was taken up by approximately a quarter of them, with around 13,000 rapid tests performed.

With regard to the extraordinary measures to support the Italian economy and its businesses and households implemented by Intesa Sanpaolo – the first bank in Italy to suspend mortgage and loan instalments, before the specific regulations came into force, and the first bank in Italy to sign the collaboration protocol with SACE, thus providing immediate support to enterprises under the “Liquidità” Law Decree 23 of 8 April 2020 – at the end of March 2021, around 832,500 suspension applications had been processed, for around 101 billion euro of volumes, mainly related to the “Cura Italia” Law Decree 18/2020 Article 56. Applications from business customers accounted for around 75% in terms of volume. For the suspensions under Law Decree 18/2020, the Budget Act (no. 178 of 30 December 2020) provided for the postponement of the expiry date of the moratoria to 30 June 2021, as further detailed below.

With regard to the measures to support the production system, the Intesa Sanpaolo Group has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Intesa Sanpaolo was the first bank in Italy to sign the collaboration protocol with SACE, thus providing immediate support to enterprises under the “Liquidità” Decree: overall, including the SME Fund as well, around 38 billion euro in loans backed by a government guarantee has been granted to date (around 10 billion euro from SACE and around 28 billion euro from SME Fund).

Lastly, the “Rilancio” Decree (Law Decree 34/2020) introduced a measure to support the relaunch of the construction sector and aimed at renovating real estate in terms of energy efficiency and seismic resistance (so-called 110% Superbonus). Specifically, the provision provides for the accrual of a tax credit of 110% for individual house owners and apartment building residents that carry out energy efficiency and seismic resistance renovation work. The novel feature of this provision is that this tax credit can be assigned directly by the commissioner or the executor of the work to a financial intermediary. The Group has set up specific solutions both for individual house owners and apartment building residents, as well as businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. The commercial offering was launched from 13 August, the date when the Italian Revenue Agency defined the operating procedures.

The Intesa Sanpaolo Group also supported the legislative and non-legislative measures adopted in the various countries where it operates in order to combat the crisis generated by the pandemic.

As at 31 March 2021, there was a stock of outstanding moratoria of 30 billion euro for the entire Group in addition to expired moratoria of around 31 billion euro. The overall figure was in line with 31 December 2020, while the outstanding moratoria decreased as a result of expiries during the period. It is worth noting that, as a result of the new EBA provisions that establish a maximum period for moratoria for the exemption from forbearance classification (EBA compliant moratoria), the total outstanding moratoria that qualify as such under the guidelines is 8 billion euro.

With regard to the expired moratoria, there was no increase in risk for almost all the exposures, in the observation for the first quarter. Details of the risk profile of the loans subject to moratoria can also be found in the discussion of credit risk in the description of the risk dynamics provided below.

The pandemic also affected the dynamics of customer financial assets. The climate of uncertainty linked to the evolution of the health crisis and its repercussions on the economy have led to an increase in the preference for liquidity, reinforcing the trends already in place before the onset of the crisis: direct deposits from banking business, driven by the short-term component, grew by around 5% compared to the “redetermined” figure³ for March 2020.

Indirect customer deposits saw growth in assets under management. After significant outflows during the first quarter of 2020, mutual funds recorded positive net inflows in the following quarters, which led to growth in assets under management, also thanks to the recovery of market indices. At the end of the first quarter of 2021, assets under management of the companies of the Asset Management Division were up 0.9% compared to 31 December 2020 and 13% compared to 31 March 2020.

The insurance business has also been heavily impacted by the changes in the economic, financial and social environment resulting from the spread of the health emergency. The result for the Group in 2020 was achieved in an environment of market volatility, which affected the performance of the life business, despite the strong recovery in market confidence particularly in the last quarter of the year. In the first quarter of 2021, gross premiums increased by 5% compared to the same period in 2020, despite the additional COVID-19 containment measures adopted in Italy. In contrast, net inflows decreased

³ The redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and the reallocation to discontinued operations and associated liabilities of the going concerns to be sold. Further details are provided below in this Interim Statement and, in particular, in the Chapter “Financial results”.

due to an increase in liquidations.

In the non-life business, premiums grew in the first quarter compared to 2020, despite the limitations due to the health emergency, mainly thanks to the performance of the non-motor business (+28% year-on-year).

With regard to the impacts on the Group's operating income, the increases in intermediated volumes related to the legislative and non-legislative measures implemented to combat crisis situations connected with the pandemic – together with the contribution from the TLTROs with the ECB, which amounted to around 119 billion euro as at 31 March 2021 – had a positive impact on net interest income. However, the overall performance was affected by lower interest on non-performing assets (related to the deleveraging operations) and the lower contribution from the financial component. As detailed below, the net interest income for the first quarter of 2021, taking into account the "redetermined" figures⁴, amounted to 1,948 million euro (-4.3%).

Net fee and commission income increased by 189 million euro (+8.9%) compared to 2020, mainly due to the management, dealing and financial consultancy segment (+165 million euro, +12.6%). In contrast, the commercial banking component fell slightly (-3 million or -0.5%), reflecting the renewed tightening of restrictions on personal mobility and some economic activities.

Income from insurance business for the Insurance Division was up 4.4%. The improvement was mainly attributable to the increase in revenues from the life business, due to the strong performance of the financial markets, which more than offset the slowdown in the non-life business, which saw a rise in claims compared to last year.

In terms of operating costs, the costs incurred by the Intesa Sanpaolo Group in the first quarter of 2021 for measures related to the pandemic amounted to around 7 million euro in current expenses and 1 million euro in investments, with an increase of around 1 million euro in current expenses compared to the same period of the last year. Total operating costs fell by 68 million euro, or -2.6%, compared to the first quarter of 2020, thanks to the measures adopted to further strengthen the control of operating costs. The cost control and rationalisation prioritised the use of resources, while preserving the initiatives of strategic development and evolution of the business model in view of the radically altered environment that will emerge once the health crisis has been overcome and that, in part, is already generating significant impacts. In this context, the operating costs also benefited from changes in customer behaviour and internal operational processes. Among the areas most impacted are the costs for business-related travel, cash transport and counting services, and mailing to customers, areas that are heavily affected by the extensive use of digital interaction and the dematerialisation of payments and contracts, which represent cost saving drivers that, combined with continued cost control activities, will be made stable and structural over time.

With regard to the cost of credit, the annualised value fell to 35 basis points, which is much lower than for the full year 2020 (97 basis points, 48 basis points excluding the impact of higher adjustments due to the COVID-19 epidemic). Net adjustments to loans fell significantly to 402 million euro, down by around 25% compared to the first quarter of 2020, which didn't include the management adjustments of around 300 million euro relating to an initial estimate of the possible effects of the COVID-19 pandemic on performing loans, made shortly before the approval of the results for that period and allocated to provisions for risks and charges.

With regard to the risk dynamics, the main impacts on the different types of risk for the Group in the wake of the COVID-19 epidemic, for the first quarter of 2021, are detailed below:

- for **credit risk**, the Board of Directors approved the updated Credit Risk Appetite Framework at the beginning of February. The aim of this update, in keeping with the approach adopted during 2020, is to include the forward-looking information needed to reflect the specific impacts of the COVID-19 crisis, particularly those concerning the risk and resilience drivers for the Corporate Real Estate and Foreign Corporate counterparties and the introduction of an early warning threshold for the sectors most affected by the pandemic. In relation to IFRS 9, for the first quarter of 2021 the Group has confirmed the macroeconomic scenario and prudential measures adopted for the financial statements at the end of 2020, with no substantial changes in effects.

Lastly, actions in support of customers continued, in line with the initiatives implemented since the start of the pandemic:

- a) with the continuation of legislative moratoria and moratoria under industry sector agreements;
- b) through proactive action by the Group based on in-depth diagnosis by the relationship managers (action plan).

In particular, for the moratoria:

- *corporate legislative moratoria*: as part of the actions implemented to address the crisis caused by the COVID-19 emergency, the Budget Act (no. 178 of 30 December 2020, paragraphs 248-251) provided for the postponement "without formalities", unless waived by customers, of the expiry date previously extended, from 31 January 2021 / 31 March 2021 until 30 June 2021. The Intesa Sanpaolo Group has therefore taken the necessary actions to comply with these regulatory provisions. In particular, a centralised approach has been adopted, with the mass extension of the legislative moratoria until 30 June 2021;
- *moratoria under Italian Banking Association/industry sector agreements*: the Intesa Sanpaolo Group has provided support to its customers since the beginning of the COVID-19 emergency. In the first quarter of 2021, the suspension/moratoria initiatives continued for customers resident or operating throughout Italy for the Retail and Corporate segments (Retail SME, Corporate and Corporate SME) of the Banca dei Territori Division and the IMI Corporate & Investment Banking Division not already covered by the legislative suspension initiatives, in line with the EBA Guidelines (with particular regard to the 9-month cap for suspension of the exemption from classification as forborne, introduced in the amendment of 2 December) and the related Italian Banking Association agreements. For the moratoria that do not comply with the above-mentioned 9-month cap requirement, or that do not fall within the framework established by the EBA Guidelines on "general payment moratoria", the Group has adopted an approach that involves the application of ordinary credit processes with a case-by-case assessment of both the classification as forborne and classification as unlikely to pay.

⁴ The redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on the management data, the reallocation of the contribution from the going concerns to be sold to income (loss) from discontinued operations. Further details are provided below in this Interim Statement and, in particular, in the Chapter "Operating results".

In addition, the other support actions included:

- **30k loans:** with regard to the loans for a maximum amount of 30,000 euro to SMEs whose business activity has been harmed by the COVID-19 emergency, which are eligible for the guarantee from the Central Guarantee Fund for SMEs with 100% cover both through direct guarantee and reinsurance – pursuant to Conversion Law no. 40 of 5 June 2020 under Article 13, paragraph 1, letter m, of the “Liquidità” Law Decree no. 23 of 8 April 2020 – in the first quarter the ISP Group made the specific updates required by the 2021 Budget Act. In particular, the maximum repayment period has been extended from the previous 10 years to 15 years, both for new and existing loans;
- **Refinancing:** on the basis of the provisions of the 178/2020 Budget Act in terms of the granting of guarantees from the Guarantee Fund for SMEs and the SACE Italy Guarantee, in the first quarter the Intesa Sanpaolo Group launched an initiative, aimed at supporting businesses in the current difficult environment, to make the debt servicing for the businesses compatible and sustainable with respect to the current and prospective cash flows generated by the counterparties, where conditions allow.

The Group’s proactive actions included the following initiatives:

- **Action Plan:**
 - the Group has started a diagnosis on the moratoria portfolio, which is still underway, for priority clusters identified on a risk basis (rating class, guaranteed quota, exposure amount, etc.), both for corporates and Retail Individuals. Through a single name analysis of the positions, the diagnosis has produced a “traffic light”, clustering of the portfolio and it identified the perimeter that may need intervention to support the regular resumption of payments when the moratoria expire. The initiative has so far covered more than 60% of the active moratoria portfolio (over 70% for the sectors with a higher risk outlook) and is being extended by a further 20% in the second quarter, with the aim of covering the entire portfolio by the third quarter of the year. The result from the work already completed shows that around 87%, in terms of volumes, has been clustered with a Green light (sustainable resumption of payments without intervention or with refinancing), around 11% with a Yellow light (need for moratoria extension or forbearance measure), around 1.5% with an Orange light (resumption of payments currently not sustainable with a position to be reviewed at a later date) and only 0.4% with a Red light, which denotes a possible increase in risk of classification to default;
 - the re-rating initiative aimed at updating the customer risk assessment in view of the effects of the economic situation also continued. The results show a significant correlation between improvement, stability and deterioration in rating and sector outlooks. The re-rating of the counterparties covered by the initiative, whose rating had not yet been updated as at 31 March 2021, is continuing in the second quarter and is being constantly monitored by the functions of the Chief Lending Officer Area.
- **Individuals Payment Rescheduling Initiative:** the Intesa Sanpaolo Group has decided to implement an initiative aimed at supporting the Retail Individuals customer Segment. This initiative, launched in the first quarter of 2021, is targeted at the Retail Individuals customers of the Banca dei Territori Division and consists of the offer of a specific rescheduling of the repayment plans for loans whose moratoria is expiring. The offer relates to the exercise of the options to extend the repayment plans, referred to as “payment rescheduling”, contractually provided for in the Retail Individuals mortgages and consumer credit – Loan transactions;
- for the **market risk** from a managerial perspective, in the first quarter the Group continued the optimisation of the securities portfolio continuously with the approach adopted from March 2020. As a result of the lower volatility of the markets, within the managerial risk measures, the average managerial VaR for the first quarter (estimated at Group level on all the financial assets belonging to the trading book and the hold to collect and sell business model) fell from 360.9 million euro (fourth quarter average) to 225.6 million euro. For the trading component alone, this measure fell from 59.0 million euro (2020 fourth quarter average) to 41.3 million euro (2021 first quarter average). In the first quarter of 2021, the approval of the ordinary annual update of the market risk management framework by the Parent Company’s Board of Directors (as part of the 2021 Risk Appetite Framework) set a specific limit for trading portfolio within an overall limit for trading and hold to collect and sell business model.
With regard to market risk capital requirement, the increase in the quarter was partially linked to the increase in volatility over the last year. The most recent change was driven by financial and sovereign sector. In detail, the Intesa Sanpaolo Group’s market risk weighted assets as at 31 March 2021, calculated according to the internal model, amounted to around 19 billion euro;
- for **liquidity risk**, all indicators (regulatory and internal policy) confirm the solidity of the Group’s liquidity position. Both regulatory indicators (Liquidity Coverage Ratio – LCR – and Net Stable Funding Ratio – NSFR) are still well above the minimum regulatory requirements. Over the last 12 months, the Liquidity Coverage Ratio (LCR) of the Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average of 167.2%. The unencumbered liquidity reserves at the various Treasury Departments of the Group amounted to an average of 161 billion euro (based on the last 12 monthly observations) and reached a total of 169 billion euro as at 31 March 2021. The necessary preventive management and control measures, which have been adopted since March 2020 in response to the COVID-19 health emergency, remain in place to detect any signs of potential exacerbation of liquidity conditions;
- at the level of the **interest rate risk** generated by the banking book, the value shift sensitivity for a rate shock of +100 basis points amounted to -1,185 million euro at the end of March 2021, compared to -1,305 million euro at the end of December 2020. The change in exposure was due to the implementation of the updated behavioural models;
- at the level of **counterparty risk**, the pandemic crisis entailed an initial increase in exposures, mainly due to the decline in Euro area interest rates and the general, significant increase in the volatility of the main risk factors. However, no critical issues were encountered in the margining process with market counterparties, despite the sharp increase in collateral calls, by both number and volume, during the weeks of greatest stress on the markets. Margin processes with central counterparties also did not generate any operating issues. The situation on the financial markets has gradually stabilised. The level of exposure to customers gradually increased during 2020 followed by a decrease in the first quarter of 2021, driven by interest rate movements;
- with regard to **operational risks**, from the outset of the emergency the Group decided to adopt preventive initiatives to ensure business continuity, while also maintaining the maximum level of safety for its customers and employees. This

was also done in the light of the rapid development seen in the realm of cyber-threats, which seek to exploit for fraudulent purposes the fears and sense of urgency of individuals and the opportunities offered by the remote-banking solutions adopted by financial institutions. In particular, the business continuity plan was activated and additional actions were immediately identified to respond effectively to the extensive spread of the pandemic (e.g. as already mentioned, the extension of smart working to almost all head office personnel, online branch personnel and part of the physical branches personnel, enhancement of IT infrastructure for remote connectivity), the digital transformation process was expedited, moving forward significant investments intended to develop methods of interaction with customers (e.g. expansion of the services offered via Internet and mobile banking), security infrastructure for access to the company network and data and information protection measures were progressively enhanced to increase the ability to respond to the sharp rise in cyber-threats and attacks (e.g. distributed denial of service and malware), and numerous training and communications initiatives were launched to raise awareness among customers and employees of growing social engineering and phishing campaigns. The long-term sustainability of the solutions of the most critical suppliers was also verified.

With regard to measures to protect the health of employees and customers, protective devices such as masks and gloves were purchased and distributed, sanitising gel was supplied, all the workstations in the branches were fitted with plexiglass screens, and company premises were periodically sanitised. In addition, from the very outset of the emergency, access to the branches has been organised in accordance with precise rules on social distancing and the number of employees and customers in the premises, to ensure the protection of their health. This approach was adapted over time based on the different government measures and the course of the contagion.

A contagion risk model was also developed to protect personnel; it supports the decision-making for the measures to be adopted, such as plans for the return of head office personnel able to perform their duties remotely to company offices in accordance with safe distance regulations. A medical questionnaire was developed for employees to complete before they are authorised to return to the office, in addition to a tool that can be used to plan the presence of personnel in the office; this tool ensures centralised monitoring of total presences in the head offices. As already mentioned, at the end of 2020 a voluntary vaccination campaign was launched to provide flu and pneumococcal vaccines to employees. From the beginning of 2021, the COVID-19 rapid molecular testing campaign started on a voluntary basis among the staff in Italy. Twenty-four devices were made available to carry out 40,000 tests at the main company premises.

The calculation of the operational risk capital requirement took into account the costs incurred in the first phase of the emergency for the purchase of the above-mentioned health protection measures, as well as the additional IT costs, not already planned before the beginning of the emergency and required to ensure business continuity, in accordance with the document "EBA Report on the implementation of selected COVID-19 policies".

The Group has further consolidated its sound capital base: at the end of the first quarter of 2021, the Common Equity Tier 1 capital amounted to more than 50 billion euro, within total Own Funds of 65.6 billion euro. The transitional Core Tier 1 Ratio rose to 14.9% from 14.7% at the end of 2020.

In general, after the high level of uncertainty in the early months of 2020 and the effects on markets and economic growth following the health-related restrictions, the pandemic is currently having a limited impact on the Group's risks, also thanks to the effects of the extraordinary measures implemented. With regard to credit risk in particular, the measures described above have limited the effects of the pandemic in the current period, however there may be a deterioration as they are progressively phased out. The extent of the impacts for the Group will be closely related to the actual development of the macroeconomic environment, and in particular to the evolution of the COVID-19 situation, together with any new situations of uncertainty and the long-term effectiveness of the above-mentioned support measures. The Intesa Sanpaolo Group is carefully monitoring the development of the situation, including through specific scenario and stress analyses used to assess the related impacts in terms of profitability and capital adequacy. These analyses have shown that, even considering more severe scenarios than the market consensus or the estimates considered most likely by the Central Banks, the Group would nonetheless be able to ensure – including through specific actions – compliance with regulatory requirements and its own stricter internally set limits.

The Intesa Sanpaolo Group in the first three months of 2021

Consolidated results

The Intesa Sanpaolo Group – even in the difficult environment generated by COVID-19 epidemic, with multiple lockdowns for Italy, and within the process of integration with UBI Banca, successfully completed with the merger on 12 April – closed its income statement for the first quarter of 2021 with net income of 1,516 million euro, up around 32% on 1,151 million euro for the first three months of the previous year, despite not having yet benefited from the positive effects envisaged from the integration of the UBI Group.

Together with the effective control of operating costs, this performance was driven by the positive trend in Gross income, resulting from the lower overall requirement for adjustments and provisions and the contribution from Other income. Net income continued to be significantly impacted by levies and charges for the banking system, although to a marginally lower extent than in the first quarter of 2020.

To properly understand the income performance, it should be borne in mind that, following the acquisition of the UBI Group, and in view of the particular nature of the transaction, in 2020 the historical figures were not adjusted retrospectively during the quarters of the year to reflect the effects of the consolidation, which took effect from August. However, a comparison of the 2021 income statement figures, inclusive of the UBI Group, and the 2020 figures not including them would not be meaningful. Another difference between the periods relates to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata related to the acquisition undertaken in the first quarter of 2021 and those planned in the second quarter.

In view of the above, it was decided to provide readers with a like-for-like comparison in the various periods to enable a better understanding of the income performance. In view of the nature of the necessary restatements, this comparison – which also includes income results at the level of each branch sold – is also based on figures of a management nature. Accordingly, to present the figures “redetermined” on the basis of accounting and management records, schedules have been produced in addition to those determined on the basis of the actual figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the “Redetermined figures”.

In further detail, the redeterminations of the figures for the first quarter of 2020 related to:

- the inclusion of the UBI Group’s figures on a line-by-line basis, with the attribution by convention of net income to the caption Minority interests of the “redetermined” schedule, and thus without an impact on net income for the period;
- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches to be sold in the second quarter, which by convention have been allocated to the caption Profits (losses) from discontinued operations of the “redetermined” schedule.

Where necessary, the figures for the subsequent quarters of 2020, include similar, consistent adjustments.

The redeterminations of the figures for the first quarter of 2021 related to:

- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches to be sold in the second quarter, which by convention have been allocated to the caption Profits (losses) from discontinued operations of the “redetermined” schedule.

The comments below therefore refer to the “redetermined” values of the reclassified income statement in order to permit like-for-like comparison.

Given the above, a detailed breakdown of the components of operating income shows that the income statement for the first quarter recorded net interest income of 1,948 million euro, down on the first three months of 2020 (-4.3%), as a result of lower interest on non-performing assets, due to the progressive reduction of NPLs, lower interest on financial assets, related to the reduction of the portfolio, and the lower contribution from customer dealing. In contrast, there was an increase in the contribution from relations with Banks.

The significant increase in net fee and commission income (+8.9% to 2,301 million euro), which represented around 42% of operating income, was attributable to the contribution from management, dealing and financial consultancy (+12.6% or 165 million euro) and other net fee and commission income (+13% or 27 million euro), offset by a slight fall for commercial banking (-0.5%).

Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group’s life and non-life companies, increased slightly (+0.3% to around 373 million euro), due to the positive net investment result.

The Profits (Losses) on financial assets and liabilities designated at fair value, which include the profits (losses) on trading and the fair value adjustments in hedge accounting (791 million euro compared to 1,044 million euro in the first quarter of 2020) decreased due to the performance of the Profits (losses) on trading and on financial instruments under fair value option and the Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost.

Other operating income and expenses – a caption which comprises profits on investments carried at equity and other income and expenses from continuing operations – recorded a net positive balance higher than the figure for the first quarter of 2020 (income of 48 million euro compared to income of 6 million euro in the first quarter of 2020) as a result of the higher contribution from both components.

As a result of the above changes, operating income in the first quarter of 2021 amounted to 5,461 million euro, down by around 2% on the first three months of 2020.

Operating costs (2,542 million euro) were down (-2.6%), both for personnel expenses (-1.2%), in relation to the downsizing of the workforce, and, above all, for administrative expenses (-6.1%), which fell across all the main expense captions. Depreciation and amortisation also decreased (-2.6%).

The cost/income ratio for the period, which benefited from the careful cost management, stood at 46.5%.

As a result of these revenue and cost trends, the operating margin amounted to 2,919 million euro, down slightly (around -1.4%) on the first quarter of 2020.

Net adjustments to loans fell significantly to 402 million euro (around -25%). Other net provisions and net impairment losses on other assets also fell, down to 133 million euro (around -69%), compared to the corresponding figure for the first quarter of 2020 (428 million euro), which included the management adjustments of around 312 million euro relating to an initial estimate of the possible effects of the COVID-19 pandemic on performing loans, made shortly before the approval of the results for that period.

The other income (expenses), which includes realised profits (losses) on investments and income and expenses not strictly linked to operations, was positive (198 million euro) compared to 10 million euro for the first three months of 2020 and related almost entirely (194 million euro) to the gain recognised from the sale by Fideuram Bank Luxembourg to State Street of the business line relating to its custodian bank services.

Income from discontinued operations amounted to 48 million euro, relating to the contribution from the branches sold and in the process of being sold (recognised by convention under this caption), compared to 149 million euro for the first quarter of 2020, which included 120 million euro as the contribution from the above-mentioned business lines sold and in the process of being sold and 29 million euro relating to the acquiring activities subsequently transferred to Nexi.

As a result of the trends described above, gross income amounted to 2,630 million euro (around +22%).

Taxes on income came to 833 million euro, with a tax rate of 31.7%.

Net of tax, charges for integration and exit incentives were recorded of 52 million euro, as well as the effects of purchase price allocation of 16 million euro. The charges for maintaining the stability of the banking industry were down on the first quarter of the previous year, but were still significant, amounting to a total of 196 million euro after tax (206 million euro like-for-like in the first quarter of 2020), corresponding to 284 million euro before tax, and essentially consisted of estimated charges for the full year 2021 for ordinary contributions to the resolution funds.

After allocating the gains attributable to minority interests of 17 million euro, the income statement for the first quarter of 2021 closed, as stated, with net income of 1,516 million euro, compared to 1,151 million euro in the first quarter of 2020 (+31.7%).

With regard to the balance sheet figures, loans to customers as at 31 March 2021 amounted to around 463 billion euro, an increase compared to the end of 2020 (+1.7 billion euro, or +0.4%), mainly due to the positive performance of mortgage loans (around +5.1 billion euro or +2%), partly offset by advances and other loans (-2.9 billion euro or -1.8%) within the commercial banking loans segment (around +2.1 billion euro or +0.5%).

There were decreases for both non-performing loans (-0.2 billion euro or around -2.3%) and loans represented by securities (-0.1 billion euro or -1.4%). Lastly, repurchase agreements were substantially stable (+8 million euro).

On the funding side, direct deposits from banking business totalled around 523 billion euro at the end of March, a decrease on the end of the previous year (-2.1 billion euro or around -0.4%) due to the performance of bond funding (-4.5 billion euro or around -6.4%) and certificates of deposit (-1 billion euro or around -25.7%). There were also increases in the financial component, consisting of repurchase agreements (+0.9 billion euro, mainly attributable to institutional counterparties), current accounts and deposits (+0.9 billion euro, or around +0.2%) and subordinated liabilities and other deposits (+1.6 billion euro in total for the two components).

Direct deposits from insurance business – which also includes technical reserves – amounted to around 176 billion euro at the end of March, up on the end of 2020 (+0.6 billion euro, or around +0.4%). Specifically, there was an increase for financial liabilities designated at fair value (+1.4 billion euro, or approximately +1.8%), consisting entirely of unit-linked products, and a decrease for technical reserves (-1.1 billion euro, or -1.1%), which constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk.

The Group's indirect customer deposits at the end of March totalled 651 billion euro, up by around 2.3% on the end of December 2020, attributable to both assets under management and assets under administration. Specifically, assets under management, which account for around two thirds of the total aggregate, increased (+8.4 billion euro, or around +2.0%) across all the main components: from mutual funds (+2.8%) to portfolio management schemes (+3.1%), pension funds (+3.4%), technical reserves and insurance financial liabilities (+0.6%) and relations with institutional customers (+3.1%). Assets under administration also increased (+6 billion euro, or around +2.8%), concentrated in securities and third-party products in custody.

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

Highlights

Integration of the UBI Group

As already noted in the 2020 Annual Report, the integration between the Intesa Sanpaolo Group and the UBI Banca Group (ISP-UBI) has three main objectives: i) creating value through a rapid and successful business integration, able to achieve significant synergies; ii) harnessing the talents of the two Groups (people, skills, distinctive assets); and iii) creating a European-scale champion that can play a leading role in the evolution of the post COVID-19 banking sector.

The ISP-UBI Integration Programme was launched in September 2020, involving the entire Group (over 400 Intesa Sanpaolo and UBI managers) and with robust governance ensured through guidance of the Programme by the Programme Managers and periodic dedicated meetings at both project and programme level (e.g. Steering Committee, Programme Progress Updates, Strategic Coordination Committee, Project Progress Updates).

The Programme was also organised on an effective and granular basis with 4 “staff” and 25 “vertical” projects, over 100 sub-projects and over 3,000 finished products monitored biweekly. The 4 “staff” projects involve:

- “Harnessing synergies, cost control and analytical support”: to estimate and harness the synergies resulting from the integration, monitor the Programme costs and investments, and provide analytical support to the projects for the main strategic initiatives;
- “Programme Coordination”: to coordinate and monitor the progress of the Programme and the individual projects;
- “Communications”: to manage internal, external and investor communications related to the Integration Programme;
- “Supporting structures”: to direct specific issues on-demand (e.g. legal and compliance) to the references already identified within the individual projects.

The other “vertical” projects include:

- 1. “Founding values of the integration”: to define the main founding values of the integration (local areas and community, customers and people) and identify specific initiatives to be implemented;
- 2. “ESG-Impact: Social and Environmental Responsibility” to map the existing ESG/Impact activities and draw up a roadmap for sustainability and for the commitment to local areas and communities;
- 3. “Corporate compliance and mandatory communications” to ensure the fulfilment of all the corporate obligations towards the supervisory authorities and to prepare the documentation for the institutional bodies;
- 4. “Mandatory, operational and functioning requirements” to map and ensure the implementation of all the mandatory requirements and the interim choices for each Governance Area;
- 5a-5d: “Organisational Model and HR” to identify and address the organisational impacts resulting from the integration (also in the transitional period) and develop the target organisational model, to devise the talent enhancement strategy and the related initiatives and launch a change management plan, to identify and address the HR impacts resulting from the integration and develop the target HR model, and to ensure effective management of procedures and trade union agreements (both upon full implementation and during the transitional period);
- 6. “IT and Processes Integration” to manage the interventions for the migration of UBI to ISP's IT and operational platform, addressing the IT and process impacts resulting from all the projects of the Integration Programme;
- 7a-7d. “Sales” to define the strategy, methods and timing of the sales in line with the Programme's objectives (including the definition and segregation of the going concern) and to manage the IT, governance and business interventions to

effectively and efficiently complete the planned sales (ISP branches to BPER, UBI branches to BPER, insurance operations to Unipol SAI Assicurazioni, additional branches to BPPB) on time (including the support to BPER);

- 8a-8m. “Business and Operational Integration Choices” to map, prioritise and address the main interim business choices necessary for the integration during the transitional phase (e.g. developing policies for interim pricing decisions).

The Programme drew up a joint work plan whose main milestones concerned the sale of the UBI branches to BPER, successfully completed in February 2021, and the merger of UBI into ISP (and completion of the related IT migration), completed in April 2021.

The Programme has now initiated all the activities envisaged in the plan. The main activities carried out included the:

- appointment of Gaetano Miccichè as Managing Director and General Manager of UBI Banca;
- approval by the Board of Directors of Intesa Sanpaolo of the list for the renewal of the Board of Directors of UBI Banca;
- definition of the founding values, identifying three key value pillars;
- completion of the mapping of the ISP and UBI ESG/Impact initiatives and preparation, approval and publication of the 2020 Consolidated Non-Financial Statement;
- completion of all the required preparation work for the integration plan;
- signing of the trade union agreement for the voluntary exits without social impacts, three months in advance;
- final stages of implementation of the new organisational structure of the Group resulting from the integration of UBI into ISP with the publication of Service Orders and Service Memos for the Governance Area, the Banca dei Territori Division (target local structure defined, with the creation of the new Regional Governance Centres and the Agribusiness Department and Central Structures) and the IMI C&IB Division;
- approval by the Boards of Directors of ISP and UBI of the cascading of the Risk Appetite Framework (RAF) and Credit Risk Appetite (CRA);
- completion of the IT migration, branch testing and accounting certification over the weekend of 10-11 April;
- full operation ensured from the first day after the “Conversion Week-end” on all areas: former UBI companies, distribution networks, digital channels (operational already from the Sunday) and markets;
- with regard to the sale of the branches to Banca Popolare di Puglia e Basilicata (PPPB), completion of the mailing of the mandatory 60-day and 30-day notices and the general migration test, and publication of the instructions for the transitional period;
- signing of the document migration protocol for the transfer of the former UBI branches to BPER; completion of migration tests and the mailing of mandatory 60-day communications; and publication of the instructions for the transitional period;
- completion of the main strategic and business choices based on the analyses conducted;
- identification of the target role of the main product companies within the Group;
- completion of the alignment of the ISP-UBI customer commercial communication plans;
- consolidation of ISP’s target geographical footprint and completion of the reorganisation of customers post-sale to BPER;
- completion of the detailed business continuity plan, including the IT, organisational and procedural measures for IW Bank;
- definition of the scope of UBI customers to be allocated to the IMI C&IB Division (final analyses being completed on the BDT and former UBI names);
- presentation of the Eurizon/Pramerica integration project to the Supervisory Authorities and start of the merger process between the two entities;
- completion of negotiations and submission of applications for the acquisition of Aviva Vita and Lombarda Vita, and finalisation of agreement for the acquisition of Cargeas;
- lastly, confirmation of the closure of the Nice branch after the merger and identification of contingency solutions to ensure business continuity until the closure of the branch.

Details of some of the key events are provided below.

With regard to human resources, on 14 January 2021 Intesa Sanpaolo announced that it would hire a further 1,000 people, in addition to the 2,500 already provided for in the trade union agreement of 29 September 2020. Intesa Sanpaolo, following verification with the Trade Unions that the offer for voluntary exit was taken up by at least 5,000 people, intends to accept the total of over 7,200 voluntary exit applications submitted which fulfil the requirements (of which 500 already implemented in the first quarter), and consequently, as sought by the Trade Unions, to hire 3,500 people in total by the end of the first half of 2024.

The transfer to BPER Banca of the former UBI Banca going concern, which included a business line owned by UBISS (a consortium company controlled by UBI Banca) essentially focused on services to the branches subject to acquisition, took effect on 22 February 2021.

The Board of Directors of Intesa Sanpaolo of 23 March 2021 also approved the merger by incorporation of UBI SISTEMI E SERVIZI S.c.p.A. The registration of the related minutes with the Torino Company Register was also requested on the next day.

On 1 April 2021 and the following 12 April – having obtained the necessary authorisations from the competent supervisory authorities – the exercise of the options to acquire 100% of the capital of Aviva Vita and Lombarda Vita respectively was carried out. In this regard, you are reminded that, as stated in the 2020 Annual Report, on 23 November 2020, UBI Banca signed an agreement with the Aviva Vita Group for the early termination of the partnership in the distribution of life insurance products, through which the Bank had acquired a 20% interest in the share capital of Aviva Vita. The agreement also provided for the exercise of the call option held by UBI Banca to purchase the remaining 80% of the share capital of the subsidiary at a price of around 400 million euro. A similar agreement was signed on 23 December with the Cattolica Assicurazioni Group with which UBI Banca had life bancassurance agreements in place through the company Lombarda Vita in which the Bank had a

40% stake. This agreement was also aimed at the early termination of the partnership and the exercise of the option by UBI Banca to purchase the remaining 60% of the share capital. The above agreements were concluded in the light of one of the cornerstones of the UBI Banca integration, namely the distribution of Intesa Sanpaolo Group insurance products to the customers acquired.

On 12 April 2021, the merger of UBI Banca into the Parent Company Intesa Sanpaolo was also completed, preceded – over the weekend of 10 and 11 April – by the IT migration to the Group IT system. The merger will enable the full exploitation of the UBI subgroup's potential, contributing to creating value for shareholders, the Group's customers and all other stakeholders, mainly through the achievement of business and financial goals. The accounting and tax effects started from 1 January 2021. In the period immediately prior to the merger of UBI Banca into the Parent Company, the related transactions took effect consisting of the partial demerger of UBI Banca's Top Private Banking business line to Intesa Sanpaolo Private Banking, with consequent reallocation of the related branches, staff and customers, and the partial demerger from UBI Banca to Fideuram - Intesa Sanpaolo Private Banking of the equity interest held by UBI in IW Bank and the ancillary business line dedicated to administrative and online services.

On 14 April 2021, after extensive and detailed discussions with the Group's National Secretariats and Trade Unions, an agreement was signed that sets out the path for the harmonisation of the financial/regulatory treatment for all the staff of the new Intesa Sanpaolo Group within a programme that identifies the stages and matters for discussion, also in view of the forthcoming expiry of the second-level bargaining agreement in 31 December 2021. The agreement lays the foundations for the full integration of the staff into the Group, leveraging their expertise and ensuring their professional development.

Other highlights

On 8 February 2021 – as already noted in the 2020 Annual Report – Intesa Sanpaolo Vita signed a memorandum of understanding with BNP Paribas Cardif, which contains the essential elements of a subsequent definitive agreement that will govern the acquisition of 100% of Cargeas Assicurazioni S.p.A., a non-life insurance company operating in the bancassurance sector, mainly through UBI Banca's banking network.

Cargeas recorded Non-Life Premium Income of around 226 million euro in 2020, through the sale of solutions in the motor, property, health, credit protection, company and income protection segments, with around 600,000 customers throughout Italy.

The transaction is expected to be completed by the first half of 2021 and is subject to the necessary authorisations from the competent authorities.

The purchase price of 390 million euro will be paid in full upon completion of the transaction. This initiative, which is consistent with Intesa Sanpaolo's strategy for growth in the non-life insurance business, is expected to generate significant synergies, in addition to alignment with the Intesa Sanpaolo Group's standards in terms of Corporate Governance, Risk Control and service levels. BNP Paribas Cardif remains active in the global provision of insurance services, including non-life business in Italy and will continue to offer the full range of products for both the BNP Paribas Group and other partners.

On 26 February 2021, Intesa Sanpaolo initiated a major new reorganisation of the Banca dei Territori Division, creating four new regional governance centres to support the real economy in this difficult period and further strengthen the service offering throughout Italy. The new geographical organisation has been operational since 12 April, the date of the merger of UBI Banca into Intesa Sanpaolo. The geographical redistribution of the regional governance centres – which have increased from eight to twelve – confirms the effectiveness of the Banca dei Territori Division's service model, which has always focused on listening to local needs, and is also benefiting from the professional expertise coming from UBI, which is now an integral part of the Intesa Sanpaolo Group. The creation of four new regional governance centres strengthens the Bank's overall ability to serve the communities where it operates. A number of existing departments have also been reorganised, with the common aim of strengthening the Banking Group's main assets: customers, communities and staff. The four new regional governance centres – North Lombardy; South Lombardy; South Piedmont and Liguria; Basilicata, Apulia and Molise – are respectively located in Bergamo, Brescia, Cuneo and Bari, areas in which Intesa Sanpaolo's presence has been particularly strengthened by the acquisition of UBI. The twelve regional governance centres are headed by eight managers from Intesa Sanpaolo and four from UBI.

On 1 March 2021, the Parent Company created the new Agribusiness Department, which will be the Intesa Sanpaolo Group's centre of excellence for agriculture, whose aim is to tap the potential of one of Italy's most important production sectors, while also further strengthening the link with local communities and leveraging the professional expertise brought in from the integration with UBI Banca. The Department – which is part of the new structure of the Banca dei Territori Division – will be based in Pavia and will be supported by 85 branches throughout Italy and around 1,000 specialists serving around 80,000 customers. The Agribusiness network will focus in particular on Italy's most agricultural areas to promote their distinctive features and excellence. It will be aimed at businesses operating in agriculture, livestock breeding, forestry and the use of forest areas, fishing, aquaculture and agri-tourism, as well as firms engaged in the processing and distribution of agricultural production.

On 31 March 2021, having obtained the necessary authorisations from the various competent authorities, the transaction was completed for the sale by Fideuram Bank Luxembourg of its custodian banking and fund administration business line to State Street. In this regard, you are reminded that – as noted in the 2020 Annual Report – on 23 February 2021, as part of the broader strategy of focusing more on its core business, Fideuram – Intesa Sanpaolo Private Banking signed an agreement with State Street Bank International GmbH (Luxembourg Branch) for the latter to take over the custodian bank and fund administrator activities currently carried out by its subsidiary Fideuram Bank Luxembourg. Those functions, taken on by State Street, represent around 42 billion euro of assets under management that will remain with the Fideuram – Intesa Sanpaolo Private Banking Group. Fideuram – Intesa Sanpaolo Private Banking is assigning these services to State Street, in

recognition of its ability to reduce operational risks, support the Group's growth plans, foster continuity and provide a high quality service, in keeping with its position as the main international partner that Intesa Sanpaolo Group has used for its securities services since 2010.

The gain on the transaction, recognised in the consolidated income statement for the first quarter of 2021, amounted to 194 million euro (139.4 million euro net of tax).

Outlook

In 2021, the Intesa Sanpaolo Group is expected to record a net income well above 3.5 billion euro.

As regards the Group's dividend policy, in addition to 694 million euro in cash dividends for 2020 to be paid out in May 2021, in line with the 2018-2021 Business Plan it is envisaged, subject to ECB indications in respect of dividend policies after 30 September 2021 – the deadline for the recommendation of 15 December 2020:

- for the 2020 results, a cash distribution from reserves, possibly by the end of 2021, that adds to the aforementioned dividends and leads to the payment of a total amount corresponding to a payout ratio of 75% of the 3,505 million euro adjusted net income⁵,
- for the 2021 results, the payment of an amount of cash dividends corresponding to a payout ratio of 70%, to be partially distributed as interim dividend this year (1,061 million euro already accrued in the first quarter 2021).

Taking into account the Group's aforementioned dividend policy for 2020 and 2021 results, the maintenance of solid capital ratios is confirmed, with a pro-forma fully loaded Common Equity Tier 1 ratio minimum at 13%⁶ in 2021 (at 12% fully phased-in⁷).

⁵ Excluding from the stated net income the items related to the acquisition of UBI Banca consisting of the effect of the purchase price allocation, including negative goodwill, and integration charges, as well as the write-off of goodwill of the Banca dei Territori Division.

⁶ Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs on the acquisition of UBI Banca deriving from PPA, integration charges and the sale of the going concern to BPER Banca.

⁷ When not taking into account the DTA absorption mentioned in note above.

Consolidated financial statements

Consolidated balance sheet

Assets	31.03.2021	31.12.2020	(millions of euro)	
			Changes	
			amount	%
10. Cash and cash equivalents	8,254	9,814	-1,560	-15.9
20. Financial assets measured at fair value through profit or loss	56,592	58,246	-1,654	-2.8
<i>a) financial assets held for trading</i>	51,160	53,165	-2,005	-3.8
<i>b) financial assets designated at fair value</i>	3	3	-	-
<i>c) other financial assets mandatorily measured at fair value</i>	5,429	5,078	351	6.9
30. Financial assets measured at fair value through other comprehensive income	61,167	57,858	3,309	5.7
35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	178,405	177,170	1,235	0.7
40. Financial assets measured at amortised cost	638,488	615,260	23,228	3.8
<i>a) due from banks</i>	133,939	110,095	23,844	21.7
<i>b) loans to customers</i>	504,549	505,165	-616	-0.1
45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	613	1,211	-598	-49.4
50. Hedging derivatives	1,071	1,134	-63	-5.6
60. Fair value change of financial assets in hedged portfolios (+/-)	1,417	2,400	-983	-41.0
70. Investments in associates and companies subject to joint control	2,049	1,996	53	2.7
80. Technical insurance reserves reassured with third parties	99	93	6	6.5
90. Property and equipment	10,738	10,850	-112	-1.0
100. Intangible assets	8,082	8,194	-112	-1.4
<i>of which:</i>				
- <i>goodwill</i>	3,155	3,154	1	0.0
110. Tax assets	19,344	19,503	-159	-0.8
<i>a) current</i>	2,299	2,326	-27	-1.2
<i>b) deferred</i>	17,045	17,177	-132	-0.8
120. Non-current assets held for sale and discontinued operations	3,169	28,702	-25,533	-89.0
130. Other assets	11,140	10,183	957	9.4
Total assets	1,000,628	1,002,614	-1,986	-0.2

Consolidated balance sheet

Liabilities and Shareholders' Equity	31.03.2021	31.12.2020	(millions of euro)	
			Changes amount	%
10. Financial liabilities measured at amortised cost	663,483	630,146	33,337	5.3
<i>a) due to banks</i>	151,573	115,947	35,626	30.7
<i>b) due to customers</i>	424,536	422,365	2,171	0.5
<i>c) securities issued</i>	87,374	91,834	-4,460	-4.9
15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,326	1,935	391	20.2
20. Financial liabilities held for trading	53,534	59,033	-5,499	-9.3
30. Financial liabilities designated at fair value	3,116	3,032	84	2.8
35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	78,560	77,207	1,353	1.8
40. Hedging derivatives	5,497	7,088	-1,591	-22.4
50. Fair value change of financial liabilities in hedged portfolios (+/-)	422	733	-311	-42.4
60. Tax liabilities	3,030	3,029	1	0.0
<i>a) current</i>	406	284	122	43.0
<i>b) deferred</i>	2,624	2,745	-121	-4.4
70. Liabilities associated with non-current assets held for sale and discontinued operations	3,585	35,676	-32,091	-90.0
80. Other liabilities	18,263	14,439	3,824	26.5
90. Employee termination indemnities	1,158	1,200	-42	-3.5
100. Allowances for risks and charges	6,247	5,964	283	4.7
<i>a) commitments and guarantees given</i>	576	626	-50	-8.0
<i>b) post-employment benefits</i>	326	324	2	0.6
<i>c) other allowances for risks and charges</i>	5,345	5,014	331	6.6
110. Technical reserves	95,698	96,811	-1,113	-1.1
120. Valuation reserves	-738	-515	223	43.3
125. Valuation reserves pertaining to insurance companies	777	809	-32	-4.0
130. Redeemable shares	-	-	-	-
140. Equity instruments	6,179	7,441	-1,262	-17.0
150. Reserves	20,213	17,461	2,752	15.8
160. Share premium reserve	27,444	27,444	-	-
170. Share capital	10,084	10,084	-	-
180. Treasury shares (-)	-128	-130	-2	-1.5
190. Minority interests (+/-)	362	450	-88	-19.6
200. Net income (loss) (+/-)	1,516	3,277	-1,761	-53.7
Total liabilities and shareholders' equity	1,000,628	1,002,614	-1,986	-0.2

Consolidated income statement

		(millions of euro)			
		31.03.2021	31.03.2020	Changes	
				amount	%
10.	Interest and similar income	2,581	2,427	154	6.3
	<i>of which: interest income calculated using the effective interest rate method</i>	2,541	2,525	16	0.6
20.	Interest and similar expense	-570	-686	-116	-16.9
30.	Interest margin	2,011	1,741	270	15.5
40.	Fee and commission income	2,941	2,279	662	29.0
50.	Fee and commission expense	-621	-521	100	19.2
60.	Net fee and commission income	2,320	1,758	562	32.0
70.	Dividend and similar income	29	20	9	45.0
80.	Profits (Losses) on trading	305	-134	439	
90.	Fair value adjustments in hedge accounting	45	-17	62	
100.	Profits (Losses) on disposal or repurchase of:	387	914	-527	-57.7
	<i>a) financial assets measured at amortised cost</i>	53	-22	75	
	<i>b) financial assets measured at fair value through other comprehensive income</i>	361	510	-149	-29.2
	<i>c) financial liabilities</i>	-27	426	-453	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	23	132	-109	-82.6
	<i>a) financial assets and liabilities designated at fair value</i>	-12	221	-233	
	<i>b) other financial assets mandatorily measured at fair value</i>	35	-89	124	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	759	225	534	
120.	Net interest and other banking income	5,879	4,639	1,240	26.7
130.	Net losses/recoveries for credit risks associated with:	-440	-388	52	13.4
	<i>a) financial assets measured at amortised cost</i>	-432	-374	58	15.5
	<i>b) financial assets measured at fair value through other comprehensive income</i>	-8	-14	-6	-42.9
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-1	-27	-26	-96.3
140.	Profits (Losses) on changes in contracts without derecognition	-12	-4	8	
150.	Net income from banking activities	5,426	4,220	1,206	28.6
160.	Net insurance premiums	2,542	2,471	71	2.9
170.	Other net insurance income (expense)	-2,847	-2,278	569	25.0
180.	Net income from banking and insurance activities	5,121	4,413	708	16.0
190.	Administrative expenses:	-2,904	-2,375	529	22.3
	<i>a) personnel expenses</i>	-1,684	-1,351	333	24.6
	<i>b) other administrative expenses</i>	-1,220	-1,024	196	19.1
200.	Net provisions for risks and charges	-96	-323	-227	-70.3
	<i>a) commitments and guarantees given</i>	33	4	29	
	<i>b) other net provisions</i>	-129	-327	-198	-60.6
210.	Net adjustments to / recoveries on property and equipment	-162	-129	33	25.6
220.	Net adjustments to / recoveries on intangible assets	-214	-179	35	19.6
230.	Other operating expenses (income)	270	141	129	91.5
240.	Operating expenses	-3,106	-2,865	241	8.4
250.	Profits (Losses) on investments in associates and companies subject to joint control	50	9	41	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	186	7	179	
290.	Income (Loss) before tax from continuing operations	2,251	1,564	687	43.9
300.	Taxes on income from continuing operations	-718	-439	279	63.6
310.	Income (Loss) after tax from continuing operations	1,533	1,125	408	36.3
320.	Income (Loss) after tax from discontinued operations	-	21	-21	
330.	Net income (loss)	1,533	1,146	387	33.8
340.	Minority interests	-17	5	-22	
350.	Parent Company's net income (loss)	1,516	1,151	365	31.7
	Basic EPS - Euro	0.08	0.07		
	Diluted EPS - Euro	0.08	0.07		

Statement of consolidated comprehensive income

	31.03.2021	31.03.2020	(millions of euro)	
			Changes amount	%
10. Net income (Loss)	1,533	1,146	387	33.8
Other comprehensive income (net of tax) that may not be reclassified to the income statement	-13	-28	-15	-53.6
20. Equity instruments designated at fair value through other comprehensive income	-36	-142	-106	-74.6
30. Financial liabilities designated at fair value through profit or loss (change in own credit rating)	22	50	-28	-56.0
40. Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50. Property and equipment	5	-1	6	
60. Intangible assets	-	-	-	
70. Defined benefit plans	-4	65	-69	
80. Non current assets classified as held for sale	-	-	-	
90. Share of valuation reserves connected with investments carried at equity	-	-	-	
Other comprehensive income (net of tax) that may be reclassified to the income statement	-237	-1,972	-1,735	-88.0
100. Hedges of foreign investments	-	-	-	
110. Foreign exchange differences	31	-163	194	
120. Cash flow hedges	62	-20	82	
130. Hedging instruments (not designated elements)	-	-	-	
140. Financial assets (other than equities) measured at fair value through other comprehensive income	-324	-1,465	-1,141	-77.9
145. Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	-26	-326	-300	-92.0
150. Non-current assets held for sale and discontinued operations	-	-	-	
160. Share of valuation reserves connected with investments carried at equity	20	2	18	
170. Total other comprehensive income (net of tax)	-250	-2,000	-1,750	-87.5
180. Total comprehensive income (captions 10 + 170)	1,283	-854	2,137	
190. Total consolidated comprehensive income pertaining to minority interests	12	-7	19	
200. Total consolidated comprehensive income pertaining to the Parent Company	1,271	-847	2,118	

Changes in consolidated shareholders' equity as at 31 march 2021

(millions of euro)

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

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

Changes in consolidated shareholders' equity as at 31 march 2020

	31.03.2020												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2019	9,455	-	25,095	12,462	779	-251	504	4,103	-104	4,172	56,215	55,968	247
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2020	9,455	-	25,095	12,462	779	-251	504	4,103	-104	4,172	56,215	55,968	247
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves				4,172						-4,172	-	-	-
Dividends and other allocations				-23							-23	-	-23
CHANGES IN THE PERIOD													
Changes in reserves					45						45	45	-
Operations on shareholders' equity													
Issue of new shares									1		1	1	-
Purchase of treasury shares											-	-	-
Dividends											-	-	-
Changes in equity instruments								1,447			1,447	1,447	-
Derivatives on treasury shares											-	-	-
Stock options											-	-	-
Changes in equity investments											-	-	-
Other	-8			-74							-82	-98	16
Total comprehensive income for the period	-	-	-	-	-	-1,678	-322	-	-	1,146	-854	-847	-7
SHAREHOLDERS' EQUITY AS AT 31.03.2020													
	9,447	-	25,095	16,537	824	-1,929	182	5,550	-103	1,146	56,749	56,516	233
- Group	9,086	-	25,075	16,584	824	-1,833	182	5,550	-103	1,151	56,516		
- minority interests	361	-	20	-47	-	-96	-	-	-	-5	233		

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

Report on operations

Economic results

General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. To enable consistent comparison, the figures for previous periods are normally restated, where necessary and material, also to account for changes in the scope of consolidation.

In this Report, restatement on a like-for-like basis of the comparative figures was applied to the line-by-line income statement results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation in the second quarter of 2020 due to the finalisation of the acquisition of the majority shareholding of the company. With regard to the acquisition of the UBI Group, it bears recalling that – given the particular nature of the transaction – in 2020 the historical figures were not adjusted to reflect the effects of the consolidation, which took effect from August, retrospectively during the quarters of the year concerned. However, a comparison of the 2021 income statement figures, inclusive of the UBI Group, and the 2020 figures not including them would not be meaningful. Another difference between the periods relates to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata correlated to the acquisition undertaken in the first quarter of 2021 and those planned in the second quarter.

In consideration of the foregoing, it was decided to provide the reader with a like-for-like comparison in the various periods in the interest of a better understanding of income dynamics. In view of the nature of the necessary restatements, this comparison – which also includes income results at the level of each branch sold – is also based on figures of a management nature. Accordingly, to present the figures “redetermined” (in the following tables the “Redetermined figures”) on the basis of accounting and management records, schedules have been produced in addition to those determined on the basis of actual figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the “Redetermined figures”.

In further detail, the redeterminations of the figures for the first quarter of 2020 related to:

- the inclusion of the UBI Group’s figures on a line-by-line basis, with the attribution by convention of net income to the caption Minority interests of the “redetermined” schedule, and thus without an impact on net income for the period;
- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches to be sold in the second quarter, which by convention have been allocated to the caption Profits (losses) from discontinued operations of the “redetermined” schedule.

Where necessary, the figures for the subsequent quarters of 2020, include similar, consistent adjustments.

The redeterminations of the figures for the first quarter of 2021 related to:

- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches to be sold in the second quarter, which by convention have been allocated to the caption Profits (losses) from discontinued operations of the “redetermined” schedule.

All comments below therefore refer to the “redetermined” values in order to permit uniform comparisons.

Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned “redeterminations” – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

The reclassifications and aggregations of the consolidated income statement are as follows:

- dividends relating to shares or units in portfolio and dividends collected or paid within the framework of securities lending, which have been reallocated to the caption Profits (losses) on financial assets and liabilities designated at fair value;
- Profits (losses) on financial assets and liabilities pertaining to insurance companies (measured pursuant to IAS 39, by virtue of the Group’s exercise of the option to defer application of IFRS 9), which include the shares of Net interest income, Dividends and Income from financial assets and liabilities relating to insurance business, have been reclassified, along with net premiums and the balance of income and expenses from insurance business, to the specific caption Income from insurance business, to which the effect of the adjustment of the technical reserve has also been attributed, in respect of the component borne by the insured parties, relating to the impairment of the securities held in the portfolios of the Group’s insurance companies;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as interest income, inasmuch as they cover the financing cost incurred by the Bank;
- Profits (losses) on trading, fair value adjustments in hedge accounting, profits (losses) on financial assets and liabilities measured at fair value through profit or loss, profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (Losses) on assets and liabilities designated at fair value to Net fee and commission income;
- the return components of the insurance policies taken out to cover contractual indemnities and retention plans for financial advisors, which are deducted directly from Profits (Losses) on financial assets and liabilities designated at fair value, in accordance with the valuation effect of the assets in question, rather than being presented – as attributable to the advisors – among Other net provisions and net impairment losses on other assets (for valuation effects) or among

- Net fee and commission income or Other operating income (expenses), depending on the type of insurance policy used (for effects from realisation);
- the operating income of entities operating in sectors entirely distinct from banking and finance, reallocated to Other operating income (expenses), including that of the entities not subject to management and coordination within the framework of the Group (Risanamento and its subsidiaries);
 - the recoveries of expenses, taxes and duties have been subtracted from Other administrative expenses, instead of being included among Other income;
 - profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
 - Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans;
 - the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which was included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
 - Net losses for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, such as those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets, which consequently include – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;
 - realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities in correlation with trading activity represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
 - Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Other administrative expenses and other captions of the income statement to a separate caption;
 - the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
 - levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
 - Goodwill impairment and impairment losses on other intangible assets, which – where present – are shown, as stated above, net of tax.

Reclassified income statement

	31.03.2021	31.03.2020	(millions of euro)	
			Changes	
			amount	%
Net interest income	2,009	1,747	262	15.0
Net fee and commission income	2,383	1,844	539	29.2
Income from insurance business	373	369	4	1.1
Profits (Losses) on financial assets and liabilities designated at fair value	792	994	-202	-20.3
Other operating income (expenses)	48	-15	63	-
Operating income	5,605	4,939	666	13.5
Personnel expenses	-1,661	-1,356	305	22.5
Other administrative expenses	-648	-553	95	17.2
Adjustments to property, equipment and intangible assets	-304	-264	40	15.2
Operating costs	-2,613	-2,173	440	20.2
Operating margin	2,992	2,766	226	8.2
Net adjustments to loans	-408	-403	5	1.2
Other net provisions and net impairment losses on other assets	-133	-419	-286	-68.3
Other income (expenses)	198	3	195	-
Income (Loss) from discontinued operations	-	29	-29	-
Gross income (loss)	2,649	1,976	673	34.1
Taxes on income	-839	-561	278	49.6
Charges (net of tax) for integration and exit incentives	-52	-15	37	-
Effect of purchase price allocation (net of tax)	-16	-26	-10	-38.5
Levies and other charges concerning the banking industry (net of tax)	-209	-191	18	9.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-17	-32	-15	-46.9
Net income (loss)	1,516	1,151	365	31.7

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Reclassified income statement – Redetermined figures

	31.03.2021	31.03.2020	(millions of euro) Changes	
	Redetermined figures	Redetermined figures	amount	%
Net interest income	1,948	2,036	-88	-4.3
Net fee and commission income	2,301	2,112	189	8.9
Income from insurance business	373	372	1	0.3
Profits (Losses) on financial assets and liabilities designated at fair value	791	1,044	-253	-24.2
Other operating income (expenses)	48	6	42	-
Operating income	5,461	5,570	-109	-2.0
Personnel expenses	-1,603	-1,622	-19	-1.2
Other administrative expenses	-635	-676	-41	-6.1
Adjustments to property, equipment and intangible assets	-304	-312	-8	-2.6
Operating costs	-2,542	-2,610	-68	-2.6
Operating margin	2,919	2,960	-41	-1.4
Net adjustments to loans	-402	-538	-136	-25.3
Other net provisions and net impairment losses on other assets	-133	-428	-295	-68.9
Other income (expenses)	198	10	188	-
Income (Loss) from discontinued operations	48	149	-101	-67.8
Gross income (loss)	2,630	2,153	477	22.2
Taxes on income	-833	-620	213	34.4
Charges (net of tax) for integration and exit incentives	-52	-15	37	-
Effect of purchase price allocation (net of tax)	-16	-26	-10	-38.5
Levies and other charges concerning the banking industry (net of tax)	-196	-206	-10	-4.9
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-17	-135	-118	-87.4
Net income (loss)	1,516	1,151	365	31.7

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

Quarterly development of the reclassified income statement

(millions of euro)

	2021	2020			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,009	2,187	2,099	1,750	1,747
Net fee and commission income	2,383	2,582	2,133	1,744	1,844
Income from insurance business	373	319	298	367	369
Profits (Losses) on financial assets and liabilities designated at fair value	792	189	126	263	994
Other operating income (expenses)	48	13	2	12	-15
Operating income	5,605	5,290	4,658	4,136	4,939
Personnel expenses	-1,661	-1,808	-1,595	-1,380	-1,356
Other administrative expenses	-648	-885	-658	-583	-553
Adjustments to property, equipment and intangible assets	-304	-319	-303	-267	-264
Operating costs	-2,613	-3,012	-2,556	-2,230	-2,173
Operating margin	2,992	2,278	2,102	1,906	2,766
Net adjustments to loans	-408	-1,475	-938	-1,398	-403
Other net provisions and net impairment losses on other assets	-133	-122	-67	262	-419
Other income (expenses)	198	59	23	-21	3
Income (Loss) from discontinued operations	-	-	-	1,134	29
Gross income (loss)	2,649	740	1,120	1,883	1,976
Taxes on income	-839	-166	-320	-313	-561
Charges (net of tax) for integration and exit incentives	-52	-1,484	-27	-35	-15
Effect of purchase price allocation (net of tax)	-16	-1,227	3,237	-24	-26
Levies and other charges concerning the banking industry (net of tax)	-209	-38	-197	-86	-191
Impairment (net of tax) of goodwill and other intangible assets	-	-912	-	-	-
Minority interests	-17	-12	-3	-10	-32
Net income (loss)	1,516	-3,099	3,810	1,415	1,151

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

Quarterly development of the reclassified income statement – Redetermined figures

(millions of euro)

	2021	2020			
	First quarter Redetermined figures	Fourth quarter Redetermined figures	Third quarter Redetermined figures	Second quarter Redetermined figures	First quarter Redetermined figures
Net interest income	1,948	2,068	2,125	2,033	2,036
Net fee and commission income	2,301	2,427	2,139	2,006	2,112
Income from insurance business	373	319	299	373	372
Profits (Losses) on financial assets and liabilities designated at fair value	791	188	123	303	1,044
Other operating income (expenses)	48	11	2	35	6
Operating income	5,461	5,013	4,688	4,750	5,570
Personnel expenses	-1,603	-1,718	-1,626	-1,639	-1,622
Other administrative expenses	-635	-869	-725	-730	-676
Adjustments to property, equipment and intangible assets	-304	-312	-311	-311	-312
Operating costs	-2,542	-2,899	-2,662	-2,680	-2,610
Operating margin	2,919	2,114	2,026	2,070	2,960
Net adjustments to loans	-402	-1,440	-972	-1,543	-538
Other net provisions and net impairment losses on other assets	-133	-122	-65	258	-428
Other income (expenses)	198	59	22	-3	10
Income (Loss) from discontinued operations	48	129	80	1,230	149
Gross income (loss)	2,630	740	1,091	2,012	2,153
Taxes on income	-833	-166	-312	-348	-620
Charges (net of tax) for integration and exit incentives	-52	-1,484	-26	-22	-15
Effect of purchase price allocation (net of tax)	-16	-1,227	3,237	-24	-26
Levies and other charges concerning the banking industry (net of tax)	-196	-38	-178	-91	-206
Impairment (net of tax) of goodwill and other intangible assets	-	-912	-	-	-
Minority interests	-17	-12	-2	-112	-135
Net income (loss)	1,516	-3,099	3,810	1,415	1,151

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

As indicated in the introduction, in order to ensure a uniform comparison, the analysis of income performance below is based on figures redetermined to take into account the inclusion of the UBI Group and the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

Operating income

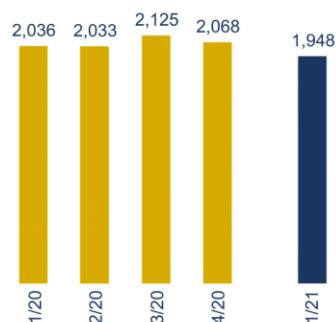
The Intesa Sanpaolo Group's operating income amounted to 5,461 million euro in 2021, down 2% from 5,570 million euro in the same period of 2020. This performance was due to the decline in Profits (losses) on financial assets and liabilities designated at fair value and Net interest income, partly offset by the increase in Net fee and commission income. Income deriving from insurance business was essentially stable.

Net interest income

	31.03.2021	Adjustments	31.03.2021 Redetermined figures	31.03.2020	Adjustments	31.03.2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Relations with customers	2,003	-67	1,936	1,819	273	2,092	-156	-7.5
Securities issued	-421	-	-421	-451	-104	-555	-134	-24.1
Customer dealing	1,582	-67	1,515	1,368	169	1,537	-22	-1.4
Instruments measured at amortised cost which do not constitute loans	138	-	138	87	24	111	27	24.3
Other financial assets and liabilities designated at fair value through profit or loss	-3	-	-3	16	2	18	-21	-
Other financial assets designated at fair value through other comprehensive income	157	-	157	199	24	223	-66	-29.6
Financial assets and liabilities	292	-	292	302	50	352	-60	-17.0
Relations with banks	145	-	145	90	-10	80	65	81.3
Differentials on hedging derivatives	-152	-	-152	-178	32	-146	6	4.1
Non-performing assets	162	-	162	190	39	229	-67	-29.3
Other net interest income	-20	6	-14	-25	9	-16	-2	-12.5
Net interest income	2,009	-61	1,948	1,747	289	2,036	-88	-4.3

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

Quarterly development
Net interest income - Redetermined figures
(millions of euro)

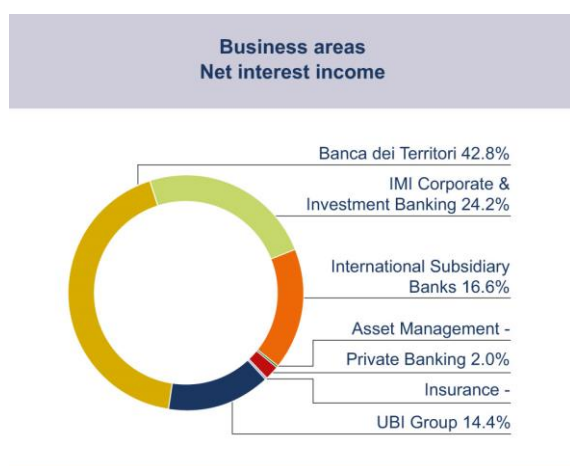


Net interest income was 1,948 million euro, down by 4.3% on the first quarter of 2020. In a market context characterised by interest rates that remain well within negative territory, the decline was mainly due to financial assets, markedly those designated at fair value, and, to a lesser extent, customer dealing, following the decline in the contribution of relations with customers, largely offset by the lower cost of funding from securities issued. Among the other components, there were significant declines in interest on non-performing assets, due to the deleveraging measures undertaken in the previous years and the decrease in new NPL flows, whereas there was an increase in net interest income on relations with banks due to the greater impact on the income statement of TLTRO operations with the ECB. The contribution of hedging of core deposits, included in differentials on hedging derivatives, and other net interest income, were essentially in line with the figures from the same period of the previous year.

The flow of net interest income recorded in the first three months of 2021 was lower than the values of the quarters of 2020.

	31.03.2021	31.03.2020	(millions of euro)	
			Changes	
			amount	%
Banca dei Territori	834	905	-71	-7.8
IMI Corporate & Investment Banking	472	411	61	14.8
International Subsidiary Banks	323	331	-8	-2.4
Private Banking	39	48	-9	-18.8
Asset Management	-	-	-	-
Insurance	-	-	-	-
UBI Group	281	291	-10	-3.4
Total business areas	1,949	1,986	-37	-1.9
Corporate Centre	-1	50	-51	
Intesa Sanpaolo Group (Redetermined figures)	1,948	2,036	-88	-4.3

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.



The Banca dei Territori Division, which accounts for 42.8% of operating business area results, recorded net interest income of 834 million euro, down on the first three months of 2020 (-7.8%, or -71 million euro). The net interest income of the IMI Corporate & Investment Banking recorded an increase (+14.8%, or +61 million euro), primarily attributable to the greater contribution from loans to customers, driven by structured finance operations. By contrast, net interest income decreased for the International Subsidiary Banks (-2.4%, or -8 million euro), mostly attributable to the subsidiaries operating in Croatia, Slovakia and Egypt, and for the UBI Group (-3.4%, or -10 million euro). The Private Banking Division, which in relative terms has a lesser impact on the consolidated accounts, reduced its contribution to net interest income by 9 million euro (-18.8%).

The performance of the net interest income of the Corporate Centre was attributable to the greater cost of excess liquidity in view of the decrease in short-term market rates, which remained in negative territory and the significant increase in customer deposits.

Net fee and commission income

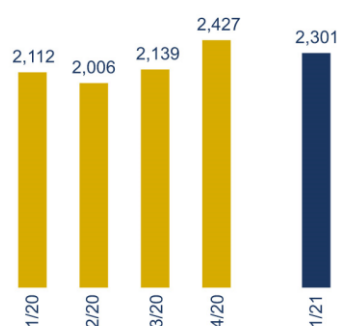
	31.03.2021			31.03.2020			(millions of euro)	
	Income	Expense	Net	Income	Expense	Net	Changes	
							amount	%
Guarantees given / received	109	-60	49	91	-41	50	-1	-2.0
Collection and payment services	184	-42	142	150	-36	114	28	24.6
Current accounts	369	-	369	293	-	293	76	25.9
Credit and debit cards	153	-87	66	134	-71	63	3	4.8
Commercial banking activities	815	-189	626	668	-148	520	106	20.4
Dealing and placement of securities	374	-59	315	237	-52	185	130	70.3
Currency dealing	7	-	7	4	-1	3	4	-
Portfolio management	940	-211	729	738	-188	550	179	32.5
Distribution of insurance products	419	-	419	344	-	344	75	21.8
Other	88	-38	50	75	-13	62	-12	-19.4
Management, dealing and consultancy activities	1,828	-308	1,520	1,398	-254	1,144	376	32.9
Other net fee and commission income	286	-49	237	234	-54	180	57	31.7
Net fee and commission income	2,929	-546	2,383	2,300	-456	1,844	539	29.2

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

	31.03.2021			31.03.2020			Changes (Redetermined figures)	
	Net fee and commission income	Adjustments	Redetermined figures	Net fee and commission income	Adjustments	Redetermined figures	amount	%
Guarantees given / received	49	-2	47	50	1	51	-4	-7.8
Collection and payment services	142	-5	137	114	10	124	13	10.5
Current accounts	369	-25	344	293	59	352	-8	-2.3
Credit and debit cards	66	-5	61	63	2	65	-4	-6.2
Commercial banking activities	626	-37	589	520	72	592	-3	-0.5
Dealing and placement of securities	315	-23	292	185	10	195	97	49.7
Currency dealing	7	-4	3	3	-2	1	2	-
Portfolio management	729	-2	727	550	108	658	69	10.5
Distribution of insurance products	419	-13	406	344	44	388	18	4.6
Other	50	-1	49	62	8	70	-21	-30.0
Management, dealing and consultancy activities	1,520	-43	1,477	1,144	168	1,312	165	12.6
Other net fee and commission income	237	-2	235	180	28	208	27	13.0
Net fee and commission income	2,383	-82	2,301	1,844	268	2,112	189	8.9

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

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



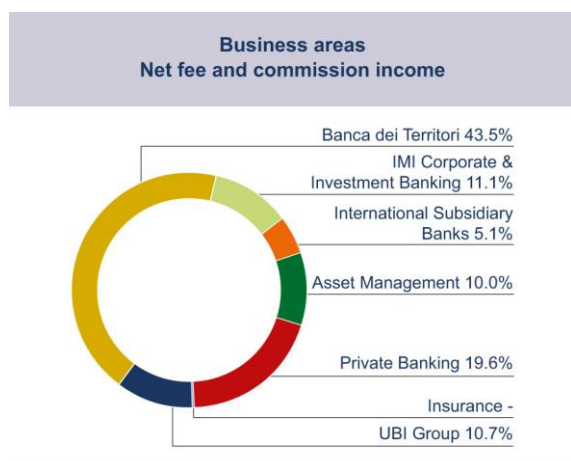
In the first quarter of 2021, net fee and commission income amounted to 2,301 million euro, a record high for the first quarter and an increase of 8.9% on the same period in 2020.

This performance was supported by the recovery of financial markets and the increase in the placement of financial products in this first part of the year, which were reflected in an increase in fee and commission income on management, dealing and financial consultancy (+12.6%, or +165 million euro); in particular, there was an increase in the contribution relating to individual and collective portfolio management schemes (+10.5%, or +69 million euro), dealing and placement of securities (+49.7%, or +97 million euro) and the distribution of insurance products (+4.6%, or +18 million euro). By contrast, commercial banking business declined slightly (-0.5%, or -3 million euro), with moderate declines across all components, almost fully offset by the increase in fees and commissions on collection and payment services (+10.5%, or +13 million euro). Finally, there was a higher contribution from other net fee and commission income (+13%, or +27 million euro). Fee and commission income for the first three months of 2021 was lower than in the fourth quarter of 2020, which benefited from significant performance fees and commissions on assets under

management, but higher than in the other quarters of that year. This therefore confirmed the efficacy of the Group's remote offerings, pursued by enhancing the digital channels in support of customers.

	31.03.2021	31.03.2020	(millions of euro)	
			Changes	
			amount	%
Banca dei Territori	1,033	963	70	7.3
IMI Corporate & Investment Banking	264	236	28	11.9
International Subsidiary Banks	122	123	-1	-0.8
Private Banking	466	427	39	9.1
Asset Management	239	174	65	37.4
Insurance	-	-	-	-
UBI Group	255	283	-28	-9.9
Total business areas	2,379	2,206	173	7.8
Corporate Centre	-78	-94	-16	-17.0
Intesa Sanpaolo Group (Redetermined figures)	2,301	2,112	189	8.9

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.



With regard to business areas, the Banca dei Territori Division, which accounts for 43.5% of the total fee and commission income for the business areas, recorded an increase (+7.3%, or +70 million euro) in fee and commission income, specifically that deriving from asset management and bancassurance. Increases in net fee and commission income were also recorded by IMI Corporate & Investment Banking (+11.9%, or +28 million euro), mainly due to the performance of the investment banking business, Asset Management (+37.4%, or +65 million euro) due to the increase in incentive fees collected during the period, and Private Banking (+9.1%, or +39 million euro), in relation to the development of average assets under management. The International Subsidiary Banks Division recorded a slight decline in fee and commission income (-0.8%, or -1 million euro) essentially due to the subsidiary operating in Croatia. The most significant decrease was attributable to the UBI Group (-9.9%, or -28 million euro).

Income from insurance business

Captions (a)	31.03.2021			31.03.2020			(millions of euro) Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
	Technical margin	67	92	159	65	113	178	-19
Net insurance premiums (b)	2,248	294	2,542	2,317	281	2,598	-56	-2.2
Net charges for insurance claims and surrenders (c)	-2,155	-149	-2,304	-1,665	-117	-1,782	522	29.3
Net charges for changes in technical reserves (d)	-461	-	-461	-331	-1	-332	129	38.9
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	442	-	442	-221	-	-221	663	
Net fees on investment contracts (f)	102	-	102	88	-	88	14	15.9
Commission expenses on insurance contracts (g)	-118	-46	-164	-128	-42	-170	-6	-3.5
Other technical income and expense (h)	9	-7	2	5	-8	-3	5	
Net investment result	198	4	202	163	2	165	37	22.4
Operating income from investments	2,429	4	2,433	-6,903	2	-6,901	9,334	
<i>Net interest income</i>	384	1	385	402	1	403	-18	-4.5
<i>Dividends</i>	61	1	62	54	-	54	8	14.8
<i>Gains/losses on disposal</i>	511	2	513	-489	1	-488	1,001	
<i>Valuation gains/losses</i>	1,497	-	1,497	-6,849	-	-6,849	8,346	
<i>Portfolio management fees paid (i)</i>	-24	-	-24	-21	-	-21	3	14.3
Gains (losses) on investments pertaining to insured parties	-2,231	-	-2,231	7,066	-	7,066	-9,297	
<i>Insurance products (j)</i>	-422	-	-422	244	-	244	-666	
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	-29	-	-29	18	-	18	-47	
<i>Investment products (l)</i>	-1,780	-	-1,780	6,804	-	6,804	-8,584	
Income from insurance business gross of consolidation effects	265	96	361	228	115	343	18	5.2
Consolidation effects	12	-	12	26	-	26	-14	-53.8
Income from insurance business	277	96	373	254	115	369	4	1.1

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures concerning UBI Group have not been restated.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:

- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

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

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

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

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

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

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

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

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

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

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

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

Captions (a)	(millions of euro)							
	31.03.2021			31.03.2020			Changes	
	Redetermined figures			Redetermined figures			(Redetermined figures)	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	67	92	159	66	113	179	-20	-11.2
Net insurance premiums (b)	2,248	294	2,542	2,403	281	2,684	-142	-5.3
Net charges for insurance claims and surrenders (c)	-2,155	-149	-2,304	-1,723	-117	-1,840	464	25.2
Net charges for changes in technical reserves (d)	-461	-	-461	-348	-1	-349	112	32.1
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	442	-	442	-230	-	-230	672	
Net fees on investment contracts (f)	102	-	102	88	-	88	14	15.9
Commission expenses on insurance contracts (g)	-118	-46	-164	-129	-42	-171	-7	-4.1
Other technical income and expense (h)	9	-7	2	5	-8	-3	5	
Net investment result	198	4	202	165	2	167	35	21.0
Operating income from investments	2,429	4	2,433	-6,889	2	-6,887	9,320	
<i>Net interest income</i>	384	1	385	414	1	415	-30	-7.2
<i>Dividends</i>	61	1	62	54	-	54	8	14.8
<i>Gains/losses on disposal</i>	511	2	513	-488	1	-487	1,000	
<i>Valuation gains/losses</i>	1,497	-	1,497	-6,845	-	-6,845	8,342	
<i>Portfolio management fees paid (i)</i>	-24	-	-24	-24	-	-24	-	-
Gains (losses) on investments pertaining to insured parties	-2,231	-	-2,231	7,054	-	7,054	-9,285	
<i>Insurance products (j)</i>	-422	-	-422	237	-	237	-659	
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	-29	-	-29	34	-	34	-63	
<i>Investment products (l)</i>	-1,780	-	-1,780	6,783	-	6,783	-8,563	
Income from insurance business gross of consolidation effects	265	96	361	231	115	346	15	4.3
Consolidation effects	12	-	12	26	-	26	-14	-53.8
Income from insurance business	277	96	373	257	115	372	1	0.3

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:

- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

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

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

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

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

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

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

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

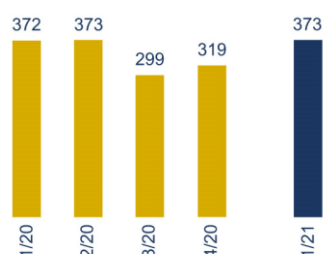
(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

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

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

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

Quarterly development
Income from insurance business - Redetermined figures
(millions of euro)



Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, also includes the results of RBM Assicurazione Salute, following the finalisation of the acquisition of the majority shareholding of the company in May 2020. In the first quarter of 2021, it was 373 million euro, in line with the figure for the same period in 2020 (372 million euro). This performance was due to the increase in the net investment result (+21%, or +35 million euro), almost entirely attributable to the life business, owing to the higher profitability generated by the investments in the life portfolio, net of retrocessions to policyholders. By contrast, the technical margin decreased (-10.2%, or -20 million euro) due to the greater costs relating to insurance claims in the non-life business, which countered the constant development of premiums in the non-motor segment, against essential equilibrium in the life business.

Income from insurance business, including both the life and non-life business, was higher in the first three months of 2021 than the average for the four quarters of 2020.

	31.03.2021 (*)				31.03.2020		
	Periodic premiums	Single premiums	Total	of which new business	Total	Adjustments	Total Redetermined figures
Life insurance business	84	2,165	2,249	2,166	2,318	86	2,404
Premiums issued on traditional products	31	1,270	1,301	1,270	2,048	69	2,117
Premiums issued on unit-linked products	51	729	780	729	114	-	114
Premiums issued on capitalisation products	-	3	3	3	-	17	17
Premiums issued on pension funds	2	163	165	164	156	-	156
Non-life insurance business	230	113	343	48	327	-	327
Premiums issued	261	119	380	115	352	-	352
Change in premium reserves	-31	-6	-37	-67	-25	-	-25
Premiums ceded to reinsurers	-40	-10	-50	-5	-47	-	-47
Net premiums from insurance products	274	2,268	2,542	2,209	2,598	86	2,684
Business on index-linked contracts	-	-	-	-	-	-	-
Business on unit-linked contracts	18	2,014	2,032	2,002	1,701	32	1,733
Total business from investment contracts	18	2,014	2,032	2,002	1,701	32	1,733
Total business	292	4,282	4,574	4,211	4,299	118	4,417

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

(*) As at 31.03.2021 the redetermined figures are the same as those determined based on the actual end-of-period figures.

In the first three months of 2021, business in the insurance segment amounted to 4.6 billion euro, more than the 4.4 billion euro recorded in the first quarter of 2020. The growth is attributable to unit-linked policies, both those of a primarily insurance nature (+666 million euro) and those of a primarily financial nature belonging to class III (+299 million euro).

New life business slowed from 2.4 billion euro in the first quarter of 2020 to 2.2 billion euro in the first quarter of 2021 due to a decline in traditional policies.

New non-life business increased to 343 million euro from 327 million euro in the first three months of 2020.

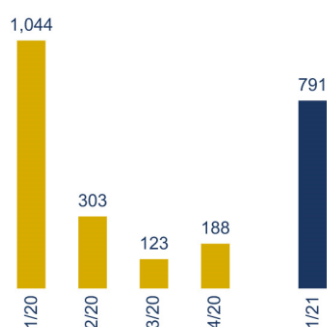
Total new business amounted to 4.2 billion euro, around the total premium inflows of the Group's insurance companies, which relate mostly to new single-premium contracts.

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

	31.03.2021	Adjustments	31.03.2021 Redetermined figures	31.03.2020	Adjustments	31.03.2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Profits (losses) on trading and on financial instruments under fair value option	332	-	332	528	14	542	-210	-38.7
Profits (losses) on hedges under hedge accounting	44	-	44	2	-12	-10	54	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	41	-1	40	-56	-10	-66	106	
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	402	-	402	523	60	583	-181	-31.0
Profits (losses) on the buyback of financial liabilities	-27	-	-27	-3	-2	-5	22	
Profits (Losses) on financial assets and liabilities designated at fair value	792	-1	791	994	50	1,044	-253	-24.2

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

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



In the first quarter of 2021, profits on financial assets and liabilities designated at fair value, amounting to 791 million euro, declined significantly on the same period in 2020, which reflected the valuation effects due to the debt value adjustment (DVA) correlated with liabilities comprised of certificates. The 24.2% decline was due to trading and financial instruments designated at fair value and to the disposal of assets measured at fair value through other comprehensive income, which was affected by lower capital gains on securities. On the positive side was income from operations on assets designated at fair value through profit or loss and the income (loss) of hedge accounting transactions.

The figure for the first three months of 2021 was higher than in the previous quarters of 2020, except for the first.

Other operating income (expenses)

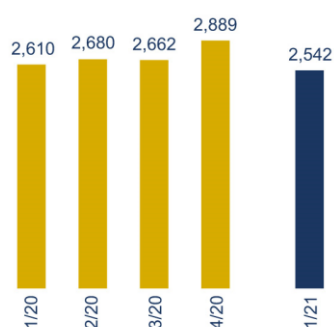
In the first quarter of 2021, other net operating income came to 48 million euro, compared to 6 million euro in the same period of 2020. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The increase was due to both other operating income of 7 million euro compared to 12 million euro of expenses recorded in the first quarter of 2020 and the increase in dividends and profits on investments carried at equity, which in the first three months of 2021 amounted to 41 million euro (18 million euro in the same period of the previous year).

Operating costs

	31.03.2021	Adjustments	31.03.2021 Redetermined figures	31.03.2020	Adjustments	31.03.2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Wages and salaries	1,149	-44	1,105	921	187	1,108	-3	-0.3
Social security charges	304	-11	293	239	51	290	3	1.0
Other	208	-3	205	196	28	224	-19	-8.5
Personnel expenses	1,661	-58	1,603	1,356	266	1,622	-19	-1.2
Information technology expenses	197	-1	196	165	37	202	-6	-3.0
Management of real estate assets expenses	87	-1	86	71	19	90	-4	-4.4
General structure costs	92	-2	90	90	8	98	-8	-8.2
Professional and legal expenses	69	-	69	55	19	74	-5	-6.8
Advertising and promotional expenses	19	-	19	21	4	25	-6	-24.0
Indirect personnel costs	10	-	10	13	5	18	-8	-44.4
Other costs	137	-8	129	119	22	141	-12	-8.5
Indirect taxes and duties	294	-1	293	217	64	281	12	4.3
Recovery of expenses and charges	-257	-	-257	-198	-55	-253	4	1.6
Administrative expenses	648	-13	635	553	123	676	-41	-6.1
Property and equipment	147	-	147	122	27	149	-2	-1.3
Intangible assets	157	-	157	142	21	163	-6	-3.7
Adjustments	304	-	304	264	48	312	-8	-2.6
Operating costs	2,613	-71	2,542	2,173	437	2,610	-68	-2.6

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

Quarterly development
Operating costs - Redetermined figures
(millions of euro)



Operating costs amounted to 2,542 million euro in the first three months of 2021, a decrease of 2.6% on the first quarter of 2020.

Personnel expenses of 1,603 million euro declined by 1.2%, mainly due to the savings on negotiated exits, partially offset by the higher costs related to the renewal of the National Collective Bargaining Agreement (CCNL) and the change in the performance of the variable component.

Despite the higher costs associated with the health emergency, administrative expenses declined to 635 million euro, a decrease of 6.1%. There were widespread savings, from general structure costs to advertising and promotional expenses, from information technology expenses to legal and professional fees; indirect personnel costs benefited from the spread of smart working, which entailed a decrease in business trips.

Depreciation and amortisation of property and equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, declined (-2.6%) on the first quarter of 2020, mainly due to the intangible assets.

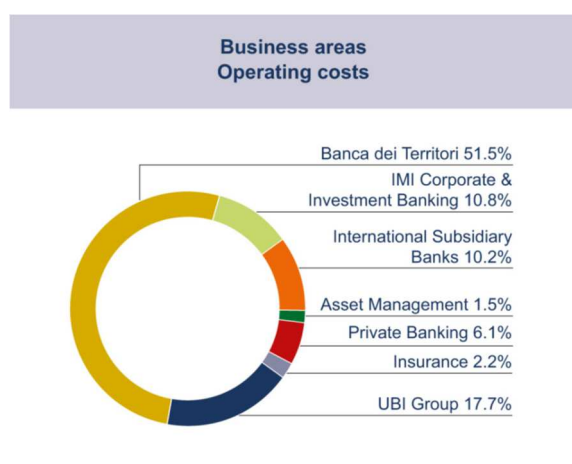
The cost/income ratio for the first quarter of 2021 came to 46.5%, an improvement compared to 46.9% in the same period of 2020

(46.9%).

Net of the customary seasonal effects included in the fourth quarter of 2020, the quarterly comparison shows a constant improvement in costs.

	31.03.2021	31.03.2020	(millions of euro) Changes	
			amount	%
Banca dei Territori	-1,207	-1,231	-24	-1.9
IMI Corporate & Investment Banking	-254	-262	-8	-3.1
International Subsidiary Banks	-238	-239	-1	-0.4
Private Banking	-144	-141	3	2.1
Asset Management	-34	-33	1	3.0
Insurance	-51	-48	3	6.3
UBI Group	-414	-443	-29	-6.5
Total business areas	-2,342	-2,397	-55	-2.3
Corporate Centre	-200	-213	-13	-6.1
Intesa Sanpaolo Group (Redetermined figures)	-2,542	-2,610	-68	-2.6

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.



At the level of operating costs, the Banca dei Territori Division, which accounts for 51.5% of all costs for the business areas, reported savings compared to the first quarter of 2020 (-1.9%, or -24 million euro) thanks to lower personnel expenses, in relation to negotiated exits and administrative expenses, in spite of the greater expenses associated with the health emergency. There were also declines in IMI Corporate & Investment Banking (-3.1%, or -8 million euro), mainly due to lower administrative expenses, and, to a lesser extent, International Subsidiary Banks (-0.4%, or -1 million euro), due to the personnel costs component. By contrast, there were moderate increases for the Private Banking (+2.1%, or +3 million euro), Insurance (+6.3%, or +3 million euro) and Asset Management Divisions (+3%, or +1 million euro). The UBI Group recorded significant savings (-6.5%, or -29 million euro), concentrated in amortisation and depreciation and administrative expenses.

Operating margin

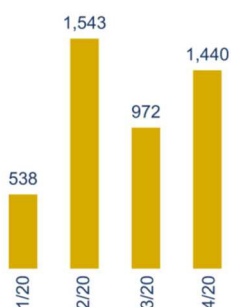
The operating margin for the reporting period was 2,919 million euro, down by 1.4% on the first quarter of 2020, due to a moderate decline in revenues, largely offset by the reduction in operating costs.

Net adjustments to loans

	31.03.2021		31.03.2021 Redetermined figures	31.03.2020		31.03.2020 Redetermined figures	Changes (Redetermined figures)	
	Adjustments			Adjustments			amount	%
Bad loans	-155	6	-149	-184	-52	-236	-87	-36.9
Unlikely to pay	-167	-	-167	-196	-71	-267	-100	-37.5
Past due loans	-20	-	-20	-64	-2	-66	-46	-69.7
Stage 3 loans	-342	6	-336	-444	-125	-569	-233	-40.9
of which debt securities	-	-	-	-	-	-	-	-
Stage 2 loans	-87	-	-87	10	-4	6	-93	
of which debt securities	-2	-	-2	5	-	5	-7	
Stage 1 loans	-	-	-	31	5	36	-36	
of which debt securities	5	-	5	-	1	1	4	
Net losses/recoveries on impairment of loans	-429	6	-423	-403	-124	-527	-104	-19.7
Profits/losses from changes in contracts without derecognition	-12	-	-12	-4	-9	-13	-1	-7.7
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	33	-	33	4	-2	2	31	
Net adjustments to loans	-408	6	-402	-403	-135	-538	-136	-25.3

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

Quarterly development
Net adjustments to loans - Redetermined figures
(millions of euro)



Net adjustments to loans amounted to 402 million euro, down sharply from the 538 million euro recorded in the first quarter of 2020. This contraction was due to lower adjustments to non-performing loans in Stage 3 (-40.9%, or -233 million euro) and greater recoveries on commitments and guarantees given. The decline in adjustments to loans in Stage 3 was broken down as follows: -87 million euro to bad loans, -100 million euro to unlikely-to-pay loans and -46 million euro to past-due loans. In March 2021, non-performing loans remained at 4.4% of total loans, the same level as in December 2020.

The annualised cost of credit, represented by the ratio of net adjustments to net loans, amounted to 35 basis points in the first quarter of 2021, a much lower value than in the first quarter of 2020 (97 basis points, 48 basis points excluding the impact of higher adjustments to deal with the COVID-19 epidemic).

In March 2021, total coverage of non-performing loans was 49.4% (64.9% including the write-offs applied⁸). In detail bad loans required net adjustments of 149 million euro – compared with 236 million euro in the same period of 2020 – with a coverage ratio of 59.4% (77.9% including the write-offs applied⁹). Net impairment losses on unlikely to pay loans, totalling 167 million euro, down

from 267 million euro recorded in the first quarter of 2020, with a coverage ratio of 41.4%. Net impairment losses on past due loans amounted to 20 million euro (66 million euro in the first three months of 2020), with a coverage ratio of 18.9%. The coverage ratio for forborne positions within the non-performing loans category was 40.4%. Finally, coverage of performing loans was stable at 0.6% and incorporates the physiological risk inherent in the loan portfolio to reflect the effects of the changed scenario.

At the quarterly level, the first quarter of 2021 present a sharp reduction in adjustments to loans compared to both the first and all other quarters of 2020, which included the extraordinary provisions recognised in response to the COVID-19 emergency.

⁸ Taking account of the values of the UBI Group's loans prior to the purchase price allocation, and therefore considering the pre-existing provisions and cumulative write-offs prior to the acquisition.

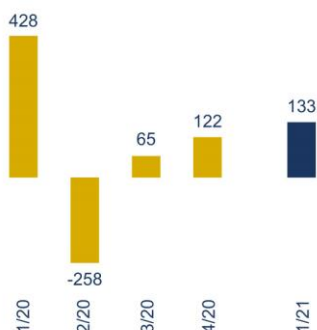
⁹ See the previous note.

Other net provisions and net impairment losses on other assets

	31.03.2021	Adjustments	31.03.2021 Redetermined figures	31.03.2020	Adjustments	31.03.2020 Redetermined figures	(millions of euro) Changes (Redetermined figures) amount %	
Other net provisions	-121	-	-121	-342	1	-341	-220	-64.5
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-9	-	-9	-7	-1	-8	1	12.5
Net impairment losses on other assets	-3	-	-3	-64	-9	-73	-70	-95.9
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-	-	-	-6	-	-6	-6	-
Other net provisions and net impairment losses on other assets	-133	-	-133	-419	-9	-428	-295	-68.9

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

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



Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In the first three months of 2021, other net provisions and net impairment losses on other assets amounted to 133 million euro, down sharply from 428 million euro in the same period of the previous year, which included the prudential provision (312 million euro) recognised to anticipate an initial estimate of the effects of the COVID-19 pandemic.

Other income (expenses)

In this caption of the reclassified income statement, the “profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments” are aggregated together with other income and expenses not strictly linked to operations.

Other income amounted to 198 million euro, compared with the 10 million euro recorded in the first quarter of 2020. The significant increase is attributable to the capital gain of 194 million euro realised on the sale of the business line related to the activities of Custodian Bank of Fideuram Bank Luxembourg.

Income (Loss) from discontinued operations

In early 2021 the caption, amounting to income of 48 million euro, relating to the contribution of the branches sold and in the process of being sold, is compared to the 149 million euro recorded in the same period of the previous year, which included 120 million euro as the contribution of the going concerns sold and in the process of being sold and 29 million euro relating to the business line consisting of the acquiring activities contributed to Nexi.

Gross income (loss)

In the first three months of 2021, income before tax from continuing operations reached an all-time high of 2,630 million euro, up 22.2% compared to the same period in 2020.

Taxes on income

Current and deferred taxes came to 833 million euro for an effective tax rate of 31.7%, higher than in the first quarter of 2020 (28.8%).

Charges (net of tax) for integration and exit incentives

This caption, the main component of which is provisions for risks and charges, climbed to 52 million euro, compared with 15 million euro in the first three months of 2020.

Effect of purchase price allocation (net of tax)

This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. In the first quarter of 2021, these expenses came to 16 million euro, compared to the 26 million euro recorded in the same period of the previous year.

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

The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking system and consequently outside the company management. In the first quarter of 2021, relevant charges came to 196 million euro, of which 187 million euro relating to resolution funds, compared to the 206 million euro recorded in the same period of the previous year.

Minority interests

In the first three months of 2021, the minority interest share of net income of companies within the scope of line-by-line consolidation amounted to 17 million euro, compared with net income of 135 million euro in the first quarter of 2020, which included the reclassification of the net income attributable to the UBI Group to this caption.

Net income (loss)

Despite the extended periods of lockdown related to the continuation of the pandemic and the efforts devoted to integration activities, the Intesa Sanpaolo Group achieved an excellent performance in this first period of the year. In view of the factors described above, and on the basis of the figures as redetermined to account for the inclusion of the UBI Group and the reallocation of the contribution of the going concerns object of disposal, the first quarter of 2021 ended with a consolidated net income of 1,516 million euro, compared with 1,151 million euro recorded in the same period of 2020. This positive performance bears out a sustainable, profitable business model that delivers robust revenues, attentive operating cost management and effective control of the cost of risk.

Balance sheet aggregates

General aspects

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

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

In particular, the restatement involved the balance sheet results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation in the second quarter of 2020. With regard to the UBI Group acquisition, in order to permit a significant comparison at the quarterly level as well, for periods prior to the acquisition, and thus for the first three quarters of 2020, balance sheet figures were subject to line-by-line inclusion of the figures concerning the UBI Group and line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold in the first quarter of 2021 and those that are to be sold in the second quarter, which in the quarterly reclassified balance sheet have by convention been allocated to the captions - Non-current assets held for sale and discontinued operations and Liabilities associated with non-current assets held for sale and discontinued operations ("Redetermined" figures).

Certain aggregations and reclassifications are then made with respect to the model provided in Circular 262/05 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregations and reclassifications of captions refer to:

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

Reclassified balance sheet

Assets	31.03.2021	31.12.2020	(millions of euro) Changes	
			amount	%
Due from banks	131,902	108,040	23,862	22.1
Loans to customers	463,286	461,572	1,714	0.4
<i>Loans to customers measured at amortised cost</i>	461,754	460,143	1,611	0.4
<i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	1,532	1,429	103	7.2
Financial assets measured at amortised cost which do not constitute loans	44,857	47,102	-2,245	-4.8
Financial assets at fair value through profit or loss	55,429	57,065	-1,636	-2.9
Financial assets at fair value through other comprehensive income	60,773	57,585	3,188	5.5
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	178,405	177,170	1,235	0.7
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	613	1,211	-598	-49.4
Investments in associates and companies subject to joint control	2,049	1,996	53	2.7
Property, equipment and intangible assets	18,820	19,044	-224	-1.2
<i>Assets owned</i>	17,084	17,238	-154	-0.9
<i>Rights of use acquired under leases</i>	1,736	1,806	-70	-3.9
Tax assets	19,344	19,503	-159	-0.8
Non-current assets held for sale and discontinued operations	3,169	28,702	-25,533	-89.0
Other assets	21,981	23,624	-1,643	-7.0
Total Assets	1,000,628	1,002,614	-1,986	-0.2

Liabilities	31.03.2021	31.12.2020	(millions of euro) Changes	
			amount	%
Due to banks at amortised cost	151,567	115,943	35,624	30.7
Due to customers at amortised cost and securities issued	510,229	512,463	-2,234	-0.4
Financial liabilities held for trading	53,534	59,033	-5,499	-9.3
Financial liabilities designated at fair value	3,116	3,032	84	2.8
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,319	1,928	391	20.3
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	78,560	77,207	1,353	1.8
Tax liabilities	3,030	3,029	1	-
Liabilities associated with non-current assets held for sale and discontinued operations	3,585	35,676	-32,091	-90.0
Other liabilities	25,876	24,007	1,869	7.8
<i>of which lease payables</i>	1,694	1,747	-53	-3.0
Technical reserves	95,698	96,811	-1,113	-1.1
Allowances for risks and charges	7,405	7,164	241	3.4
<i>of which allowances for commitments and financial guarantees given</i>	576	626	-50	-8.0
Share capital	10,084	10,084	-	-
Reserves	47,529	44,775	2,754	6.2
Valuation reserves	-738	-515	223	43.3
Valuation reserves pertaining to insurance companies	777	809	-32	-4.0
Equity instruments	6,179	7,441	-1,262	-17.0
Minority interests	362	450	-88	-19.6
Net income (loss)	1,516	3,277	-1,761	-53.7
Total liabilities and shareholders' equity	1,000,628	1,002,614	-1,986	-0.2

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2021	2020			
	31/3	31/12	30/9 Redetermined figures	30/6 Redetermined figures	31/3 Redetermined figures
Due from banks	131,902	108,040	85,307	76,192	76,922
Loans to customers	463,286	461,572	463,255	462,846	465,612
<i>Loans to customers measured at amortised cost</i>	461,754	460,143	461,790	461,383	464,133
<i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	1,532	1,429	1,465	1,463	1,479
Financial assets measured at amortised cost which do not constitute loans	44,857	47,102	43,453	41,926	35,744
Financial assets at fair value through profit or loss	55,429	57,065	61,238	62,145	57,181
Financial assets at fair value through other comprehensive income	60,773	57,585	80,621	83,531	81,215
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	178,405	177,170	170,471	167,921	161,139
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	613	1,211	1,050	741	607
Investments in associates and companies subject to joint control	2,049	1,996	1,766	1,747	1,567
Property, equipment and intangible assets	18,820	19,044	19,422	21,000	20,613
<i>Assets owned</i>	17,084	17,238	17,672	19,227	18,804
<i>Rights of use acquired under leases</i>	1,736	1,806	1,750	1,773	1,809
Tax assets	19,344	19,503	19,256	19,389	19,740
Non-current assets held for sale and discontinued operations	3,169	28,702	29,504	29,235	27,460
Other assets	21,981	23,624	21,505	26,508	27,114
Total Assets	1,000,628	1,002,614	996,848	993,181	974,914
Liabilities and Shareholders' Equity	2021	2020			
	31/3	31/12	30/9 Redetermined figures	30/6 Redetermined figures	31/3 Redetermined figures
Due to banks at amortised cost	151,567	115,943	118,550	125,276	134,602
Due to customers at amortised cost and securities issued	510,229	512,463	503,570	493,636	488,482
Financial liabilities held for trading	53,534	59,033	57,016	55,723	54,987
Financial liabilities designated at fair value	3,116	3,032	2,978	2,288	845
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,319	1,928	1,857	1,771	818
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	78,560	77,207	73,960	73,095	69,025
Tax liabilities	3,030	3,029	2,584	2,500	2,881
Liabilities associated with non-current assets held for sale and discontinued operations	3,585	35,676	34,737	33,858	30,038
Other liabilities	25,876	24,007	31,919	38,607	31,017
<i>of which lease payables</i>	1,694	1,747	1,719	1,729	1,753
Technical reserves	95,698	96,811	94,536	92,201	89,209
Allowances for risks and charges	7,405	7,164	6,500	5,135	5,755
<i>of which allowances for commitments and financial guarantees given</i>	576	626	547	559	514
Share capital	10,084	10,084	10,076	9,086	9,086
Reserves	47,529	44,775	44,787	42,419	42,380
Valuation reserves	-738	-515	-894	-1,441	-1,833
Valuation reserves pertaining to insurance companies	777	809	596	403	182
Equity instruments	6,179	7,441	7,423	5,947	5,948
Minority interests	362	450	277	10,111	10,341
Net income (loss)	1,516	3,277	6,376	2,566	1,151
Total Liabilities and Shareholders' Equity	1,000,628	1,002,614	996,848	993,181	974,914

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and the reallocation of the going concerns object of disposal to non-current assets held for sale and discontinued operations and associated liabilities.

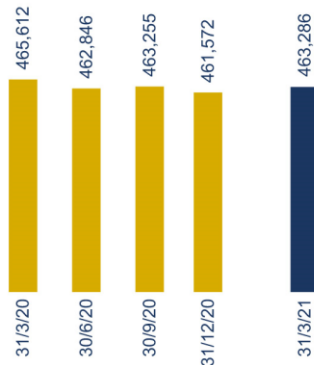
BANKING BUSINESS**Loans to customers****Loans to customers: breakdown**

	31.03.2021		31.12.2020		(millions of euro) Changes	
	amount	% breakdown	amount	% breakdown	amount	%
Current accounts	20,816	4.5	20,948	4.5	-132	-0.6
Mortgages	253,404	54.7	248,327	53.8	5,077	2.0
Advances and other loans	154,604	33.4	157,496	34.1	-2,892	-1.8
Commercial banking loans	428,824	92.6	426,771	92.4	2,053	0.5
Repurchase agreements	16,872	3.6	16,864	3.7	8	-
Loans represented by securities	7,092	1.5	7,194	1.6	-102	-1.4
Non-performing loans	10,498	2.3	10,743	2.3	-245	-2.3
Loans to customers	463,286	100.0	461,572	100.0	1,714	0.4

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

The Group's loans to customers exceeded 463 billion euro as at 31 March 2021, marking a year-to-date increase on a like-for-like basis of 1.7 billion euro, or +0.4%. The growth of the aggregate was due to commercial banking loans (+2.1 billion euro, or +0.5%), and in particular to the expansion of mortgages and other medium-/long-term loans to corporate and individual customers (+5.1 billion euro, or +2%), which reflect the Group's support to the Italian economy, including in relation to the extraordinary measures taken by the government, and support for families in the current emergency period. Medium/long-term loans largely offset the decline in short-term loans in the form of advances and loans (-1.8%) and overdraft facilities (-0.6%). Repurchase agreements remained essentially stable year-to-date, whereas non-performing loans declined (-2.3%).

**Quarterly development
Loans to customers**
(millions of euro)

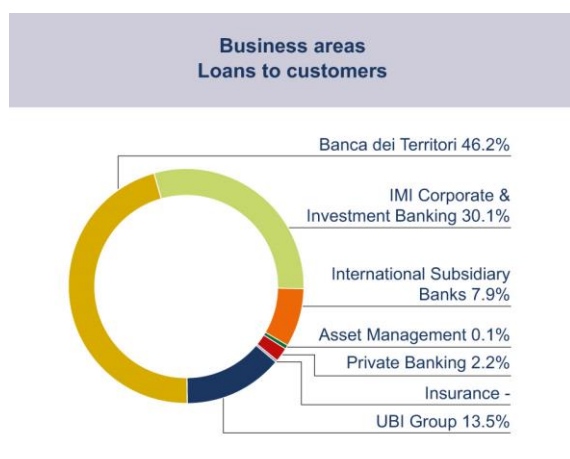


In the domestic medium-/long-term loan market, disbursements to households in the first three months of 2021 (including the small business accounts having similar needs to family businesses) amounted to 5.7 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 5.4 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 5.6 billion euro. Overall disbursements within Italy, inclusive of the contribution of the UBI Group, loans to the non-profit sector and disbursements through third networks, were approximately 20.9 billion euro. If the activities of the international subsidiary banks are included, the Group's medium/long-term disbursements exceeded 23 billion euro.

As at 31 March 2021, the Intesa Sanpaolo Group's share of the Italian domestic market, including UBI and net of discontinued operations, was estimated at 20.7% for total loans to customers. This estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figures for the end of March are not yet available.

	31.03.2021	31.12.2020	(millions of euro)	
			Changes amount	%
Banca dei Territori	209,336	206,390	2,946	1.4
IMI Corporate & Investment Banking	136,364	134,793	1,571	1.2
International Subsidiary Banks	35,935	36,079	-144	-0.4
Private Banking	10,154	9,853	301	3.1
Asset Management	318	452	-134	-29.6
Insurance	-	-	-	-
UBI Group	60,629	59,748	881	1.5
Total business areas	452,736	447,315	5,421	1.2
Corporate Centre	10,550	14,257	-3,707	-26.0
Intesa Sanpaolo Group	463,286	461,572	1,714	0.4

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



In the analysis by business area, the Banca dei Territori Division, which accounts for 46.2% of the aggregate of the Group's business areas, recorded an increase year-to-date (+2.9 billion euro, or +1.4%), due to medium/long-term loans to SMEs and retail customers, which reflect the Group's support to the Italian economy, including in light of the extraordinary measures taken by the government. The IMI Corporate & Investment Banking Division reported growth of 1.6 billion euro (+1.2%), attributable to loans for structured finance transactions and global markets. The loans of the International Subsidiary Banks Division declined slightly (-0.1 billion euro, or -0.4%), specifically due to the decrease in the loans issued by the subsidiaries operating in Hungary, Slovakia and Slovenia. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, there were gains by the loans of the Private Banking Division, consisting primarily of short-term loans (+3.1%), driven by the increase in current account facilities, whereas those of the Asset Management Division declined (-29.6%). The UBI Group

increased its loans to customers by 1.5%, with a significant shift in composition towards medium/long-term. The decline at the level of the Corporate Centre is essentially attributable to short-term loans.

Loans to customers: credit quality

	31.03.2021		31.12.2020		(millions of euro) Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	3,968	0.9	4,003	0.9	-35
Unlikely to pay	6,106	1.3	6,223	1.3	-117
Past due loans	424	0.1	517	0.1	-93
Non-Performing Loans	10,498	2.3	10,743	2.3	-245
<i>Non-performing loans in Stage 3 (subject to impairment)</i>	10,442	2.3	10,686	2.3	-244
<i>Non-performing loans measured at fair value through profit or loss</i>	56	-	57	-	-1
Performing loans	445,677	96.2	443,613	96.1	2,064
<i>Stage 2</i>	67,765	14.6	69,023	15.0	-1,258
<i>Stage 1</i>	376,848	81.4	373,512	80.9	3,336
<i>Performing loans measured at fair value through profit or loss</i>	1,064	0.2	1,078	0.2	-14
Performing loans represented by securities	7,092	1.5	7,194	1.6	-102
<i>Stage 2</i>	2,463	0.5	3,060	0.8	-597
<i>Stage 1</i>	4,629	1.0	4,134	0.8	495
Loans held for trading	19	-	22	-	-3
Total loans to customers	463,286	100.0	461,572	100.0	1,714
<i>of which forbore performing</i>	7,528		5,256		2,272
<i>of which forbore non-performing</i>	3,766		3,542		224
Loans to customers classified as discontinued operations (*)	2,831		26,140		-23,309

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

(*) This caption includes the portfolio of bad/unlikely to pay loans (gross exposure of 3,837 million euro, adjustments of 2,751 million euro and net exposure of 1,086 million euro as at 31 March 2021), already reclassified to discontinued operations in the 2020 Annual Report, as well as the loans included in the going concern to be sold to BPER and BPPB (gross exposure of 1,755 million euro, adjustments of 10 million euro and net exposure of 1,745 million euro as at 31 March 2021).

As at 31 March 2021, the Group's net non-performing loans amounted to 10.5 billion euro, an all-time low. The 2.3% reduction from the beginning of the year confirms the virtuous trend already recorded in previous years. Non-performing assets percentage of total net loans to customers amounted to 2.3%, a low proportion in line with the figure recorded in December, while the coverage ratio for non-performing loans was 49.4% (64.9% including the write-offs applied¹⁰).

In further detail, at the end of March 2021 bad loans came to 4 billion euro net of adjustments (-0.9%) and represented 0.9% of total loans. During the same period, the coverage ratio came to 59.4% (77.9% including the write-offs applied¹¹). Loans included in the unlikely-to-pay category amounted to 6.1 billion euro, down by 1.9%, and accounted for 1.3% of total loans to customers, with a coverage ratio of 41.4%. Past due loans amounted to 424 million euro (-18%), with a coverage ratio of 18.9%. Within the non-performing loan category, forbore exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 3.8 billion euro, with a coverage ratio of 40.4%, while forbore exposures in the performing loans category amounted to 7.5 billion euro.

The coverage ratio of performing loans was 0.6% in line with the figure at the end of 2020.

Loans to customers classified as discontinued operations relate to the performing and non-performing loans included in the going concerns being sold to BPER and Banca Popolare di Puglia e Basilicata, for a net exposure of 1.7 billion euro, as well as the portfolio of bad loans and unlikely-to-pay exposures due to be sold, for a net exposure of 1.1 billion euro.

¹⁰ Taking account of the values of the UBI Group's loans prior to the purchase price allocation, and therefore considering the pre-existing provisions and cumulative write-offs prior to the acquisition.

¹¹ See the previous note.

Other banking business financial assets and liabilities: breakdown

Type of financial instruments	(millions of euro)				
	Financial assets designated at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
Debt securities issued by Governments					
31.03.2021	21,375	44,908	28,157	94,440	X
31.12.2020	19,553	42,574	30,732	92,859	X
Changes amount	1,822	2,334	-2,575	1,581	
Changes %	9.3	5.5	-8.4	1.7	
Other debt securities					
31.03.2021	3,230	12,529	16,700	32,459	X
31.12.2020	3,368	11,311	16,370	31,049	X
Changes amount	-138	1,218	330	1,410	
Changes %	-4.1	10.8	2.0	4.5	
Equities					
31.03.2021	1,149	3,336	X	4,485	X
31.12.2020	1,058	3,700	X	4,758	X
Changes amount	91	-364	X	-273	
Changes %	8.6	-9.8	X	-5.7	
Quotas of UCI					
31.03.2021	3,573	X	X	3,573	X
31.12.2020	3,187	X	X	3,187	X
Changes amount	386	X	X	386	
Changes %	12.1	X	X	12.1	
Due to banks and to customers					
31.03.2021	X	X	X	X	-15,960
31.12.2020	X	X	X	X	-15,945
Changes amount	X	X	X	X	15
Changes %	X	X	X	X	0.09
Financial derivatives					
31.03.2021	23,746	X	X	23,746	-25,568
31.12.2020	28,283	X	X	28,283	-31,839
Changes amount	-4,537	X	X	-4,537	-6,271
Changes %	-16.0	X	X	-16.0	-19.7
Credit derivatives					
31.03.2021	2,356	X	X	2,356	-2,463
31.12.2020	1,616	X	X	1,616	-1,745
Changes amount	740	X	X	740	718
Changes %	45.8	X	X	45.8	41.1
TOTAL 31.03.2021	55,429	60,773	44,857	161,059	-43,991
TOTAL 31.12.2020	57,065	57,585	47,102	161,752	-49,529
Changes amount	-1,636	3,188	-2,245	-693	-5,538
Changes %	-2.9	5.5	-4.8	-0.4	-11.2

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

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

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

The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to 161 billion euro, down slightly (-0.4%) compared with the beginning of the year, whereas financial liabilities held for trading came to 44 billion euro, down by 11.2%.

Financial assets showed growth in government debt securities (+1.6 billion euro) and other debt securities (+1.4 billion euro) and a decline in financial and credit derivatives with positive values (-3.8 billion euro). The decline in financial liabilities held for trading was due to the performance of financial derivatives.

Financial assets measured at fair value through profit or loss amounted to 55.4 billion euro, marking a decline (-1.6 billion euro, or -2.9%) due to the fall in financial and credit derivatives (-4.5 billion euro), only partially offset by the increase in government securities (+1.8 billion euro).

Financial assets at fair value through other comprehensive income amounted to around 60.8 billion euro, up by 5.5% year-to-date due to the increase in exposures to government bonds and other debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (98%).

On the other hand, instruments measured at amortised cost which do not constitute loans amounted to 45 billion euro, down by 4.8% due to the maturities of government debt securities. HTC debt securities have primarily been classified to Stage 1 (91%).

Debt securities: stage allocation

Debt securities: stage allocation	(millions of euro)		
	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
31.03.2021	56,403	41,035	97,438
31.12.2020	52,586	42,516	95,102
Changes amount	3,817	-1,481	2,336
Changes %	7.3	-3.5	2.5
Stage 2			
31.03.2021	1,034	3,809	4,843
31.12.2020	1,299	4,573	5,872
Changes amount	-265	-764	-1,029
Changes %	-20.4	-16.7	-17.5
Stage 3			
31.03.2021	-	13	13
31.12.2020	-	13	13
Changes amount	-	-	-
Changes %	-	-	-
TOTAL 31.03.2021	57,437	44,857	102,294
TOTAL 31.12.2020	53,885	47,102	100,987
Changes amount	3,552	-2,245	1,307
Changes %	6.6	-4.8	1.3

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

Customer financial assets

	31.03.2021		31.12.2020		(millions of euro) Changes	
	amount	% breakdown	amount	% breakdown	amount	%
Direct deposits from banking business	522,888	44.5	524,999	45.2	-2,111	-0.4
Direct deposits from insurance business and technical reserves	175,906	14.9	175,279	15.1	627	0.4
Indirect customer deposits	650,872	55.4	636,517	54.7	14,355	2.3
Netting (a)	-174,201	-14.8	-173,960	-15.0	241	0.1
Customer financial assets	1,175,465	100.0	1,162,835	100.0	12,630	1.1

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. I dati relativi alla raccolta indiretta del Gruppo UBI sono stati riesposti in coerenza con i criteri di rappresentazione del Gruppo Intesa Sanpaolo.

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

As at 31 March 2021 customer financial assets amounted to 1,175 billion euro, up year-to-date (+1.1%, or +12.6 billion euro), driven by indirect customer deposits (+2.3%, or +14.4 billion euro) and, to a lesser extent, direct deposits from insurance business (+0.4%, or +0.6 billion euro). After the significant increase recorded in 2020, direct deposits from banking business declined (-0.4% or -2.1 billion euro) in the first three months of the current year.

Direct deposits from banking business

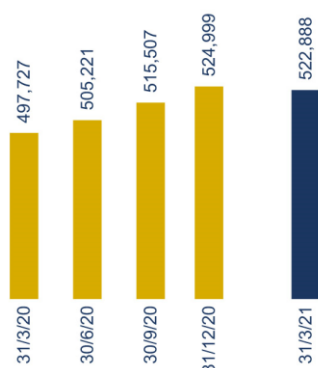
The table below sets out amounts due to customers, securities issued, including those designated at fair value and certificates, which represent an alternative form of funding to bonds.

	31.03.2021		31.12.2020		(millions of euro) Changes	
	amount	% breakdown	amount	% breakdown	amount	%
Current accounts and deposits	408,692	78.1	407,832	77.7	860	0.2
Repurchase agreements and securities lending	1,891	0.4	944	0.2	947	
Bonds	65,543	12.5	70,060	13.3	-4,517	-6.4
Certificates of deposit	2,956	0.6	3,976	0.8	-1,020	-25.7
Subordinated liabilities	12,072	2.3	11,786	2.2	286	2.4
Other deposits	31,734	6.1	30,401	5.8	1,333	4.4
<i>of which designated at fair value (*)</i>	12,659	2.4	12,536	2.4	123	1.0
Direct deposits from banking business	522,888	100.0	524,999	100.0	-2,111	-0.4

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

(*) Figures included in the Balance sheet under Financial liabilities held for trading e Financial liabilities designated at fair value.

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



The Group's direct deposits from banking business came to 523 billion euro, down slightly by 0.4% on the beginning of the year.

The performance was essentially due to the downtrend in bonds (-4.5 billion euro) and certificates of deposit (-1 billion euro), largely offset by the increase in other deposits (+1.3 billion euro), inclusive of certificates and commercial paper, current accounts and deposits (+0.9 billion euro) and repurchase agreements and securities lending (+0.9 billion euro), largely attributable to institutional counterparties.

As at 31 March 2021, the Intesa Sanpaolo Group's direct domestic deposits (deposits and bonds), including UBI and net of liabilities held for sale, represented an estimated share of the domestic market of 22.1%. As described above with reference to loans, this estimate is based on the sample deriving from the ten-day report produced by the Bank of Italy.

	31.03.2021	31.12.2020	(millions of euro)	
			Changes amount	%
Banca dei Territori	234,576	229,677	4,899	2.1
IMI Corporate & Investment Banking	83,352	88,183	-4,831	-5.5
International Subsidiary Banks	46,946	46,308	638	1.4
Private Banking	40,682	41,145	-463	-1.1
Asset Management	12	14	-2	-14.3
Insurance	-	-	-	-
UBI Group	65,989	68,030	-2,041	-3.0
Total business areas	471,557	473,357	-1,800	-0.4
Corporate Centre	51,331	51,642	-311	-0.6
Intesa Sanpaolo Group	522,888	524,999	-2,111	-0.4

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

Business areas
Direct deposits from banking business



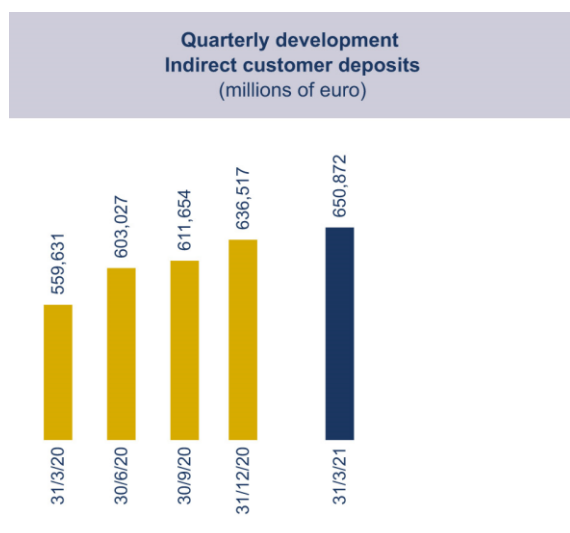
In the analysis of funding by business segments, the Banca dei Territori Division, which accounts for approximately half of the aggregate of the Group's business areas, increased (by +4.9 billion euro or +2.1%), in the amounts due to customers component, owing to the greater liquidity accumulated in deposits by retail customers and SMEs as they await a more favourable scenario. The IMI Corporate & Investment Banking Division recorded a decline of 4.8 billion euro (-5.5%) due mainly to the decrease in amounts due to global corporate customers, and, to a lesser extent, the securities issued of the Irish and Luxembourg subsidiaries within the International Department. The International Subsidiary Banks Division reported an increase in funding (+0.6 billion euro, or +1.4%) attributable to the deposits of the subsidiaries operating in Egypt, Slovakia and Slovenia. On the other hand, the UBI Group posted a decline (-2 billion euro or -3%), attributable to bond redemptions, as did Private Banking (-0.5 billion euro or -1.1%) due to the decline in term deposits.

Indirect customer deposits

	31.03.2021		31.12.2020		(millions of euro) Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (a)	161,942	24.9	157,530	24.7	4,412	2.8
Open-ended pension funds and individual pension plans	10,915	1.7	10,555	1.7	360	3.4
Portfolio management	68,805	10.5	66,713	10.5	2,092	3.1
Technical reserves and financial liabilities of the insurance business	173,690	26.7	172,716	27.1	974	0.6
Relations with institutional customers	17,414	2.7	16,896	2.7	518	3.1
Assets under management	432,766	66.5	424,410	66.7	8,356	2.0
Assets under administration and in custody	218,106	33.5	212,107	33.3	5,999	2.8
Indirect customer deposits	650,872	100.0	636,517	100.0	14,355	2.3

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures relating to the UBI Group's indirect deposits have been restated in accordance with the presentation criteria of the Intesa Sanpaolo Group.

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



As at 31 March 2021, indirect customer deposits had risen to 651 billion euro, driven by the positive financial market performance and robust placement activity by the Group's distribution networks. The growth, attributable to the balanced development of the assets under management and administration components, was 2.3% year-to-date.

Assets under management, which at nearly 433 billion euro account for two-thirds of the total aggregate, increased by 8.4 billion euro (+2%), mainly driven by mutual funds (+4.4 billion euro), portfolio management schemes (+2.1 billion euro) and technical reserves and insurance financial liabilities (+1 billion euro). Relations with institutional customers and pension funds also grew. In the first three months of 2021, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 4.2 billion euro. Assets under administration, like assets under management, also increased (+2.8%, or +6 billion euro), concentrated in securities and third-party products in custody.

Net interbank position

As at 31 March 2021, net interbank position came to a negative balance of nearly 20 billion euro, higher than the approximately 8 billion euro recorded at the beginning of the year, due to the increase in amounts due to banks, which reached 152 billion euro, primarily consisting of the exposure to the ECB (119 billion euro compared to debt of 83 billion euro at the end of December 2020).

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

(millions of euro)

Type of financial instruments	Financial assets measured at fair value through profit or loss			Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39 (*)
	Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale			
Debt securities issued by Governments						
31.03.2021	128	3,396	61,416	-	64,940	X
31.12.2020	128	3,295	62,350	-	65,773	X
Changes amount	-	101	-934	-	-833	
Changes %	-	3.1	-1.5	-	-1.3	
Other debt securities						
31.03.2021	24	1,020	12,207	-	13,251	X
31.12.2020	25	1,019	12,578	-	13,622	X
Changes amount	-1	1	-371	-	-371	
Changes %	-4.0	0.1	-2.9	-	-2.7	
Equities						
31.03.2021	-	3,012	1,983	-	4,995	X
31.12.2020	-	2,750	1,756	-	4,506	X
Changes amount	-	262	227	-	489	
Changes %	-	9.5	12.9	-	10.9	
Quotas of UCI						
31.03.2021	168	81,397	12,727	-	94,292	X
31.12.2020	166	79,538	12,429	-	92,133	X
Changes amount	2	1,859	298	-	2,159	
Changes %	1.2	2.3	2.4	-	2.3	
Due from banks and loans to customers						
31.03.2021	-	489	-	613	1,102	X
31.12.2020	-	605	-	1,211	1,816	X
Changes amount	-	-116	-	-598	-714	
Changes %	-	-19.2	-	-49.4	-39.3	
Due to banks						
31.03.2021	X	X	X	X	X	-614 (**)
31.12.2020	X	X	X	X	X	-609 (**)
Changes amount						5
Changes %						0.8
Financial derivatives						
31.03.2021	438	-	-	-	438	-57 (***)
31.12.2020	531	-	-	-	531	-58 (***)
Changes amount	-93	-	-	-	-93	-1
Changes %	-17.5	-	-	-	-17.5	-1.7
Credit derivatives						
31.03.2021	-	-	-	-	-	- (***)
31.12.2020	-	-	-	-	-	- (***)
Changes amount	-	-	-	-	-	-
Changes %	-	-	-	-	-	-
TOTAL 31.03.2021	758	89,314	88,333	613	179,018	-671
TOTAL 31.12.2020	850	87,207	89,113	1,211	178,381	-667
Changes amount	-92	2,107	-780	-598	637	4
Changes %	-10.8	2.4	-0.9	-49.4	0.4	0.6

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

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

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

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

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39, summarised in the table above, amounted to 179 billion euro and 671 million euro, respectively. The increase in assets was due to the portfolio of financial assets designated at fair value (+2.4%) and in particular quotas of UCI and equity instruments.

Direct deposits from insurance business and technical reserves

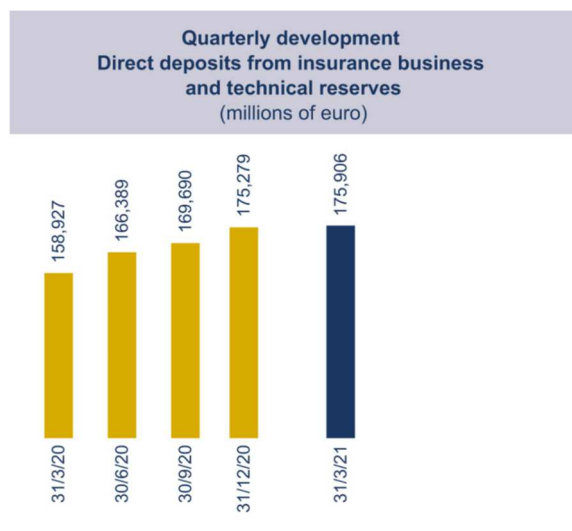
	31.03.2021		31.12.2020		(millions of euro) Changes	
	amount	% breakdown	amount	% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	78,503	44.6	77,149	44.0	1,354	1.8
<i>Index-linked products</i>	-	-	-	-	-	-
<i>Unit-linked products</i>	78,503	44.6	77,149	44.0	1,354	1.8
Technical reserves	95,698	54.4	96,811	55.2	-1,113	-1.1
Life business	94,429	53.7	95,597	54.5	-1,168	-1.2
<i>Mathematical reserves</i>	79,113	45.0	79,890	45.6	-777	-1.0
<i>Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds</i>	7,021	4.0	6,812	3.9	209	3.1
<i>Other reserves</i>	8,295	4.7	8,895	5.0	-600	-6.7
Non-life business	1,269	0.7	1,214	0.7	55	4.5
Other insurance deposits (***)	1,705	1.0	1,319	0.8	386	29.3
Direct deposits from insurance business and technical reserves	175,906	100.0	175,279	100.0	627	0.4

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

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

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

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



Direct deposits from insurance business came to approximately 176 billion euro as at 31 March 2021, up slightly (+0.4% or +0.6 billion euro) compared to December 2020. On the positive side, financial liabilities measured at fair value, consisting of unit-linked products, increased by 1.4 billion euro (+1.8%), as did other deposits from insurance business, which include subordinated liabilities, up by 0.4 billion euro (+29.3%). Technical reserves, which constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk, recorded a decrease of 1.1 billion euro (-1.1%), attributable to the life business, which accounts for almost all reserves.

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 March 2021, assets held for sale amounted to 3.2 billion euro and the associated liabilities to 3.6 billion euro. These amounts primarily refer to the operations of UBI and Intesa Sanpaolo branches soon to be sold, and to a non-performing loan portfolio whose sale was decided as part of the Group's de-risking strategy, after aligning their carrying amount to their estimated realisable price upon sale.

SHAREHOLDERS' EQUITY

As at 31 March 2021, the Group's shareholders' equity, including the net income for the period, came to 65,347 million euro compared to the 65,871 million euro at the beginning of the year. The reduction is mainly due to equity instruments issued (-1.3 billion euro).

The Group allocated the 2020 net income to reserves pending the distribution in May 2021 of a cash dividend to shareholders of 694 million euro, the maximum amount permitted by the ECB recommendation of 15.12.20 on dividend distributions during the COVID-19 pandemic; drawing on the 2020 results - contingent on the indications to be given by the ECB on dividend policies after 30 September 2021, the end of the period to which the above recommendation applies - a cash distribution is planned from reserves that adds to the aforementioned dividends and leads to the payment of a total amount corresponding to a payout ratio of 75% of the 3,505 million euro adjusted net income.

Valuation reserves

	Reserve 31.12.2020	Change of the period	(millions of euro) Reserve 31.03.2021
Financial assets designated at fair value through other comprehensive income (debt instruments)	200	-324	-124
Financial assets designated at fair value through other comprehensive income (equities)	-112	-37	-149
Property and equipment	1,569	5	1,574
Cash flow hedges	-781	67	-714
Foreign exchange differences	-1,184	25	-1,159
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-103	22	-81
Actuarial profits (losses) on defined benefit pension plans	-422	-3	-425
Portion of the valuation reserves connected with investments carried at equity	10	22	32
Legally-required revaluations	308	-	308
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	-515	-223	-738
Valuation reserves pertaining to insurance companies	809	-32	777

Banking valuation reserves were negative (-738 million euro), widening compared to 31 December 2020, mainly due to the effect of reserves on equities (-324 million euro) and, to a lesser extent, reserves on equity instruments (-37 million euro); on the other hand, there were small improvements at 31 March 2021 on cash flow hedging, liabilities designated at fair value relating to certificates issued with capital protection and foreign exchange differences, reducing the negative balance. The valuation reserves of the insurance companies amounted to 777 million euro, compared with 809 million euro at the end of 2020.

OWN FUNDS AND CAPITAL RATIOS

Own funds and capital ratios	(millions of euro)		
	31.03.2021		31.12.2020
	IFRS9 "Fully loaded"	IFRS9 "Transitional"	IFRS9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	48,568	50,080	51,070
Additional Tier 1 capital (AT1) net of regulatory adjustments	6,220	6,220	7,486
TIER 1 CAPITAL	54,788	56,300	58,556
Tier 2 capital net of regulatory adjustments	10,228	9,323	9,377
TOTAL OWN FUNDS	65,016	65,623	67,933
Risk-weighted assets			
Credit and counterparty risks	287,614	286,605	299,564
Market and settlement risk	21,632	21,632	19,521
Operational risks	27,559	27,559	27,559
Other specific risks (a)	266	266	428
RISK-WEIGHTED ASSETS	337,071	336,062	347,072
% Capital ratios			
Common Equity Tier 1 capital ratio	14.4%	14.9%	14.7%
Tier 1 capital ratio	16.3%	16.8%	16.9%
Total capital ratio	19.3%	19.5%	19.6%

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

Own Funds, risk-weighted assets and the capital ratios as at 31 March 2021 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.

The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is "fully loaded" only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.

Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to discharge, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.

Own funds

As at 31 March 2021, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 65,623 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 65,016 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a "fully-loaded" basis) take account of the provisions of the 2019 Budget Act calling for the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs have been considered at 50% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.

In addition, the Group has not yet adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category, both introduced by the European Commission in Regulation No 2020/873 of 24 June 2020.

For the purposes of calculating own funds as at 31 March 2021 the net income for the first quarter of 2021 was considered, less the related dividend, calculated according to the payout ratio envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges. With regard to the payout ratio on 2021 net income, on 15 December 2020, the European Central Bank, following the previous guidance in this regard, had published a Recommendation on dividend policies during the COVID-19 epidemic, asking significant credit institutions to exercise utmost caution when making decisions on dividends or dividend distributions to remunerate shareholders and reserving the right to review the Recommendation before 30 September 2021, when, in the absence of significant adverse developments, it intends to repeal the Recommendation and

resume assessing banks' capital and distribution plans based on the outcomes of the normal supervisory cycle. Accordingly, the payout ratio is subject to future indications from the European Central Bank regarding the dividend policy that significant credit institutions may adopt after 30 September 2021.

Risk-weighted assets

As at 31 March 2021, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 336,062 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, risk-weighted assets stood at 337,071 million euro. The decline on 31 December 2020 was largely due to the sale of the branches to BPER in February 2021.

Common Equity Tier 1 Capital and risk-weighted assets as at 31 March 2021 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments, excluding those attributable to the UBI Group, for which an extension of the "Danish Compromise" has not been requested, are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios

On the basis of the foregoing, solvency ratios as at 31 March 2021, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 14.9%, a Tier 1 ratio of 16.8% and a total capital ratio of 19.5%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 31 March 2021 were as follows: a Common Equity ratio of 14.4%, a Tier 1 ratio of 16.3% and a total capital ratio of 19.3%. Finally, it should be noted that on 25 November 2020 Intesa Sanpaolo disclosed that it had received a communication from the ECB following the results of the Supervisory Review and Evaluation Process (SREP) concerning the capital requirement to be met on a consolidated basis, which was set equal to that for the previous year. The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.63% on a fully loaded basis.

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

Captions	(millions of euro)	
	31.03.2021	31.12.2020
Group Shareholders' equity	65,347	65,871
Minority interests	362	450
Shareholders' equity as per the Balance Sheet	65,709	66,321
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-6,214	-7,480
- Minority interests eligible for inclusion in AT1	-6	-6
- Minority interests eligible for inclusion in T2	-5	-5
- Ineligible minority interests on full phase-in	-319	-408
- Ineligible net income for the period (a)	-1,105	-821
- Treasury shares included under regulatory adjustments	260	263
- Other ineligible components on full phase-in	-848	-147
Common Equity Tier 1 capital (CET1) before regulatory adjustments	57,472	57,717
Regulatory adjustments (including transitional adjustments) (b)	-7,392	-6,647
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	50,080	51,070

(a) Common Equity Tier 1 capital as at 31 March 2021 includes the net income as at that date, less the related dividend, calculated taking into account the payout envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments).

(b) The amount as at 31 March 2021 primarily includes the dividend and the portion intended for charitable donations relating to 2020 net income, as approved by the Shareholders' Meeting on 28 April 2021.

(c) Adjustments for the transitional period as at 31 March 2021 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (50% in 2021) set to decrease progressively until 2022.

Breakdown of consolidated results by business area

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



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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2021.

The following itemised analysis of the business areas illustrates the income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated. RWAs were determined in accordance with the provisions in force (Circular 285) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended by Regulation (EU) 2019/876 of 20 May 2019, known as CRR II, in force since 30 June 2019, and already in part applicable, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws. Absorbed capital also takes account of the regulatory changes introduced by the ECB with effect from 12 March 2020, allowing the Pillar 2 requirement to be met partially using equity instruments not classified as Common Equity Tier 1. For asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

The UBI Group's income statement and balance sheet figures are temporarily represented as a separate business unit and will be assigned to Divisions at a later date, as integration of the processes moves ahead. As stated above in the comments on the consolidated economic results and balance sheet aggregates, given the particular case in question, it bears recalling that in 2020 no adjustments had been made to the historic reclassified data in order to retroactively reflect the effects of the acquisition. However, with regard to the income statement figures, it was deemed appropriate, consistently with the representation used at consolidated level, to add a comparison restated on a like-for-like basis to the first quarter 2021 data of the UBI Group. Moreover, always in line with the representation at consolidated level, the income results relating to the UBI branches sold in the first quarter of 2021 and the ISP and UBI branches to be sold in the second quarter, were attributed to the caption Profits (losses) from discontinued operations. These results were attributed to the Corporate Centre for the ISP branches, as is normally the case with reference to the assets subject to disposal, while for the UBI branches - given the maintenance of the unitary representation of the UBI Group as a separate business unit - they were retained in the business unit itself.

With regard to the balance sheet aggregates, it should be noted that the figures as at 31 March 2021 - as well as the comparison figures at 31 December 2020 - are presented net of assets and liabilities being disposed of, which have been classified to the specific captions disposal groups and associated liabilities.

Division figures for the comparative periods have been restated also to reflect the changes in scope of the Business Units, where necessary and if they are material.

In particular, the restatement concerned:

- inclusion in the Insurance Division, of the income statement and balance sheet results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of the majority shareholding of the company in the second quarter of 2020;
- the line-by-line deconsolidation by Banca dei Territori and reallocation to the income/loss from discontinued operations of the Corporate Centre of the economic results of the acquiring business unit within the framework of payment services, contributed to Nexi per the agreement signed in December 2019 and finalised at the end of the first half of 2020;
- the review of certain methods of allocating the costs and benefits of liquidity between the Business Units and the Corporate Centre.

Summary figures by business area

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	UBI Group	Corporate Centre	(millions of euro) Total (Redetermined figures)
Operating income									
31.03.2021	1,894	1,266	468	526	254	354	604	95	5,461
31.03.2020	1,886	1,544	468	478	168	340	648	38	5,570
% change	0.4	-18.0	-	10.0	51.2	4.1	-6.8	-	-2.0
Operating costs									
31.03.2021	-1,207	-254	-238	-144	-34	-51	-414	-200	-2,542
31.03.2020	-1,231	-262	-239	-141	-33	-48	-443	-213	-2,610
% change	-1.9	-3.1	-0.4	2.1	3.0	6.3	-6.5	-6.1	-2.6
Operating margin									
31.03.2021	687	1,012	230	382	220	303	190	-105	2,919
31.03.2020	655	1,282	229	337	135	292	205	-175	2,960
% change	4.9	-21.1	0.4	13.4	63.0	3.8	-7.3	-40.0	-1.4
Net income (loss)									
31.03.2021	233	638	121	389	161	213	136	-375	1,516
31.03.2020	175	853	143	227	100	160	-	-507	1,151
% change	33.1	-25.2	-15.4	71.4	61.0	33.1	-	-26.0	31.7

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	UBI Group	Corporate Centre	(millions of euro) Total
Loans to customers									
31.03.2021	209,336	136,364	35,935	10,154	318	-	60,629	10,550	463,286
31.12.2020	206,390	134,793	36,079	9,853	452	-	59,748	14,257	461,572
% change	1.4	1.2	-0.4	3.1	-29.6	-	1.5	-26.0	0.4
Direct deposits from banking business									
31.03.2021	234,576	83,352	46,946	40,682	12	-	65,989	51,331	522,888
31.12.2020	229,677	88,183	46,308	41,145	14	-	68,030	51,642	524,999
% change	2.1	-5.5	1.4	-1.1	-14.3	-	-3.0	-0.6	-0.4
Risk-weighted assets									
31.03.2021	77,176	100,193	32,990	9,676	1,365	-	50,016	64,646	336,062
31.12.2020	77,668	97,976	32,886	9,549	1,354	-	60,193	67,446	347,072
% change	-0.6	2.3	0.3	1.3	0.8	-	-16.9	-4.2	-3.2
Absorbed capital									
31.03.2021	6,629	8,611	3,477	842	146	4,332	4,296	3,679	32,012
31.12.2020	6,672	8,418	3,470	822	139	4,396	5,171	3,809	32,897
% change	-0.6	2.3	0.2	2.4	5.0	-1.5	-16.9	-3.4	-2.7

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

BUSINESS AREAS

Banca dei Territori

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			changes	
			amount	%
Net interest income	834	905	-71	-7.8
Net fee and commission income	1,033	963	70	7.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	24	18	6	33.3
Other operating income (expenses)	3	-	3	-
Operating income	1,894	1,886	8	0.4
Personnel expenses	-711	-733	-22	-3.0
Other administrative expenses	-495	-497	-2	-0.4
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	-1,207	-1,231	-24	-1.9
Operating margin	687	655	32	4.9
Net adjustments to loans	-316	-366	-50	-13.7
Other net provisions and net impairment losses on other assets	-17	-17	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	354	272	82	30.1
Taxes on income	-117	-94	23	24.5
Charges (net of tax) for integration and exit incentives	-2	-3	-1	-33.3
Effect of purchase price allocation (net of tax)	-2	-	2	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	233	175	58	33.1

	31.03.2021	31.12.2020	(millions of euro)	
			changes	
			amount	%
Loans to customers	209,336	206,390	2,946	1.4
Direct deposits from banking business	234,576	229,677	4,899	2.1
Risk-weighted assets	77,176	77,668	-492	-0.6
Absorbed capital	6,629	6,672	-43	-0.6

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

Faced with the significant impacts of the continuing pandemic emergency, the revenues of **Banca dei Territori** for the first quarter 2021, amounting to 1,894 million euro and accounting for approximately 35% of the Group's consolidated revenues, held up well, up 0.4% on the same period of the previous year, due to the efficacy of the sales network and the reinforcement of remote sales through digital channels in support of customers.

Specifically, there was an increase in net fee and commission income (+7.3%), particularly in the assets under management and bancassurance segments, due to the placement of funds and the distribution of insurance products and, to a lesser extent, and in the commercial banking segment in the collection and payment services component. Conversely, net interest income was down by 7.8%. Among the other revenue components, which also provide a marginal contribution to the Division's income, there was an increase both in profits (losses) on financial assets and liabilities designated at fair value (+6 million euro) and in other operating income (+3 million euro). Operating costs, equal to 1,207 million euro, were down by 1.9%, thanks to the savings in personnel expenses, mainly attributable to the negotiated exits, and to a lesser extent, to the decrease in administrative expenses, despite higher costs (particularly relating to IT) connected with the health emergency, mainly due to savings on service costs in the real estate and operations sectors and lower expenditure on services rendered by third parties and legal fees. As a result of the changes described above, the operating margin amounted to 687 million euro, up 4.9% on the same period of the previous year. Gross income, amounting to 354 million euro, showed a significant increase (+30.1%) benefiting from lower adjustments to loans (-13.7%). Lastly, after allocation to the Division of taxes of

117 million euro, charges for integration of 2 million euro and the effects of purchase price allocation for 2 million euro, net income came to 233 million euro, compared to 175 million euro during the first three months of 2020 (+33.1%).

In quarterly terms, there was a growth in the operating margin compared with the fourth quarter of 2020, thanks to the decrease in operating costs, which largely offset the slight decline in revenues. The trend in gross income and net income was also positive having been strongly impacted, in last quarter of 2020, by significant net adjustments to loans, mainly related to the revision of the scenario following the pandemic, and the write-off of goodwill also connected to the increase in the accounting value of the Division following the integration of UBI Banca.

The balance sheet figures at the end of March 2021 showed growth in total intermediated volumes of loans and deposits from the beginning of the year (+1.8%). In detail, loans to customers, equal to 209,336 million euro, recorded an increase of 2.9 billion euro (+1.4%), due to medium/long-term loans to businesses and individuals, which reflect the Group's support to the Italian economy, also in relation to the extraordinary measures taken by the government, and support for families in the current emergency phase. Direct deposits from banking business, amounting to 234,576 million euro, were up (+4.9 billion euro, or +2.1%) in the amounts due to customers component, due to the higher liquidity accumulated on deposits held by individuals and businesses awaiting a more favourable scenario.

IMI Corporate & Investment Banking

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			changes	
			amount	%
Net interest income	472	411	61	14.8
Net fee and commission income	264	236	28	11.9
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	529	897	-368	-41.0
Other operating income (expenses)	1	-	1	-
Operating income	1,266	1,544	-278	-18.0
Personnel expenses	-100	-95	5	5.3
Other administrative expenses	-149	-161	-12	-7.5
Adjustments to property, equipment and intangible assets	-5	-6	-1	-16.7
Operating costs	-254	-262	-8	-3.1
Operating margin	1,012	1,282	-270	-21.1
Net adjustments to loans	-73	-5	68	-
Other net provisions and net impairment losses on other assets	-3	7	-10	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	936	1,284	-348	-27.1
Taxes on income	-293	-429	-136	-31.7
Charges (net of tax) for integration and exit incentives	-5	-2	3	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	638	853	-215	-25.2

	31.03.2021	31.12.2020	(millions of euro)	
			changes	
			amount	%
Loans to customers	136,364	134,793	1,571	1.2
Direct deposits from banking business (a)	83,352	88,183	-4,831	-5.5
Risk-weighted assets	100,193	97,976	2,217	2.3
Absorbed capital	8,611	8,418	193	2.3

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

(a) The item includes certificates.

In the first quarter of 2021, the **IMI Corporate & Investment Banking Division** recorded operating income of 1,266 million euro (representing around 25% of the Group's consolidated total), down 18% compared to the same period of last year.

In detail, net interest income of 472 million euro was up by 14.8%, benefiting from the greater contribution of loans to customers, supported by structured finance business. Net fee and commission income, amounting to 264 million euro, increased by 11.9%, driven by the performance of the investment banking segment. Profits on financial assets and liabilities designated at fair value, amounting to 529 million euro, decreased significantly (-41%) on the same period in 2020, which reflected the valuation effects due to the debt value adjustment (DVA) correlated with liabilities in the form of certificates. Operating costs amounted to 254 million euro, down 3.1% compared to the first three months of 2020, above all due to savings on administrative expenses. As a result of the above revenue and cost trends, the operating margin came to 1,012 million euro, down 21.1% compared to the value recorded in the first quarter of last year. Gross income, amounting to 936 million euro, was down 27.1%, penalised by higher adjustments to loans. Lastly, net income came to 638 million euro (-25.2%).

In the first quarter of 2021, the IMI Corporate & Investment Banking Division recorded an operating margin almost double that of the fourth quarter of 2020, to be analysed along with the development of revenues attributable to net profits (losses) on financial assets and liabilities designated at fair value and the reduction in operating costs. This trend was reflected in the gross income and in the net income, which also benefited from a reduction in net adjustments to loans.

The Division's intermediated volumes were down compared to the beginning of the year (-1.5%). In detail, loans to customers of 136,364 million euro increased by 1.6 billion euro (+1.2%), attributable to loans for structured finance transactions and global markets transactions. Direct deposits from banking business amounted to 83,352 million euro, down by 4.8 billion euro (-5.5%) mainly due to the decrease in amounts due to global corporate customers and, to a lesser extent, in the securities issued by the Irish and the Luxembourg subsidiaries as part of the International Department, only partly offset by the increase in amounts due to financial institutions and global markets customers.

International Subsidiary Banks

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			changes	
			amount	%
Net interest income	323	331	-8	-2.4
Net fee and commission income	122	123	-1	-0.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	30	19	11	57.9
Other operating income (expenses)	-7	-5	2	40.0
Operating income	468	468	-	-
Personnel expenses	-130	-131	-1	-0.8
Other administrative expenses	-81	-81	-	-
Adjustments to property, equipment and intangible assets	-27	-27	-	-
Operating costs	-238	-239	-1	-0.4
Operating margin	230	229	1	0.4
Net adjustments to loans	-47	-22	25	-
Other net provisions and net impairment losses on other assets	-6	-14	-8	-57.1
Other income (expenses)	1	5	-4	-80.0
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	178	198	-20	-10.1
Taxes on income	-48	-46	2	4.3
Charges (net of tax) for integration and exit incentives	-9	-9	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	121	143	-22	-15.4

	31.03.2021	31.12.2020	(millions of euro)	
			changes	
			amount	%
Loans to customers	35,935	36,079	-144	-0.4
Direct deposits from banking business	46,946	46,308	638	1.4
Risk-weighted assets	32,990	32,886	104	0.3
Absorbed capital	3,477	3,470	7	0.2

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

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

In the first quarter of 2021, the Division's operating income came to 468 million euro, stable on the same period of the previous year (+2.8% at constant exchange rates). A detailed analysis shows that net interest income came to 323 million euro (-2.4%), mainly due to the trends reported by PBZ - including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-6 million euro) - VUB Banka (-4 million euro) and Bank of Alexandria (-3 million euro) only partly offset by the positive contribution by CIB Bank (+6 million euro). Net fee and commission income, equal to 122 million euro, was slightly down (-0.8%) mainly due to PBZ - including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-3 million euro). Among the other revenue components, net profits (losses) on financial assets and liabilities designated at fair value, equal to 30 million euro, increased by 11 million euro (+57.9%) compared to the same period of the previous year mostly due to VUB Banka (+8 million euro). Operating costs of 238 million euro decreased slightly (-0.4%; +2.4% at constant exchange rates) thanks to the containment of personnel and administrative expenses. As a result of the above revenue and cost trends, the operating margin increased slightly (+0.4%) to 230 million euro. In contrast, gross income, equal to 178 million euro, decreased by 10.1%, due to higher adjustments to loans. The Division closed the first quarter of 2021 with net income of 121 million euro (-15.4%).

At the quarterly level, the first quarter of 2021 showed an operating margin down on the fourth quarter of 2020, due to a decrease in revenues, only partially offset by the savings on operating costs. Conversely, gross income and net income were higher than in the previous quarter benefiting from lower adjustments to loans, net impairment losses and other net provisions.

The Division's intermediated volumes at the end of March 2021 showed a slight increase (+0.6%) compared to the start of the year owing to direct deposits from banking business (+1.4%), mainly in the securities issued component, whereas loans to customers declined slightly (-0.4%). The performance of deposits is mainly attributable to the subsidiaries operating in Egypt, Slovakia and Slovenia, the performance of loans to subsidiaries active in Hungary, Slovakia and Slovenia.

Private Banking

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			changes	
			amount	%
Net interest income	39	48	-9	-18.8
Net fee and commission income	466	427	39	9.1
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	16	3	13	-
Other operating income (expenses)	5	-	5	-
Operating income	526	478	48	10.0
Personnel expenses	-82	-78	4	5.1
Other administrative expenses	-47	-49	-2	-4.1
Adjustments to property, equipment and intangible assets	-15	-14	1	7.1
Operating costs	-144	-141	3	2.1
Operating margin	382	337	45	13.4
Net adjustments to loans	-	-3	-3	-
Other net provisions and net impairment losses on other assets	-6	-6	-	-
Other income (expenses)	194	6	188	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	570	334	236	70.7
Taxes on income	-177	-103	74	71.8
Charges (net of tax) for integration and exit incentives	-4	-4	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	389	227	162	71.4

	31.03.2021	31.12.2020	(millions of euro)	
			changes	
			amount	%
Assets under management ⁽¹⁾	134,167	130,946	3,221	2.5
Risk-weighted assets	9,676	9,549	127	1.3
Absorbed capital	842	822	20	2.4

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

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

The **Private Banking Division** serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services. The Division coordinates the operations of Fideuram, Fideuram Asset Management SGR (formerly Fideuram Investimenti), Intesa Sanpaolo Private Banking, SIREF Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) Morval, Fideuram Asset Management Ireland, Fideuram Bank (Luxembourg) and Financière Fideuram.

In the first quarter of 2021, the Division achieved gross income of 570 million euro, up by 236 million euro (+70.7%) compared to the first three months of 2020. The significant increase is largely attributable to the capital gain of 194 million euro realised on the sale of the custodian bank business line of Fideuram Bank (Luxembourg), posted under other income. The operating margin also showed a positive performance (+45 million euro), thanks to the increase in operating income (+48 million euro) which largely offset the higher operating costs (+3 million euro). The trend in revenues is mainly attributable to the growth in net fee and commission income (+39 million euro), supported by the development of the average assets under management, and the profits on financial assets and liabilities designated at fair value (+13 million euro), which benefited from the capital gains associated with financial instruments held to service the incentive plans of risk takers and distribution networks.

The Division closed the first quarter of 2021 with net income of 389 million euro, up by 71.4% on the same period of 2020.

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

As at 31 March 2021, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 220.4 billion euro (+6.5 billion euro compared to the beginning of the year). This performance was due to the revaluation of assets as well as the positive contribution of net inflows. The assets under management component amounted to 134.2 billion euro (+3.2 billion euro).

Asset Management

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	239	174	65	37.4
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-1	-12	-11	-91.7
Other operating income (expenses)	16	6	10	-
Operating income	254	168	86	51.2
Personnel expenses	-18	-16	2	12.5
Other administrative expenses	-15	-16	-1	-6.3
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	-34	-33	1	3.0
Operating margin	220	135	85	63.0
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	220	135	85	63.0
Taxes on income	-59	-35	24	68.6
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	161	100	61	61.0

	31.03.2021	31.12.2020	(millions of euro)	
			changes amount	%
Assets under management	277,706	273,318	4,388	1.6
Risk-weighted assets	1,365	1,354	11	0.8
Absorbed capital	146	139	7	5.0

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

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

Operating income in the first quarter of 2021, amounting to 254 million euro, showed a significant increase (+51.2%) on the same period of the previous year, attributable to the growth in fee and commission income (+65 million euro) and, to a lesser extent, the greater contribution from the subsidiaries consolidated at equity and other operating income (+10 million euro), which largely offset the negative contribution from the fair value measurement of the financial portfolio in which the liquidity of the Division is invested. In particular, net fee and commission income benefited from the growth of incentive fees collected during the period; placement fees also increased, as well as management fees, thanks to the increase of assets under management given by the positive responsiveness of financial markets. The evolution of operating costs (+3%) is attributable to the increase in personnel expenses, in relation to the expansion of the average workforce, partly offset by the decrease in administrative expenses owing to both increased operating efficiency and the current pandemic situation that slowed down trends in expenditure. As a result of the above revenue and cost trends, the operating margin came to 220 million euro, up 63% on the first three months of 2020. The Division closed the first quarter of 2021 with net income of 161 million euro (+61%).

Overall, assets managed by the Asset Management Division amounted to 277.7 billion euro as at 31 March 2021, up by 4.4 billion euro (+1.6%) since the beginning of the year, as a result of the revaluation of assets and net inflows. Net inflows for the quarter amounted to 1.4 billion euro, driven by mutual funds (+2.8 billion euro) partly offset by outflows from products dedicated to institutional customers (-1.4 billion euro), deriving in particular from insurance mandates.

As at 31 March 2021, Eurizon Capital's Italian market share of assets under management was 14.3% (gross of duplications). Excluding the closed-end funds segment, in which the company operates only through the equity fund "Eurizon Italian Fund - Eltif", the share of assets under management at the end of March rose to 14.7%.

Insurance

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	-	-	-	-
Income from insurance business	357	342	15	4.4
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-3	-2	1	50.0
Operating income	354	340	14	4.1
Personnel expenses	-25	-21	4	19.0
Other administrative expenses	-22	-23	-1	-4.3
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	-51	-48	3	6.3
Operating margin	303	292	11	3.8
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-3	-6	-3	-50.0
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	300	286	14	4.9
Taxes on income	-78	-82	-4	-4.9
Charges (net of tax) for integration and exit incentives	-1	-2	-1	-50.0
Effect of purchase price allocation (net of tax)	-5	-5	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-3	-37	-34	-91.9
Net income (loss)	213	160	53	33.1

	31.03.2021	31.12.2020	(millions of euro)	
			changes amount	%
Direct deposits from insurance business (1)	173,284	172,609	675	0.4
Risk-weighted assets	-	-	-	-
Absorbed capital	4,332	4,396	-64	-1.5

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

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

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

In the first quarter of 2021, the Division reported income from insurance business of 357 million euro, up 15 million euro (+4.4%) compared to the same period of 2020. The improvement was mainly attributable to the increase in revenues from the life business, due to the strong performance of the financial markets, which more than offset the slowdown in the non-life segment. The latter was characterised by a rise in claims, mainly in the health business, compared to the values recorded in the first lockdown phase last year following the COVID-19 emergency, which countered the constant development of premiums in the non-motor segment. Gross income amounted to 300 million euro, up by 14 million euro (+4.9%), attributable to the increase in operating income which, together with the decrease in adjustments to other assets, largely offset the increase in operating costs (+6.3%).

The cost/income ratio, at 14.4%, remained at excellent levels, slightly above those recorded in the first quarter of 2020.

Lastly, net income amounted to 213 million euro (+33.1%) after tax allocation of 78 million euro, charges for integration and exit incentives of 1 million euro, effects of purchase price allocation for 5 million euro and minority interests for 3 million euro,

the latter significantly reduced compared to the corresponding period last year which incorporated the reclassification, under said caption, of the profit referring to Intesa Sanpaolo RBM Salute.

Direct deposits from insurance business, amounting to 173,284 million euro, were up slightly compared to the beginning of the year (+0.4%, or +0.7 billion euro), due to the growth of financial liabilities measured at fair value and other deposits partly offset by the decline in technical reserves.

The Division's collected premiums for life policies and pension products, amounting to 4.2 billion euro, increased 5% compared to the first three months of last year, attributable to unit-linked products (+55%) and, to a lesser extent, pension products (+5%). On the other hand, traditional products were significantly reduced (-38%), in line with the strategy of focusing the offer on products with a lower capital impact, also considering the current level of government bond yields.

Collected premiums for the protection business totalled 380 million euro, up by 8% on the same period of 2020, restated to include Intesa Sanpaolo RBM Salute for a like-for-like comparison. There was an increase in non-motor products (excluding CPI - Credit Protection Insurance), which are the focus of the 2018-2021 Business Plan, equal to 18%.

UBI Group

Income statement	31.03.2021	31.03.2020	(millions of euro)	
			changes	
			amount	%
Net interest income	281	291	-10	-3.4
Net fee and commission income	255	283	-28	-9.9
Income from insurance business	4	3	1	33.3
Profits (Losses) on financial assets and liabilities designated at fair value	40	50	-10	-20.0
Other operating income (expenses)	24	21	3	14.3
Operating income	604	648	-44	-6.8
Personnel expenses	-271	-271	-	-
Other administrative expenses	-115	-124	-9	-7.3
Adjustments to property, equipment and intangible assets	-28	-48	-20	-41.7
Operating costs	-414	-443	-29	-6.5
Operating margin	190	205	-15	-7.3
Net adjustments to loans	40	-135	175	-
Other net provisions and net impairment losses on other assets	-	-9	-9	-
Other income (expenses)	-7	7	-14	-
Income (Loss) from discontinued operations	40	109	-69	-63.3
Gross income (loss)	263	177	86	48.6
Taxes on income	-89	-59	30	50.8
Charges (net of tax) for integration and exit incentives	-15	-	15	-
Effect of purchase price allocation (net of tax)	7	-	7	-
Levies and other charges concerning the banking industry (net of tax)	-21	-16	5	31.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-9	-102	-93	-91.2
Net income (loss)	136	-	136	-

	31.03.2021	31.12.2020	(millions of euro)	
			changes	
			amount	%
Loans to customers	60,629	59,748	881	1.5
Direct deposits from banking business	65,989	68,030	-2,041	-3.0
Risk-weighted assets	50,016	60,193	-10,177	-16.9
Absorbed capital	4,296	5,171	-875	-16.9

The table presented above shows the restated income statement figures and balance sheet balances for the UBI sub-consolidation scope (UBI Banca and its subsidiaries), to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on the management data, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

The net income of the UBI Group at 31 March 2020 was conventionally attributed to the caption Minority interests. In the first quarter of 2021, operating income amounted to 604 million euro and was 47% composed of net interest income, 42% of net fee and commission income and 7% of profits (losses) on financial assets and liabilities at fair value. Net interest income was 281 million euro, showing essential stability, down by 3.4% on the same period of the previous year. Net fee and commission income totalled 255 million euro, down by 9.9%, equal to 28 million euro, attributable to a generalised reduction both in commercial banking (in particular current and e-money accounts) and in management, dealing and financial consultancy (in particular the distribution of insurance products and assets under management). Operating costs, equal to 414 million euro, fell by 6.5% due to the reduction in administrative expenses following the containment manoeuvres as part of the integration process in ISP, and the reduction in amortisation of property, equipment and intangible assets. Net adjustments to loans showed net write-backs of 40 million euro compared to net impairment losses of 135 million euro in 2020. The write-backs are due to collections, extinctions and total or partial repayments on credit-impaired exposures, higher than the net balance sheet exposure as resulting from the Purchase Price Allocation (PPA) process at 31 December 2020. As

result of the PPA, all non-performing loans were designated to fair value in the 2020 financial statements and therefore new adjustments to loans are concentrated only on new NPL classifications.

Corporate Centre

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for the NPE Department, Treasury and Strategic ALM.

The Corporate Centre Departments generated a negative operating margin of 105 million euro in the first quarter of 2021, compared to -175 million euro in the same period of the previous year. That performance is essentially attributable to the favourable trend in operating income, largely attributable to the growth in the profits (losses) on financial assets and liabilities designated at fair value and, to a lesser extent, to the positive contribution of other operating income, only partly offset by the negative contribution provided by net interest income, due to the higher cost of excess liquidity in view of the decrease in short-term market rates, always on negative ground, and the significant increase in customer deposits. The operating costs, net of the amount charged back to the business units for the performance of services, governed by specific agreements, were at lower levels than those of the first quarter of 2020. The gross loss amounted to -191 million euro compared to -533 million euro in the first three months of last year which included the prudential provision (312 million euro) recognised in advance against an initial estimate of the effects of the COVID-19 pandemic. The first quarter of 2021 ended with net loss of 375 million euro, compared to the loss of 507 million euro recorded in the same period of the previous year. The income statement of the Corporate Centre includes the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. These charges amounted - after tax - to 175 million euro, mainly attributable to resolution funds, compared with 190 million euro in the first quarter of 2020.

Treasury services

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

In the first quarter of 2021, Intesa Sanpaolo confirmed its systemic role as a “critical participant” in the ECB’s settlement systems, (Target2 and Target2 Securities), despite the fact that, due to the pandemic, the slight physiological decline in regulated volumes continued, which began last year with the first national lockdown.

The Bank remained in line with the implementation work on the new single European platform of “Target Services”, which will see the centralisation by 2023, under the governance of the ECB, of all cash settlement (T2 and TIPS for instant), securities (T2S), as well as the new harmonised collateral management (ECMS). Specifically, for the so-called “Consolidation” component (new Target2), Intesa Sanpaolo will complete the development phase of the system software by the end of June to then leave room, until November 2022, for the User Testing period. Instant payments also got to the heart with the drafting of the functional specifications, which will soon be followed by the technological implementations that will allow testing to begin in July and to go live at the end of November 2021. Lastly, also ECMS, the new Eurosystem collateral management system, has begun the phase of drafting the functional specifications that will take up all 2021.

The quarter was characterised by a brief political crisis in Italy and the subsequent appointment of Mario Draghi as Prime Minister. The financial markets have welcomed the new government positively causing a further narrowing of the credit spread associated with Italy and bringing BTP spreads to their lowest levels since 2015. Meanwhile, the simultaneous start of vaccinations to combat the pandemic on a large scale, implemented mainly in the United Kingdom and the United States, and the important fiscal stimulus package pursued by the new President Joe Biden, have fuelled expectations of a decidedly earlier and stronger recovery than expected with the emergence of some concerns about the inflation trend and the upward trend of the medium/long term curves.

In this context, the main representatives of the ECB have repeatedly intervened verbally, clarifying that they will act to defend favourable financing conditions. To this end, at the last monetary policy meeting in March, the current President of the ECB Christine Lagarde announced that the Governing Council has undertaken to accelerate purchases of securities on the market in the quarter in order to counteract any unfavourable developments, especially those inconsistent with the European macroeconomic situation.

The Euribor curve, after recording new historical lows in the first weeks of 2021, was affected by the more general trend in medium/long-term rates and repositioned itself on levels already observed at the end of 2020. The €STR OIS curve with a time horizon of 18 months showed that the probability of any smoothing of the Deposit Facility rate is almost down to zero.

Overseas, in the last meeting in March the Fed kept rates unchanged and the Chairman confirmed that, despite significant upward revisions of the economic scenario, the monetary policy stance remained accommodative to accompany the recovery; the long-term inflation target of 2% was also confirmed.

The total amount of Intesa Sanpaolo’s short-term securities fund-raising activity in euro and foreign currencies decreased slightly compared to the figure at the end of last year, always due to less interest in short-term funding thanks to the Bank’s liquidity position, made even more abundant by the participation in the TLTRO auction in March.

In the first quarter, in terms of medium/long-term funding operations, the total amount of Group securities placed on the domestic market via its own networks and direct listings was 1.2 billion euro. Among the securities placed, there was a prevalence (88%) of the component consisting of structured financial instruments, mainly comprised of index-linked structures. A breakdown by average maturity shows that 47% is comprised of instruments with maturities up to 4 years, 44% by 7- and 8-year securities, and the remaining 9% of 10-year securities.

During the quarter, institutional unsecured funding transactions were completed for a total of around 3.620 billion euro, of which 3.6 billion euro through senior preferred and senior non-preferred bond issues placed with institutional investors and 20 million euro through the issue of bonds and certificates by the IMI Corporate & Investment Banking Division placed with institutional investors.

In particular, the first issue of senior non preferred bonds was finalised in February. This is a fixed rate bond for a total amount of 1.75 billion euro issued in two tranches: 750 million euro with a 10-year maturity and 1 billion with a 5-year maturity.

In addition, two further public transactions were completed. The first is a 7-year fixed-rate senior preferred bond issue of 1.25 billion euro, intended for institutional investors. The bond falls under the "green" category and is intended to finance green residential mortgages granted for the construction or purchase of energy-efficient properties (class A or B), as well as renovations that allow the improvement by at least two energy classes. The new bond follows the issue of Intesa Sanpaolo's first Green Bond in 2017 focused on renewable energy, as well as the next one in 2019 focused on the Circular Economy. The second is a 3-year fixed-rate senior preferred bond issue of 22.5 billion JPY (equivalent to approximately 174 million euro) on the Asian market.

Finally, private placements were made in other currencies for a total value of 425.6 million euro. Within the latter, it is worth mentioning a deal concluded in March for 300 million GBP (equal to around 347 million euro) concerning 15-year fixed-rate senior preferred bonds targeted to the UK market.

In January, as part of the programme guaranteed by ISP OBG, the 17th and 18th series for 1.175 billion euro and 1.572 billion euro respectively were redeemed in advance.

Moreover, two additional new series were issued: the 45th and 46th, for an amount of 1.35 billion euro each. The securities are floating rate with a maturity of 15 years for the 45th series and 16 years for the 46th series, both listed on the Luxembourg Stock Exchange with a DBRS rating of A High. The securities were subscribed by the Parent Company and are eligible on the Eurosystem.

With regard to the covered bond issue programme guaranteed by ISP CB Pubblico, in January the 3rd series matured for an amount of 1.5 billion euro.

In February, the 14th series was issued for an amount of 1 billion euro. The security is a floating rate, 5-year security listed on the Luxembourg Stock Exchange with an A2 rating from Moody's. It was subscribed by the Parent Company and is eligible for the Eurosystem.

Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 11th series matured in January for an amount of 1.353 billion euro.

For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: as at 31 March 2021 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to approximately 14.5 billion euro.

With regard to the management of the securities portfolio, it should first be highlighted that the launch of vaccination campaigns has favoured a strong steepening of the US interest rate curve which has reached pre-pandemic levels on maturities over 10 years. On the other hand, with regard to the Eurozone, the delay in the spread of vaccines slowed down the normalization of rates, while credit spreads remained at extremely compressed levels thanks to monetary policy stimuli.

In January, the compression of credit spreads was exploited to implement a rotation of the asset allocation on government and corporate markets, with a moderate increase in credit sensitivity in peripheral countries. The low exposure to interest rate risk meant that the portfolio's performance was not affected by the recovery of long-term maturities.

With reference to the repo market, volumes of Italian government bonds traded decreased slightly compared to the previous year and interest rates reached lower levels than the Deposit Facility. They also experienced greater volatility in March.

Compared to the previous year there was a slight increase in the spread between the rates of the core countries and Italian government bonds. At the end of the quarter spreads expanded in line with end-quarter 2020.

Strategic ALM

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

Risk management

THE BASIC PRINCIPLES OF RISK MANAGEMENT

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risks Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework.

The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.

The Corporate Bodies also benefit from the action of some Management Committees on risk management. These committees, which include the Steering Committee, operate in compliance with the primary responsibilities of the Corporate Bodies regarding internal control system and the prerogatives of corporate control functions, and in particular the risk control function.

Subject to the powers of the Corporate Bodies, the Chief Risk Officer Governance Area – reporting directly to the Managing Director and CEO – 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) cooperating with the Corporate Bodies in setting the Group's risk management guidelines and policies in accordance with the company strategies and objectives; (iii) coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, also within the various corporate departments; (iv) ensuring the management of the Group's overall risk profile by establishing methods and monitoring exposures to the various types of risk and reporting the situation periodically to the Corporate Bodies; and (v) carrying out level 2 controls on credit and other risks and ensuring the validation of internal risk measurement 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: (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.

With regard to the UBI Group, to translate the Parent Company's above-mentioned steering and coordination duties into practice, a decentralised management model has been applied, given the presence of local company functions with standing and resources that can guarantee sound and prudent management of the subsidiary's risk. In particular, during the first quarter the corporate control functions of the Parent Company and the subsidiary, also in anticipation of the subsequent merger by incorporation of UBI Banca SpA into Intesa Sanpaolo SpA, are finalising their sharing of approaches and tools for the integration of the risk management framework, in order to best take advantage of possible synergies.

The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

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 Article 2497 et seq. of the Italian Civil Code.

THE BASEL 3 REGULATIONS

In view of compliance with the reforms of the previous accord by the Basel Committee (“Basel 3”), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

With regard to the acquisition of the UBI Group and the impacts on risk management and Pillar 1 internal models for credit, market, counterparty and operational risk, the Group has carried out the necessary analyses and actions, and, with a view to the integration of the UBI Group into Intesa Sanpaolo, in September 2020 it sent the strategic return to compliance plan to the competent Supervisory Authorities, aimed at restoring regulatory compliance by extending the Parent Company’s internal models to the portfolios of UBI Banca and, where appropriate, of its subsidiaries. In this context, the temporary use of the internal models for credit and operational risk (Pillar 1) of the UBI Group was also requested for supervisory reporting purposes at consolidated level until full integration. The activities identified in the plan are continuing according to programme. With regard to credit risk, there were no changes with respect to the situation as at 31 December 2020. The periodic updating and alignment to changes in regulations governing IRB systems and their extension to the Italian subsidiaries originating from the UBI Group and the international subsidiaries (according to the Group’s roll-out plan) continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

There were no changes in the scope of application of the internal models concerning counterparty risk for derivatives and Securities Financing Transactions (SFTs) or operational risks compared to 31 December 2020.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2021.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled “Basel 3 - Pillar 3” or simply “Pillar 3”.

The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.

In particular, with regard to loans to customers, risk measurement is performed by means of different internal rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Italian Public Sector Entities and Banks). These models make it possible to summarise the counterparty’s credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a consistent scale of reference.

Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.

Credit quality

Captions	(millions of euro)						
	31.03.2021			31.12.2020			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	9,784	-5,816	3,968	9,594	-5,591	4,003	-35
Unlikely to pay	10,424	-4,318	6,106	10,678	-4,455	6,223	-117
Past due loans	523	-99	424	627	-110	517	-93
Non-Performing Loans	20,731	-10,233	10,498	20,899	-10,156	10,743	-245
<i>Non-performing loans in Stage 3 (subject to impairment)</i>	20,656	-10,214	10,442	20,818	-10,132	10,686	-244
<i>Non-performing loans designated at fair value through profit or loss</i>	75	-19	56	81	-24	57	-1
Performing loans	448,567	-2,890	445,677	446,420	-2,807	443,613	2,064
<i>Stage 2</i>	69,840	-2,075	67,765	71,037	-2,014	69,023	-1,258
<i>Stage 1</i>	377,663	-815	376,848	374,305	-793	373,512	3,336
<i>Performing loans designated at fair value through profit or loss</i>	1,064	-	1,064	1,078	-	1,078	-14
Performing loans represented by securities	7,127	-35	7,092	7,231	-37	7,194	-102
<i>Stage 2</i>	2,490	-27	2,463	3,090	-30	3,060	-597
<i>Stage 1</i>	4,637	-8	4,629	4,141	-7	4,134	495
Loans held for trading	19	-	19	22	-	22	-3
Total loans to customers	476,444	-13,158	463,286	474,572	-13,000	461,572	1,714
<i>of which forbore performing</i>	7,961	-433	7,528	5,560	-304	5,256	2,272
<i>of which forbore non-performing</i>	6,323	-2,557	3,766	5,902	-2,360	3,542	224
Loans to customers classified as discontinued operations (*)	5,592	-2,761	2,831	29,602	-3,462	26,140	-23,309

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

(*) This caption includes the portfolio of bad/unlikely to pay loans (gross exposure of 3,837 million euro, adjustments of 2,751 million euro and net exposure of 1,086 million euro as at 31 March 2021), already reclassified to discontinued operations in the 2020 Annual Report, as well as the loans included in the going concern to be sold to BPER and BPPB (gross exposure of 1,755 million euro, adjustments of 10 million euro and net exposure of 1,745 million euro as at 31 March 2021).

As at 31 March 2021, the Group's net non-performing loans amounted to 10.5 billion euro, an all-time low. The 2.3% reduction from the beginning of the year confirms the virtuous trend already recorded in previous years. Non-performing assets percentage of total net loans to customers amounted to 2.3%, a low proportion in line with the figure recorded in December, while the coverage ratio for non-performing loans was 49.4% (64.9% including the write-offs applied¹³).

In further detail, at the end of March 2021 bad loans came to 4 billion euro net of adjustments (-0.9%) and represented 0.9% of total loans. During the same period, the coverage ratio came to 59.4% (77.9% including the write-offs applied¹⁴). Loans included in the unlikely-to-pay category amounted to 6.1 billion euro, down by 1.9%, and accounted for 1.3% of total loans to customers, with a coverage ratio of 41.4%. Past due loans amounted to 424 million euro (-+18%), with a coverage ratio of 18.9%. Within the non-performing loan category, forbore exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 3.8 billion euro, with a coverage ratio of 40.4%, while forbore exposures in the performing loans category amounted to 7.5 billion euro.

The coverage ratio of performing loans was 0.6% in line with the figure at the end of 2020.

Loans to customers classified as discontinued operations relate to the performing and non-performing loans included in the going concerns being sold to BPER and Banca Popolare di Puglia e Basilicata, for a net exposure of 1.7 billion euro, as well as the portfolio of bad loans and unlikely-to-pay exposures due to be sold, for a net exposure of 1.1 billion euro.

¹³ Taking account of the values of the UBI Group's loans prior to the purchase price allocation, and therefore considering the pre-existing provisions and cumulative write-offs prior to the acquisition.

¹⁴ See the previous note.

MARKET RISKS

TRADING BOOK

In the first quarter of 2021, the approval of the ordinary annual update of the market risk managerial framework by the Board of Directors (as part of the 2021 Risk Appetite Framework) set a specific limit for trading portfolio within an overall limit for trading and hold to collect and sell (HTCS) business model.

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

Daily managerial VaR of the trading book

	(millions of euro)						
	2021			2020			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	41.3	27.9	57.8	59.0	73.3	85.6	41.1
<i>of which: Group Treasury and Finance Department</i>	3.2	2.4	5.6	3.4	9.9	37.9	15.0
<i>of which: IMI C&IB Division</i>	38.1	26.3	51.9	52.5	59.6	47.7	26.1

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

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

During the first quarter of 2021, there was a reduction in the overall trading risks compared to the averages for the fourth quarter of 2020 from 59.0 million euro (fourth quarter average) to 41.3 million euro and, more generally, compared to the averages for the full year 2020. These reductions are mainly attributable to scenario “rolling effects” due to the lower market volatility following the exceptional market shocks in March 2020 related to the spread of the COVID-19 pandemic.

For completeness, the table below shows the average, minimum and maximum managerial VaR for the first quarter of 2021 compared with the same period of 2020.

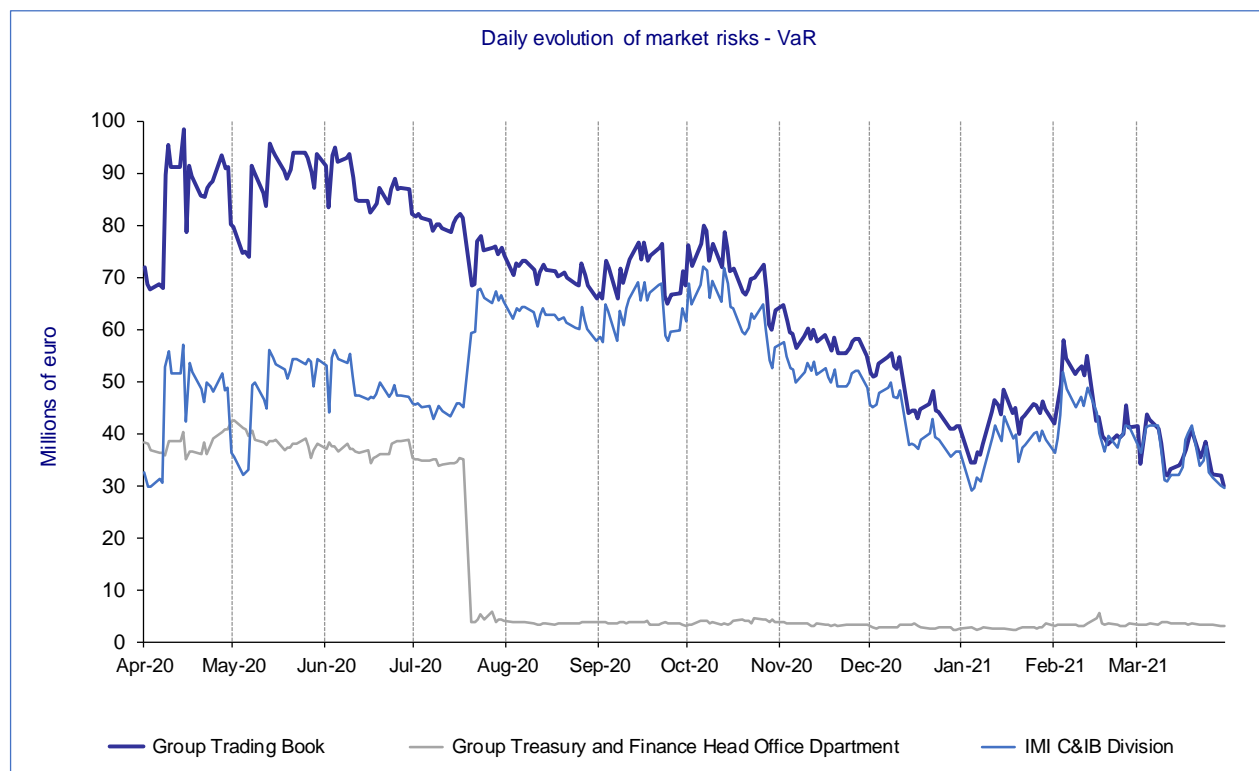
	(millions of euro)					
	2021			2020		
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 1st quarter	minimum 1st quarter	maximum 1st quarter
Total GroupTrading Book (a)	41.3	27.9	57.8	41.1	31.4	75.7
<i>of which: Group Treasury and Finance Department</i>	3.2	2.4	5.6	15.0	10.1	40.2
<i>of which: IMI C&IB Division</i>	38.1	26.3	51.9	26.1	20.7	41.7

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

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

With regard to the trend in the trading VaR in the first quarter of 2021, the change was mainly due to the combined effect of two factors:

- “rolling scenario” effect: due to the lower volatility of the markets, the most volatile scenarios (mainly related to the health emergency generated by the COVID-19 pandemic) were no longer part of the managerial VaR distributions;
- increases in the indicator limited to January and February, due to the activity in government securities mainly for the IMI C&IB Division.



The breakdown of the Group's risk profile for the trading book in the first quarter of 2021 shows the prevalence of credit spread risk, which accounted for 59% of the Group's total managerial VaR. Instead, the single risk taking centres show a prevalence of interest rate risk and exchange rate risk for the Group Treasury and Finance Head Office Department (48% and 26%, respectively) and the credit spread risk factor is prevalent for the IMI C&IB Division (64%).

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

1st quarter 2021	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	17%	48%	9%	26%	0%	0%
IMI C&IB Division	14%	12%	64%	2%	5%	3%
Total	14%	15%	59%	4%	5%	3%

(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 2021, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

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

	(millions of euro)									
	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total Trading Book	56	7	22	-21	35	-26	29	2	-3	4

More specifically:

- for stock market positions, there would be potential gains in both scenarios with greater impacts in the event of a sharp fall in equity prices and an increase in volatility;
- for positions in interest rates, there would be potential losses of 21 million euro in the event of a fall in interest rates;
- for positions in credit spreads, a widening of credit spreads of 25 bps would result in an overall loss of 26 million euro;
- for positions in exchange rates, there would be potential gains in both scenarios with greater impacts in the event of

- depreciation of the Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 3 million euro in the event of a fall in prices of commodities other than precious metals.

With regard to the use of the overall limit relating to trading and hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the first quarter from 360.9 million euro (average managerial VaR fourth quarter 2020) to 226 million euro (average managerial VaR first quarter 2021). The change was due to the already mentioned rolling scenario effect, which also reduced the contribution from the HTCS segment.

Backtesting

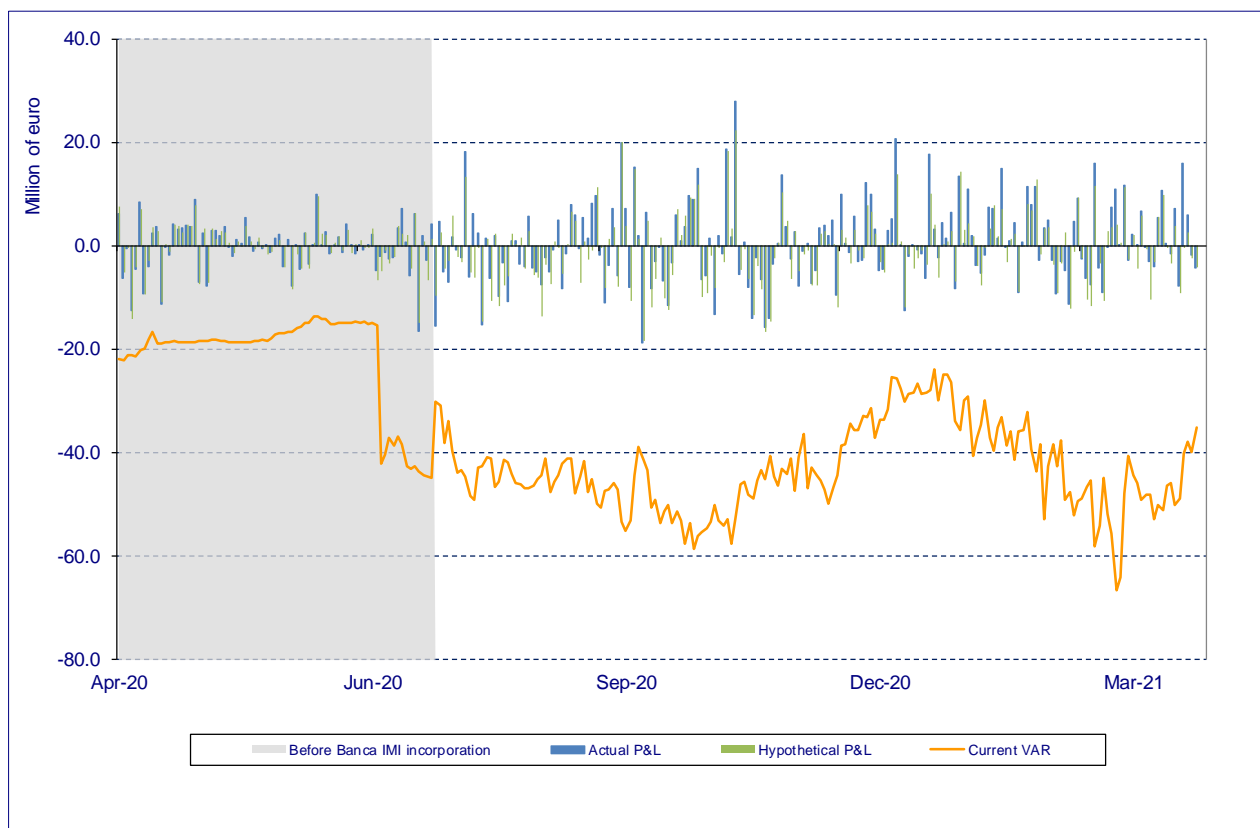
The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting, determined using actual daily profits and losses achieved by the individual desks. This measure therefore needs to be stripped of the products and/or components that are not relevant to the backtesting checks: these include, for example, fees, 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 (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 Intesa Sanpaolo taking into consideration both the actual and hypothetical P&L series.

The increase in the Parent Company's VaR shown in the graph below starting in July is attributable to the effects of the integration of Banca IMI trading book.

In the period April 2020 – March 2021¹⁵, no backtesting exceptions were recorded. In the same period, Banca IMI had recorded one exception (8 April 2020) linked to the turmoil on the markets as a result of the COVID-19 crisis.



¹⁵ The estimates do not include UBI's trading book.

BANKING BOOK

At the end of March 2021, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, amounted to -1,185 million euro.

The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 1,288 million euro, -851 million euro and 2,545 million euro, respectively, at the end of March 2021.

Interest rate risk, measured in terms of VaR, recorded a value of 426 million euro at the end of March 2021.

Price risk generated by minority stakes in listed companies, mostly held in the HTCS (Held to Collect and Sell) category, amounted to 152 million euro at the end of March 2021.

The table below shows the changes in the main risk measures during the first quarter of 2021 relating to the Intesa Sanpaolo Group.

	1st quarter 2021			(millions of euro)	
	average	minimum	maximum	31.03.2021	31.12.2020
Shift Sensitivity of the Economic Value +100 bp	-1,250	-1,470	-1,094	-1,185	-1,305
Shift Sensitivity of Net Interest Income -50bp	-923	-1,044	-851	-851	-1,011
Shift Sensitivity of Net Interest Income +50bp	1,265	1,143	1,364	1,288	1,312
Shift Sensitivity of Net Interest Income +100bp	2,499	2,264	2,687	2,545	2,581
Value at Risk - Interest Rate	452	426	498	426	492

Exposures as at 31 March 2021 shown in the table include the metrics of the UBI Group harmonised using the methodologies used by Intesa Sanpaolo, which provide a slight contribution to the overall risk of the Intesa Sanpaolo Group.

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 abovementioned quoted assets recorded in the HTCS category.

Price risk: impact on Shareholders' Equity

		(millions of euro)	
		1st quarter 2021 impact on shareholders' equity at 31.03.2021	Impact on shareholders' equity at 31.12.2020
Price shock	-10%	-152	-155
Price shock	10%	152	155

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 three months of 2021. Both regulatory indicators, LCR and NSFR, were well above 100%. Over the last 12 months, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, has amounted to an average of 167.2%.

At the end of March 2021, the amount of total unencumbered HQLA reserves at the various Treasury Departments of the Group, considering cash and deposits held with Central Banks, totalled 162 billion euro (170 billion euro in December 2020). With the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, added in, the Group's unencumbered liquidity reserves totalled 169 billion euro (195 billion euro in December 2020).

The stress tests, in view of the high availability of liquidity reserves, yielded results in excess of the maximum 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 provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy – Excluding insurance companies

Assets / liabilities at fair value	(millions of euro)					
	31.03.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets designated at fair value through profit or loss	24,835	28,257	3,500	22,890	31,994	3,362
a) Financial assets held for trading	23,490	27,298	372	21,861	30,900	404
of which: Equities	752	-	10	663	-	1
of which: quotas of UCI	178	2	26	169	3	31
b) Financial assets designated at fair value	-	1	2	-	1	2
c) Other financial assets mandatorily designated at fair value	1,345	958	3,126	1,029	1,093	2,956
of which: Equities	15	160	212	10	191	193
of which: quotas of UCI	1,330	155	1,882	1,018	227	1,740
2. Financial assets designated at fair value through other comprehensive income	52,836	7,920	411	49,681	7,747	430
of which: Equities	1,515	1,454	367	1,559	1,754	387
3. Hedging derivatives	2	1,057	12	1	1,118	15
4. Property and equipment	-	-	7,243	-	-	7,252
5. Intangible assets	-	-	-	-	-	-
Total	77,673	37,234	11,166	72,572	40,859	11,059
1. Financial liabilities held for trading	16,013	37,290	231	15,742	43,168	123
2. Financial liabilities designated at fair value	-	3,087	29	-	3,032	-
3. Hedging derivatives	-	5,494	3	1	7,084	3
Total	16,013	45,871	263	15,743	53,284	126

The Group's assets measured at fair value (excluding the insurance companies), primarily consisted of level 1 instruments (around 62% as at 31 March 2021 compared to around 58% at the end of 2020), measured using market prices and therefore without any discretion by the valuator.

Level 3 assets, which are subject to greater discretion in determining fair value, made up approximately 9% of the total assets measured at fair value. There were no significant changes in these assets, of which around two thirds consisted of property and equipment.

The decrease in level 2 assets compared to 31 December 2020 was also driven by the reduction in exposures to OTC derivative contracts, which had a similar effect on liabilities.

With regard to liabilities specifically, level 3 instruments remained at essentially insignificant levels (well below 1% of total liabilities), while level 2 instruments, mostly OTC derivatives, continued to predominate.

Fair value hierarchy – Insurance companies

Assets / liabilities at fair value	31.03.2021			31.12.2020			(millions of euro)	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	absolute	%
1. Financial assets held for trading	298	9	47	321	33	47		
<i>of which: Equities</i>	-	-	-	-	-	-		
<i>of which: quotas of UCI</i>	121	-	47	120	-	47		
2. Financial assets designated at fair value through profit or loss	88,988	22	304	86,779	51	377		
<i>of which: Equities</i>	3,012	-	-	2,749	-	-		
<i>of which: quotas of UCI</i>	81,396	-	-	79,538	-	-		
3. Financial assets available for sale	80,454	5,448	2,431	82,076	4,845	2,192		
<i>of which: Equities</i>	1,940	-	44	1,713	-	43		
<i>of which: quotas of UCI</i>	10,424	19	2,284	10,271	20	2,138		
4. Hedging derivatives	-	404	-	-	449	-		
5. Property and equipment	-	-	8	-	-	8		
6. Intangible assets	-	-	-	-	-	-		
Total	169,740	5,883	2,790	169,176	5,378	2,624		
1. Financial liabilities held for trading	1	56	-	4	54	-		
2. Financial liabilities designated at fair value through profit or loss	-	78,503	-	-	77,149	-		
3. Hedging derivatives	-	-	-	-	-	-		
Total	1	78,559	-	4	77,203	-		

For the insurance companies, over 95% of the financial assets measured at fair value were measured using market prices (level 1 inputs) and therefore without any discretion by the valuator.

Level 3 instruments, which are subject to greater discretion in determining fair value, made up 1.6% of the total assets, essentially unchanged on 31 December 2020.

Liabilities at fair value were almost entirely measured using level 2 inputs.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products, came to 3,054 million euro as at 31 March 2021, a net increase of 325 million euro compared to the stock of 2,729 million euro as at 31 December 2020. The exposure includes investments in ABSs (Asset-Backed Securities) of 1,546 million euro, in CLOs (Collateralised Loan Obligations) of 1,434 million euro and, to a residual extent, in CDOs (Collateralised Debt Obligations) of 74 million euro, for which there was a marginal activity during the quarter.

Accounting categories	31.03.2021			31.12.2020		changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	501	513	-	1,014	849	165	19.4
Financial assets mandatorily measured at fair value	-	3	-	3	4	-1	-25.0
Financial assets measured at fair value through other comprehensive income	560	751	-	1,311	1,119	192	17.2
Financial assets measured at amortised cost	373	279	74	726	757	-31	-4.1
Total	1,434	1,546	74	3,054	2,729	325	11.9

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).

The strategy for transactions in structured credit products shows a prevalence of investments aimed at exploiting market opportunities over disposals of the portfolio during the period, also relating to positions which were affected by the financial crisis.

The exposure in ABSs and CLOs measured at fair value went from 1,972 million euro in December 2020 to 2,328 million euro in March 2021, a net increase of 356 million euro, mainly attributable to operations on positions of the IMI Corporate & Investment Banking Division, in the assets measured at fair value through other comprehensive income portfolio and to a lesser extent in the assets held for trading portfolio.

The exposure to debt securities classified as assets measured at amortised cost amounted to 726 million euro in March 2021, compared with an exposure of 757 million euro in December 2020.

From profit or loss perspective, a loss of +3 million euro was posted for first quarter of 2021, a significant improvement on -39 million euro recorded in the first three months of 2020.

The profit from trading activities – caption 80 of the income statement – amounting to +5 million euro related to the exposures in ABSs and CLOs, as a result of valuation effects of 3 million euro and realised gains of 2 million euro. As at 31 March 2020, this caption showed a loss of -39 million euro, resulting from valuation effects attributable to the downturn in the markets in the period due to the COVID-19 health emergency. The result as at March 2021 reflected the performance of this segment in the market, in which there has been a progressive narrowing of the spread curves for these instruments and an increase in demand, which has driven up their prices.

The profits (losses) from financial assets mandatorily measured at fair value were nil, as in the first three months of 2020.

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 the first quarter of 2021 through a shareholders' equity reserve (from a reserve of -4 million euro in December 2020 to -1 million euro in March 2021), in addition to an impact from sales during the period (gains on sales of +1 million euro were recorded in the first three months of 2020).

Adjustments recognised on the debt securities classified as assets measured at amortised cost amounted to -2 million euro as at 31 March 2021, compared to an impact of -1 million euro in first quarter of 2020.

Income statement results broken down by accounting category	31.03.2021			31.03.2020			(millions of euro) changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%	
Financial assets held for sale	2	3	-	5	-39	44		
Financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	
Financial assets measured at fair value through other comprehensive income	-	-	-	-	1	-1		
Financial assets measured at amortised cost	-	-2	-	-2	-1	1		
Total	2	1	-	3	-39	42		

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities (SPEs).

The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.

For the SPE categories identified as not consolidated structured entities, no amendments are recorded to the criteria based on which the Intesa Sanpaolo Group decides on whether to include the companies in the scope of consolidation, compared to the information already provided in the 2020 financial statements.

In the first quarter of the year, under the programme guaranteed by ISP OBG, the 17th and 18th series were redeemed in advance in January for 1.175 billion euro and 1.572 billion euro respectively. Two new series were also issued in January: the 45th and 46th, for 1.35 billion euro each. The securities are floating rate with a maturity of 15 years for the 45th series and 16 years for the 46th series, both listed on the Luxembourg Stock Exchange with a DBRS rating of A High. The securities were subscribed by the Parent Company and are eligible on the Eurosystem.

With regard to the covered bond issue programme guaranteed by ISP CB Pubblico, in January the 3rd series matured for an amount of 1.5 billion euro.

In February, the 14th series was issued for an amount of 1 billion euro. The security is a floating rate, 5-year security listed on the Luxembourg Stock Exchange with an A2 rating from Moody's. It was subscribed by the Parent Company and is eligible for the Eurosystem.

Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 11th series matured in January for an amount of 1.353 billion euro.

With regard to the first quarter of 2021, the UBI Banca Group had a programme of covered bonds through the vehicle company UBI Finance Srl. This Programme was launched by the UBI Banca Group in 2008 and gave the UBI Banca the right to issue bonds, to institutional investors, for a maximum amount of 15 billion euro. The programme included a portfolio of residential mortgage loans assigned by the UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.

In the first quarter of 2021, as part of the reorganisation of the UBI Group's structured finance operations, following its entry into the Intesa Sanpaolo Group, IW Bank exited the UBI Finance Covered Bond Programme, repurchasing the entire portfolio sold in its capacity as Originator. As a result, as at 31 March 2021, only UBI Banca was participating in the UBI Finance Covered Bond Programme as an Originator.

No new bond issues were carried out in the first three months of 2021. In January 2021, the sixth issue with a nominal value of 1 billion euro expired, and issues no. 19 for 500 million euro and no. 32 for 1 billion euro, both held by the issuer UBI Banca, were redeemed in advance. The nominal value of the outstanding bonds as at 31 March 2021 totalled 9.53 billion euro. At the same date, those bonds were assigned an Aa3 rating from Moody's and AA from DBRS.

With regard to the second Covered Bond programme of the UBI Banca Group, a retained programme named UBI Finance Cb2, the early termination of the programme was initiated in December 2020, with the redemption of the bonds issued and the repurchase by the Originators of the entire portfolio sold.

The actual termination of the Programme took place on 25 January 2021 with the signing of the termination agreement by all the external and internal parties involved.

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all significant entities subject to direct supervision by the ECB. The declared purpose of the regulations is to strengthen bank controls over "leveraged" transactions, where such transactions increase globally and in the context of a highly competitive market, marked by a long period of low interest rates and the resulting search for yields.

The perimeter in scope of the ECB Guidance includes exposures in which the borrower's leverage level, measured as the ratio of total financial debt to EBITDA, is greater than 4, in addition to exposures to parties whose majority of capital is held by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit, such as trade finance operations, are also excluded.

As at 31 March 2021, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per ECB Guidance amounted – net of the UBI positions classified as Leveraged Transactions and sold to BPER – to 33 billion euro (like-for-like figure of 31 billion euro as at 31 December 2020).

In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite a specific limit for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank's risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Hedge Fund portfolio as at 31 March 2021 amounted to 34 million euro in the trading book and 314 million euro in the banking book, compared to 39 million euro and 277 million euro respectively in December 2020.

The investments in the banking book are recognised under financial assets mandatorily measured at fair value, pertaining to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment in Transferable Securities) funds.

In the first quarter of 2021, stocks increased by 32 million euro compared to 31 December 2020, due to diversified strategies based on the portfolio of allocation of the instruments.

Specifically, the increase is due to new investments for 37 million euro in the banking book, considering a renewed stability of the international financial markets, due to both an economic recovery and the robust support measures implemented by the various monetary and fiscal authorities for COVID-19.

This impact was partially offset by disposals and negative trading valuations of 5 million euro.

In terms of profit or loss effect, the profits (losses) on trading – caption 80 of the income statement (trading book) – showed a loss of 4 million euro as at 31 March 2021, substantially attributable to valuation losses, compared to a loss of -22 million euro in the first quarter of 2020, mainly attributable to sales during the period.

The net profit (loss) on financial assets mandatorily measured at fair value – caption 110 of the income statement (banking book) – recorded a profit of 9 million euro (compared to -8 million euro in March 2020), mainly attributable to valuation components, and continuing the general recovery in this segment.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 March 2021, 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 7,833 million euro (8,934 million euro as at 31 December 2020). The notional value of these derivatives totalled 78,272 million euro (75,296 million euro as at 31 December 2020).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 5,071 million euro (5,802 million euro as at 31 December 2020).

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 1,326 million euro as at 31 March 2021 (1,460 million euro as at 31 December 2020). The notional value of these derivatives totalled 19,625 million euro (19,222 million euro as at 31 December 2020).

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 2021, this led to a positive effect of 40 million euro being recorded under "Profits (Losses) on trading" in the income statement.

As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the section on accounting policies in the Notes to the 2020 financial statements.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events.

The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

To determine its capital requirements, the Group uses a combination of the methods allowed under applicable regulations (advanced measurement approach partially used along with the standardised approach and basic indicator approach). The capital absorption resulting from this process amounted to 2,205 million euro as at 31 March 2021, unchanged compared to 31 December 2020.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.

For the main pending disputes, the significant developments in the quarter are described below. For previous disputes and a detailed illustration of significant individual disputes, see the Notes to the 2020 Annual Report of the Intesa Sanpaolo Group and the 2020 Consolidated Annual Report of the acquired UBI Group.

Selarl Bruno Raulet (former Dargent Tirmant Raulet) dispute – A hearing was held in March this year and a ruling is expected by the summer.

Offering of diamonds – In April 2021, the Bank learned from press reports that the Public Prosecutor's Office of Milan had requested the indictment of 105 people and 5 of the companies involved (banks and diamond brokers). Neither Intesa Sanpaolo nor the two employees under investigation, whose positions have been separated, were summoned.

With regard to the position of the Bank, which is charged with administrative liability pursuant to Legislative Decree 231/2001 for the predicate offence of self-laundering, the Public Prosecutor's Office accepted the plea bargain submitted by ISP, which proposed the application of only the financial penalty established by Legislative Decree 231/2001, for an amount of

100,000 euro, and the confiscation of only the sums constituting the profit from the offence of self-laundering, quantified at 61,434 euro. The plea bargain request will need to be assessed by the preliminary investigation judge for a final decision.

Disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation – In January 2021, the claims regarding the additional charges accrued up to 30 June 2020 were sent to the Banks in compulsory administrative liquidation.

No disputes have emerged with regard to the claims already served. The deadline for the submission of objections by the compulsory administrative liquidation has been set at 30 September 2021.

Florida 2000 srl, Conte Anna ed Esposito Guido – In 2018, Florida 2000 s.r.l., together with two directors of the company, challenged the legitimacy of the contractual terms and conditions applied to the accounts held with the Bank, requesting that the latter be ordered to pay back 22.6 million euro in interest and fees that were not due, plus compensation for damages quantified as an additional amount of 22.6 million euro.

In its ruling of 25 March 2021, the Court upheld the petition in part, ordering the Bank to repay 638 thousand euro, plus interest and costs, and rejecting the request for compensation.

Ruling of the EU Court of Justice of 11 September 2019 on credit agreements for consumers - so-called Lexitor ruling – The general case law situation is still uncertain. In the first quarter, while there were a number of unfavourable rulings, mainly from Justices of the Peace, there were 2 rulings in favour of intermediaries (Court of Rome and Court of Cassino). Of particular significance is the ruling of the Court of Rome, which held that the Lexitor ruling cannot be directly applied in our legal system in relations between private individuals.

Ruling no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities – With regard to ruling no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities, two new disputes were registered.

- the Municipality of Augusta served a writ of summons requesting a declaration of invalidity of the contract due to the lack of risk awareness and the absence of adequate information on the costs and structure of the instrument, and consequently for the repayment of 3 million euro;
- the Municipality of Cimadolmo initiated a mediation procedure with undetermined value.

In relation to the dispute brought in December 2013 by the Municipality of Mogliano Veneto concerning an IRS collar derivative contract, the Bank lodged an appeal with the Court of Cassation against ruling no. 2393 of 28 September 2020 of the Court of Appeal of Milan. This ruling had confirmed the ruling issued against the Bank by the Court of Milan in 2017.

With regard to the dispute with the Municipality of Perugia, the local authority, after initiating a mediation procedure that ended with a negative outcome, served a summons requesting the nullity of four derivative contracts entered into in 2006. The first court hearing is scheduled for 6 May 2021.

Potential assets

In a ruling filed on 5 June 2020, the Lazio Regional Tax Commission – Third Section rejected the appeal filed by the Italian Revenue Agency in relation to registration tax (10.3 million euro) against the ruling issued by the Court of Appeal of Rome on 7 March 2013, upholding the ruling of the court of first instance and awarding costs.

The Italian Revenue Agency did not appeal to the Court of Cassation within the time limit and so the appeal ruling in favour of the Bank has become final. The tax refunded by the Italian Revenue Agency during 2018 can be considered to have been definitively acquired by the Bank.

Tax litigation

No new disputes of a significant amount involving Intesa Sanpaolo arose during the quarter. No significant events were reported for either the Italian or international subsidiaries.

The outstanding tax litigation risks are covered by adequate allowances for risks and charges.

With regard to the main outstanding disputes, and in particular with regard to the disputes concerning the application of the proportional registration tax following the reclassification of a transfer of a business and a sale of an equity interest into a sale of a business pursuant to Article 20 of Presidential Decree 131/1986, the Constitutional Court filed its ruling no. 39/2021 of 16 March 2021 whose conclusions confirm the previous ruling no. 158 of 21 July 2020 by that Court. The decision confirms the applicability of Article 20 mentioned above, in its current wording that does not allow the interpretation of documents on the basis of the economic effects of the transaction or of elements not included in the text, also for the interpretation of documents signed before the new rule came into force and, therefore, has effects on proceedings initiated under the old provision. With this second ruling of the Constitutional Court, the long-standing dispute should be considered definitively over and indeed this approach has already been adopted by the Court of Cassation in its ruling no. 9065 of 1 April 2021.

In addition, with ruling no. 244/2021, filed on 25 February 2021, the Regional Tax Commission of Tuscany rejected the Italian Revenue Agency's appeal against the first instance ruling in favour of the Bank regarding the IRAP tax for 2010 of Cassa di Risparmio di Firenze. The Italian Revenue Agency challenged the non-taxation of 50% of the dividend distributed in July 2010 by the subsidiary Casse del Centro, which was merged the following November with tax and accounting effects backdated to 1 January. As a result of the consolidation entries following the merger, the aforementioned dividend was eliminated from the accounts and, consequently, did not contribute to the formation of the IRAP tax base (value of the dispute for tax, penalty and interest totalling 2.2 million euro). The time limits for the filing of an appeal with the Court of Cassation by the Italian Revenue Agency are about to expire.

With regard to Intesa Sanpaolo's branches located abroad, a tax audit has been initiated by the Madrid Revenue Agency on the Madrid branch regarding the deductibility of intercompany costs amounting to 2.2 million euro for the 2015 tax period. The branch is currently preparing its response to the requests from the Tax Authority, which has not yet formally issued any claims.

INSURANCE RISKS

Investment portfolios

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

As at 31 March 2021, the investment portfolios of Group companies, recorded at book value, amounted to 180,270 million euro. Of these, a part amounting to 91,027 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Unit-linked policies and pension funds and amounted to 89,243 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 free capital.

In terms of breakdown by asset class, net of derivative financial instruments, 83.3% of assets, i.e. 75,499 million euro, was bonds, whereas equity instruments represented 2.2% of the total and amounted to 1,986 million euro. The remainder (13,156 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (14.5%).

The carrying value of derivatives came to approximately 385.6 million euro, of which 403.72 million euro relating to effective management derivatives¹⁶, and the remaining portion (-18 million euro) is attributable to hedging derivatives.

At the end of the first three months of 2021, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 1,002 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 15 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 approximately 4,698 million euro.

The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.7% of total investments and A bonds approximately 7.1%. Low investment grade securities (BBB) were approximately 84.5% of the total and the portion of speculative grade or unrated was minimal (2.7%).

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

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks approximately made up 81.2% of the total investments, while financial companies (mostly banks) contributed almost 10.6% of exposure and industrial securities made up approximately 8.6%.

At the end of the first quarter of 2021, 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 4,800 million euro, with 4,216 million euro due to government issuers and 584 million euro to corporate issuers (financial institutions and industrial companies).

¹⁶ ISVAP Regulation 36 of 31 January 2011 on investments defines as “effective management derivatives” all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Accounting policies

Criteria for the preparation of the Interim Statement

General preparation principles

As known, with Legislative Decree 25 of 15 February 2016, Directive 2013/50/EU, amending Directive 2004/109/EC (i.e. "Transparency Directive"), has been transposed into the Italian legal system. By transposing the European regulation, the provisions concerning financial reports were changed, among others, innovating the rules regarding the publication, by the listed issuers with Italy as Member State of origin, of additional periodic information other than the annual report and half-yearly report. The wording of Article 154-ter (Financial reports), paragraphs 5 and 5-bis, of the Consolidated Law on Finance, allows CONSOB to arrange, towards the issuers stated above, the obligation to publish the additional periodic information. However, in exercising its duties – and following a consultation process – CONSOB has given the issuers the choice on publishing the Interim Statements.

In this context, Intesa Sanpaolo publishes – on a voluntary basis – financial information as at 31 March and 30 September of each financial year, in addition to the annual report and half-yearly report. This information consists of interim statements on operations approved by the Board of Directors, basically providing continuity with the interim statements published in the past.

The Interim Statement as at 31 March 2021 has been prepared, in consolidated form, in compliance with the recognition and measurement criteria required by the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

The accounting standards adopted in preparation of this Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, have remained unchanged compared to those adopted for the Intesa Sanpaolo Group 2020 Annual Report, which should be consulted for the complete details.

In addition, the indications provided by the authorities and the IASB during 2020, together with the application decisions made by Intesa Sanpaolo, as referred to in the chapter "The first quarter of 2021", should be consulted on the consequences of the impact of the COVID-19 health emergency.

From 2021, Regulation (EU) 2021/25 of 13 January 2021, endorsing the document "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" published by the IASB on 27 August 2020 regarding issues pertaining to the second phase of the interest rate reform project (Interest Rate Benchmark Reform – IBOR Reform), became mandatory and applicable for the first time. The main amendments introduced concern the possible accounting impacts of the application of the new rates (so-called replacement issue), in particular the accounting treatment of amendments to existing contracts and accounting hedges.

With regard to the first aspect – under IFRS 9, but also similarly in application of IFRS 16 to leases and IFRS 4 to insurance contracts – it is clarified that amendments resulting from the IBOR Reform relating to the replacement of the existing IBOR rate with the new risk-free rate, do not constitute a derecognition event but are to be considered a modification from an accounting standpoint. To this end, a practical expedient has been introduced allowing such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, to be represented with a prospective adjustment of the effective interest rate, with impacts on net interest income in future periods.

In relation to the hedge accounting, several exceptions have been introduced to IAS 39 (and to IFRS 9 for those who have also adopted it for hedges) that make it possible not to apply discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) in the case of modifications required as a direct consequence of the IBOR Reform and applied on equivalent economic bases.

No impacts on the Intesa Sanpaolo Group are foreseen for the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.

In addition, Regulation 2097/2020 of 15 December 2020, endorsing the extension of the temporary exemption from applying IFRS 9 (amendments to IFRS 4 Insurance Contracts) published by the IASB on 25 June 2020, came into force from 1 January 2021. In view of the IASB's decision to postpone the date of first-time adoption of IFRS 17 until 1 January 2023 – also made on 25 June 2020 – the authorisation to postpone the application of IFRS 9 (the "Deferral Approach") was also extended until 1 January 2023 in order to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 Financial Instruments and that of the future IFRS 17 Insurance Contracts.

The Interim Statement as at 31 March 2021, drawn up in euro as the functional currency, contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.

The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.

In addition to the amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the period ended 31 March 2020 for the Income statement and as at 31 December 2020 for the Balance sheet.

The assets held for sale include the non-performing loan portfolios of Intesa Sanpaolo, UBI Banca (merged into Intesa Sanpaolo from 12 April 2021) and Intesa Sanpaolo Provis, which will be sold in 2021 as part of the Group's de-risking strategies. In addition, the assets held for sale and associated liabilities include the going concern including the 31 Intesa Sanpaolo branches that will be sold to BPER in May 2021 and the 17 former UBI Banca branches that will be sold to Banca Popolare di Puglia e Basilicata (BPPB) in June 2021.

The Interim Statement as at 31 March 2021 is accompanied by certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance, and the consolidated financial statements are subject to a limited review by the Independent Auditors for the sole purpose of issuing the certification required by Art. 26 (2) of European Union Regulation no. 575/2013 and European Central Bank Decision no. 2015/656. Regarding independent auditors' activities, it shall be reminded that the Shareholders' meeting dated 30th April 2019 appointed EY S.p.A. as independent auditors for the financial years 2021-2029.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Interim Statement includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.

Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment or does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.

Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of Financial assets measured at fair value through profit or loss.

Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

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

There were no significant changes to the scope of consolidation during the first quarter.

In the interests of completeness, the only changes to report were the exit of UBI Finance CB 2, and – as an aside – the change of name of UBI Sicura to Intesa Sanpaolo Insurance Agency.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2020 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.

The financial statements of the Parent Company and of other companies used to prepare the Interim Statement as at 31 March 2021 refer to the same date.

In certain limited cases, for subsidiaries which are not material, the latest official figures are used.

Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

The Board of Directors

Milan, 5 May 2021

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

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2021 corresponds to corporate records, books and accounts.

Milan, 5 May 2021

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

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

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

Reconciliation between published consolidated income statement for the period ended 31 March 2020 and adjusted income statement for the period ended 31 March 2020

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

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

Reconciliation between adjusted consolidated income statement for the period ended 31 March 2020 and restated consolidated income statement for the period ended 31 March 2020

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reclassified consolidated income statement – Reconciliation between redetermined figures

Reclassified consolidated income statement - Reconciliation between redetermined figures

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

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

The published consolidated balance sheet as at 31 December 2020 did not require any adjustments.

Reconciliation between the published consolidated income statement for the period ended 31 March 2020 and adjusted consolidated income statement for the period ended 31 March 2020

The published consolidated income statement as at 31 March 2020, did not require any adjustments.

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

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

The published consolidated balance sheet as at 31 December 2020 did not require any restatement.

Reconciliation between published consolidated income statement for the period ended 31 March 2020 and restated consolidated income statement for the period ended 31 March 2020

	31.03.2020	Change in the scope of consolidation (a)	(millions of euro) 31.03.2020 Restated
10. Interest and similar income	2,427	-	2,427
<i>of which: interest income calculated using the effective interest rate method</i>	2,525	-	2,525
20. Interest and similar expense	-686	-	-686
30. Interest margin	1,741	-	1,741
40. Fee and commission income	2,279	-	2,279
50. Fee and commission expense	-521	-	-521
60. Net fee and commission income	1,758	-	1,758
70. Dividend and similar income	20	-	20
80. Profits (Losses) on trading	-134	-	-134
90. Fair value adjustments in hedge accounting	-17	-	-17
100. Profits (Losses) on disposal or repurchase of:	914	-	914
<i>a) financial assets measured at amortised cost</i>	-22	-	-22
<i>b) financial assets measured at fair value through other comprehensive income</i>	510	-	510
<i>c) financial liabilities</i>	426	-	426
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	132	-	132
<i>a) financial assets and liabilities designated at fair value</i>	221	-	221
<i>b) other financial assets mandatorily measured at fair value</i>	-89	-	-89
Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	225	-	225
120. Net interest and other banking income	4,639	-	4,639
130. Net losses/recoveries for credit risks associated with:	-388	-	-388
<i>a) financial assets measured at amortised cost</i>	-374	-	-374
<i>b) financial assets measured at fair value through other comprehensive income</i>	-14	-	-14
135. Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-27	-	-27
140. Profits (Losses) on changes in contracts without derecognition	-4	-	-4
150. Net income from banking activities	4,220	-	4,220
160. Net insurance premiums	2,471	126	2,597
170. Other net insurance income (expense)	-2,278	-69	-2,347
180. Net income from banking and insurance activities	4,413	57	4,470
190. Administrative expenses:	-2,375	-4	-2,379
<i>a) personnel expenses</i>	-1,351	-1	-1,352
<i>b) other administrative expenses</i>	-1,024	-3	-1,027
200. Net provisions for risks and charges	-323	-	-323
<i>a) commitments and guarantees given</i>	4	-	4
<i>b) other net provisions</i>	-327	-	-327
210. Net adjustments to / recoveries on property and equipment	-129	-	-129
220. Net adjustments to / recoveries on intangible assets	-179	-	-179
230. Other operating expenses (income)	141	-	141
240. Operating expenses	-2,865	-4	-2,869
250. Profits (Losses) on investments in associates and companies subject to joint control	9	-	9
260. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
270. Goodwill impairment	-	-	-
280. Profits (Losses) on disposal of investments	7	-	7
290. Income (Loss) before tax from continuing operations	1,564	53	1,617
300. Taxes on income from continuing operations	-439	-16	-455
310. Income (Loss) after tax from continuing operations	1,125	37	1,162
320. Income (Loss) after tax from discontinued operations	21	-	21
330. Net income (loss)	1,146	37	1,183
340. Minority interests	5	-37	-32
350. Parent Company's net income (loss)	1,151	-	1,151

(a) The restatement refers to the economic results of the first three months of 2020 of RBM Assicurazione Salute S.p.A.

Restated consolidated financial statements

Restated consolidated balance sheet

The published consolidated balance sheet as at 31 December 2020 did not require any restatement.

Restated consolidated income statement

	31.03.2021	31.03.2020 Restated	(millions of euro) Changes	
			amount	%
10. Interest and similar income	2,581	2,427	154	6.3
<i>of which: interest income calculated using the effective interest rate method</i>	2,541	2,525	16	0.6
20. Interest and similar expense	-570	-686	-116	-16.9
30. Interest margin	2,011	1,741	270	15.5
40. Fee and commission income	2,941	2,279	662	29.0
50. Fee and commission expense	-621	-521	100	19.2
60. Net fee and commission income	2,320	1,758	562	32.0
70. Dividend and similar income	29	20	9	45.0
80. Profits (Losses) on trading	305	-134	439	
90. Fair value adjustments in hedge accounting	45	-17	62	
100. Profits (Losses) on disposal or repurchase of:	387	914	-527	-57.7
<i>a) financial assets measured at amortised cost</i>	53	-22	75	
<i>b) financial assets measured at fair value through other comprehensive income</i>	361	510	-149	-29.2
<i>c) financial liabilities</i>	-27	426	-453	
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	23	132	-109	-82.6
<i>a) financial assets and liabilities designated at fair value</i>	-12	221	-233	
<i>b) other financial assets mandatorily measured at fair value</i>	35	-89	124	
Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	759	225	534	
120. Net interest and other banking income	5,879	4,639	1,240	26.7
130. Net losses/recoveries for credit risks associated with:	-440	-388	52	13.4
<i>a) financial assets measured at amortised cost</i>	-432	-374	58	15.5
<i>b) financial assets measured at fair value through other comprehensive income</i>	-8	-14	-6	-42.9
135. Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-1	-27	-26	-96.3
140. Profits (Losses) on changes in contracts without derecognition	-12	-4	8	
150. Net income from banking activities	5,426	4,220	1,206	28.6
160. Net insurance premiums	2,542	2,597	-55	-2.1
170. Other net insurance income (expense)	-2,847	-2,347	500	21.3
180. Net income from banking and insurance activities	5,121	4,470	651	14.6
190. Administrative expenses:	-2,904	-2,379	525	22.1
<i>a) personnel expenses</i>	-1,684	-1,352	332	24.6
<i>b) other administrative expenses</i>	-1,220	-1,027	193	18.8
200. Net provisions for risks and charges	-96	-323	-227	-70.3
<i>a) commitments and guarantees given</i>	33	4	29	
<i>b) other net provisions</i>	-129	-327	-198	-60.6
210. Net adjustments to / recoveries on property and equipment	-162	-129	33	25.6
220. Net adjustments to / recoveries on intangible assets	-214	-179	35	19.6
230. Other operating expenses (income)	270	141	129	91.5
240. Operating expenses	-3,106	-2,869	237	8.3
250. Profits (Losses) on investments in associates and companies subject to joint control	50	9	41	
260. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
270. Goodwill impairment	-	-	-	
280. Profits (Losses) on disposal of investments	186	7	179	
290. Income (Loss) before tax from continuing operations	2,251	1,617	634	39.2
300. Taxes on income from continuing operations	-718	-455	263	57.8
310. Income (Loss) after tax from continuing operations	1,533	1,162	371	31.9
320. Income (Loss) after tax from discontinued operations	-	21	-21	
330. Net income (loss)	1,533	1,183	350	29.6
340. Minority interests	-17	-32	-15	-46.9
350. Parent Company's net income (loss)	1,516	1,151	365	31.7

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

		(millions of euro)	
Assets		31.03.2021	31.12.2020
			Restated
Due from banks		131,902	108,040
Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	131,877	108,015
Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	25	25
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	-
Loans to customers		463,286	461,572
Loans to customers measured at amortised cost		461,754	460,143
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	454,627	452,918
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	7,127	7,225
Loans to customers at fair value through other comprehensive income and through profit or loss		1,532	1,429
Caption 20a (partial)	Financial assets held for trading - Loans to customers	19	21
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers	1,119	1,135
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	394	273
Financial assets measured at amortised cost which do not constitute loans		44,857	47,102
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	2,062	2,080
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	42,795	45,022
Financial assets at fair value through profit or loss		55,429	57,065
Caption 20a (partial)	Financial assets held for trading	51,140	53,143
Caption 20b (partial)	Financial assets designated at fair value - Debt securities	3	3
Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,286	3,919
Financial assets at fair value through other comprehensive income		60,773	57,585
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	60,773	57,585
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39		178,405	177,170
Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	178,405	177,170
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39		613	1,211
Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	613	1,211
Investments in associates and companies subject to joint control		2,049	1,996
Caption 70	Investments in associates and companies subject to joint control	2,049	1,996
Property, equipment and intangible assets		18,820	19,044
Assets owned		17,084	17,238
Caption 90 (partial)	Property and equipment	9,002	9,044
Caption 100	Intangible assets	8,082	8,194
Rights of use acquired under leases		1,736	1,806
Caption 90 (partial)	Property and equipment	1,736	1,806
Tax assets		19,344	19,503
Caption 110	Tax assets	19,344	19,503
Non-current assets held for sale and discontinued operations		3,169	28,702
Caption 120	Non-current assets held for sale and discontinued operations	3,169	28,702
Other assets		21,981	23,624
Caption 10	Cash and cash equivalents	8,254	9,814
Caption 50	Hedging derivatives	1,071	1,134
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	1,417	2,400
Caption 80	Technical insurance reserves reassured with third parties	99	93
Caption 130	Other assets	11,140	10,183
Total Assets		1,000,628	1,002,614

		(millions of euro)	
Liabilities		31.03.2021	31.12.2020
			Restated
Due to banks at amortised cost		151,567	115,943
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	151,573	115,947
- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-6	-4
Due to customers at amortised cost and securities issued		510,229	512,463
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	424,536	422,365
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	87,374	91,834
- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,681	-1,736
Financial liabilities held for trading		53,534	59,033
Caption 20	Financial liabilities held for trading	53,534	59,033
Financial liabilities designated at fair value		3,116	3,032
Caption 30	Financial liabilities designated at fair value	3,116	3,032
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39		2,319	1,928
Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,326	1,935
- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-7	-7
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39		78,560	77,207
Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	78,560	77,207
Tax liabilities		3,030	3,029
Caption 60	Tax liabilities	3,030	3,029
Liabilities associated with non-current assets held for sale and discontinued operations		3,585	35,676
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	3,585	35,676
Other liabilities		25,876	24,007
Caption 40	Hedging derivatives	5,497	7,088
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	422	733
Caption 80	Other liabilities	18,263	14,439
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	6	4
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,681	1,736
Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	7	7
Technical reserves		95,698	96,811
Caption 110	Technical reserves	95,698	96,811
Allowances for risks and charges		7,405	7,164
Caption 90	Employee termination indemnities	1,158	1,200
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	576	626
Caption 100 b)	Allowances for risks and charges - Post-employment benefits	326	324
Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	5,345	5,014
Share capital		10,084	10,084
Caption 170	Share capital	10,084	10,084
Reserves		47,529	44,775
Caption 130	Redeemable shares	-	-
Caption 150	Reserves	20,213	17,461
Caption 160	Share premium reserve	27,444	27,444
- Caption 180	Treasury shares	-128	-130
Valuation reserves		-738	-515
Caption 120	Valuation reserves	-738	-515
Valuation reserves pertaining to insurance companies		777	809
Caption 125	Valuation reserves pertaining to insurance companies	777	809
Equity instruments		6,179	7,441
Caption 140	Equity instruments	6,179	7,441
Minority interests		362	450
Caption 190	Minority interests	362	450
Net income (loss)		1,516	3,277
Caption 200	Net income (loss) (+/-)	1,516	3,277
Total Liabilities and Shareholders' Equity		1,000,628	1,002,614

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

		(millions of euro)	
Captions		31.03.2021	31.03.2020
			Restated
Net interest income		2,009	1,747
Caption 30	Interest margin	2,011	1,741
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-9	-4
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	2	26
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	17	15
+ Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	7	-
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	-	-
+ Caption 80 (partial)	Hedging swap differentials	-15	-27
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-4	-4
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		2,383	1,844
Caption 60	Net fee and commission income	2,320	1,758
- Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	51	53
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-	1
- Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	-7	-
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	16	22
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	12	24
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	2	-5
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	-11	-9
Income from insurance business		373	369
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	759	225
Caption 160	Net insurance premiums	2,542	2,597
Caption 170	Other net insurance income (expense)	-2,847	-2,347
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	9	4
+ Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	-51	-53
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-37	-35
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-1	-21
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	-1	-1
Profits (Losses) on financial assets and liabilities designated at fair value		792	994
Caption 80	Profits (Losses) on trading	305	-134
Caption 90	Fair value adjustments in hedge accounting	45	-17
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	-12	221
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value	35	-89
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	361	510
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-27	426
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	29	20
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	-	-
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-16	-22
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	37	35
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	15	27
- Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	10	-
- Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-	4
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	59	8
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-29	-
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-12	-24
- Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-10	29
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	2	-

		(millions of euro)	
Captions		31.03.2021	31.03.2020
		Restated	
Other operating income (expenses)		48	-15
Caption 70	Dividend and similar income	29	20
Caption 230	Other operating expenses (income)	270	141
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-2	-26
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-	-1
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	-29	-20
+ Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-	-4
+ Caption 110 b (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-	-9
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-6	-4
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-248	-183
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-	61
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 190 b (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-1	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-5	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-1	-
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	41	10
Operating income		5,605	4,939
Personnel expenses		-1,661	-1,356
Caption 190 a)	Personnel expenses	-1,684	-1,352
- Caption 190 a (partial)	Personnel expenses (Charges for integration and exit incentives)	19	-8
- Caption 190 a (partial)	Personnel expenses (Time value employee termination indemnities and other)	4	4
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Other administrative expenses		-648	-553
Caption 190 b)	Other administrative expenses	-1,220	-1,027
- Caption 190 b (partial)	Other administrative expenses (Charges for integration)	6	5
- Caption 190 b (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	300	273
- Caption 190 b (partial)	Other administrative expenses (Recovery of other expenses)	11	9
- Caption 190 b (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	1	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	248	183
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	6	4
Adjustments to property, equipment and intangible assets		-304	-264
Caption 210	Net adjustments to / recoveries on property and equipment	-162	-129
Caption 220	Net adjustments to / recoveries on intangible assets	-214	-179
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	1	1
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	9	5
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	5	-
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-	5
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	39	17
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	17	16
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	1	-
Operating costs		-2,613	-2,173
Operating margin		2,992	2,766

Attachments

Captions	(millions of euro)		
	31.03.2021	31.03.2020 Restated	
Net adjustments to loans	-408	-403	
Caption 140	Profits/losses from changes in contracts without derecognition	-12	-4
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	33	4
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-6	-30
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	-	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	8	7
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-435	-382
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	3	5
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	1	-3
Other net provisions and net impairment losses on other assets	-133	-419	
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-1	-27
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-129	-327
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	8	-15
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	-1	2
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	1	1
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-9	-11
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	1	21
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-	-61
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-3	-2
Other income (expenses)	198	3	
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	50	9
Caption 280	Profits (Losses) on disposal of investments	186	7
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	57	8
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	2	-
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-59	-8
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-	-5
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-41	-10
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	3	2
Income (Loss) from discontinued operations	-	29	
Caption 320	Income (Loss) after tax from discontinued operations	-	21
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	8
Gross income (loss)	2,649	1,976	

		(millions of euro)	
Captions		31.03.2021	31.03.2020 Restated
Taxes on income		-839	-561
	Caption 300 Taxes on income from continuing operations	-718	-455
	- Caption 300 (partial) Taxes on income from continuing operations (Charges for integration)	-21	-4
	- Caption 300 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)	-7	-12
	- Caption 300 (partial) Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-93	-82
	- Caption 320 (partial) Income (Loss) after tax from discontinued operations (Taxes)	-	-8
Charges (net of tax) for integration and exit incentives		-52	-15
	+ Caption 190 a) (partial) Personnel expenses (Charges for integration and exit incentives)	-19	8
	+ Caption 190 b) (partial) Other administrative expenses (Charges for integration)	-6	-5
	+ Caption 210 (partial) Net adjustments to / recoveries on property and equipment (Charges for integration)	-9	-5
	+ Caption 220 (partial) Net adjustments to / recoveries on intangible assets (Charges for integration)	-39	-17
	+ Caption 300 (partial) Taxes on income from continuing operations (Charges for integration)	21	4
Effect of purchase price allocation (net of tax)		-16	-26
	+ Caption 30 (partial) Interest margin (Effect of purchase price allocation)	-17	-15
	- Caption 80 (partial) Profits (Losses) on trading (Effect of purchase price allocation)	-10	-
	+ Caption 100 a) (partial) Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-8	-7
	+ Caption 100 b) (partial) Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	29	-
	+ Caption 220 (partial) Net adjustments to / recoveries on intangible assets (Effect of purchase price allocation)	-17	-16
	+ Caption 300 (partial) Taxes on income from continuing operations (Effect of purchase price allocation)	7	12
Levies and other charges concerning the banking industry (net of tax)		-209	-191
	+ Caption 110 b) (partial) Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-2	-
	+ Caption 190 b) (partial) Other administrative expenses (Resolution fund and deposit guarantee scheme)	-300	-273
	+ Caption 300 (partial) Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	93	82
Impairment (net of tax) of goodwill and other intangible assets		-	-
	Caption 270 Goodwill impairment	-	-
	+ Caption 300 (partial) Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
Minority interests		-17	-32
	Caption 340 Minority interests	-17	-32
Net income (loss)		1,516	1,151

Reclassified consolidated income statement - Reconciliation between redetermined figures

Reclassified consolidated income statement – Reconciliation between redetermined figures

(millions of euro)

	31.03.2021	Going concerns object of disposal	31.03.2021 Redetermined figures	31.03.2020 Restated	Inclusion of the UBI Group	Going concerns object of disposal	31.03.2020 Redetermined figures
Net interest income	2,009	-61	1,948	1,747	414	-125	2,036
Net fee and commission income	2,383	-82	2,301	1,844	425	-157	2,112
Income from insurance business	373	-	373	369	3	-	372
Profits (Losses) on financial assets and liabilities designated at fair value	792	-1	791	994	51	-1	1,044
Other operating income (expenses)	48	-	48	-15	22	-1	6
Operating income	5,605	-144	5,461	4,939	915	-284	5,570
Personnel expenses	-1,661	58	-1,603	-1,356	-354	88	-1,622
Other administrative expenses	-648	13	-635	-553	-141	18	-676
Adjustments to property, equipment and intangible assets	-304	-	-304	-264	-56	8	-312
Operating costs	-2,613	71	-2,542	-2,173	-551	114	-2,610
Operating margin	2,992	-73	2,919	2,766	364	-170	2,960
Net adjustments to loans	-408	6	-402	-403	-166	31	-538
Other net provisions and net impairment losses on other assets	-133	-	-133	-419	-9	-	-428
Other income (expenses)	198	-	198	3	7	-	10
Income (Loss) from discontinued operations	-	48	48	29	-	120	149
Gross income (loss)	2,649	-19	2,630	1,976	196	-19	2,153
Taxes on income	-839	6	-833	-561	-65	6	-620
Charges (net of tax) for integration and exit incentives	-52	-	-52	-15	-	-	-15
Effect of purchase price allocation (net of tax)	-16	-	-16	-26	-	-	-26
Levies and other charges concerning the banking industry (net of tax)	-209	13	-196	-191	-28	13	-206
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Minority interests	-17	-	-17	-32	-103	-	-135
Net income (loss)	1,516	-	1,516	1,151	-	-	1,151

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations.

Glossary

ABS – Asset-Backed Securities

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

ABS (receivables)

ABS whose collateral is made up of receivables.

Acquisition finance

Leveraged buy-out financing.

Additional return

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

Advisor

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

AIRB (Advanced Internal Rating Based) Approach

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

ALM – Asset & Liability Management

Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT-A Agency

Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

ALT- A - Alternative A Loan

Residential mortgages generally of “prime” category, but which, due to various factors such as LTV ratio, documentation provided, borrower’s income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.

Incomplete documentation is the main reason for a loan being classified as “Alt-A”.

Alternative investment

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

Other related parties – close relatives

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

AP – Attachment Point

Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Arrangement fee

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

Arranger

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

Asset allocation

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

Asset management

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

AT1

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

Intangible asset

An identifiable, non-monetary asset lacking physical substance.

Discounting

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

Audit

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

AVA (Additional Valuation Adjustment)

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

AUM Assets under management

Overall market value of assets such as deposits, securities and funds managed by the Group on behalf of customers.

 β

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

Back office

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

Backtesting

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

Banking book

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

Basis swap

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

Best practice

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

Bid-ask spread

The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner

See Lead manager and Joint lead manager.

Brand name

IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is not used in accounting standards a restrictive sense as a synonym for "logo" and "name"; it is rather considered as a general marketing term which defines a set of complementary intangible assets (including, in addition to name and logo, the skills, the trust placed by the consumer, the quality of the services, etc.) which concur to form the so called "brand equity".

Budget

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

Business combinations

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

Business model

The business model within which financial assets are managed.

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

CAGR (Compound Annual Growth Rate)

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

Capital Asset Pricing Model (CAPM)

An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure

It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:

Equity Tranche (B): the riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.

Mezzanine Tranche (B): the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB-AAA.

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

Captive

Term generically referring to “networks” or companies that operate in the exclusive interest of their parent company or group.

Carry trade

The carry trade is a financial transaction in which funds are procured in a country with a low cost of money and then invested in a country with high interest rates to take advantage of the difference in returns.

Securitisation

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

Cash flow hedge

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

Cash-generating Unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash management

A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Certificates

Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.

Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

Sale without recourse

Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse

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

CCF - Credit Conversion Factor

In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):

- a) 100 % if it is a full risk item;
- b) 50 % if it is a medium-risk item;
- c) 20 % if it is a medium/low-risk item;
- d) 0 % if it is a low-risk item.

CCP (Central Counterparty Clearing House)

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

CDO – Collateralised Debt Obligation

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

CDSs on ABX

An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).

In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.

For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.

Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge

of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation

CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities

Securitisations Debt instruments backed by mortgages on commercial real estate.

CMO - Collateralised Mortgage Obligation

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

Commercial paper

Short-term notes issued in order to collect funds from third-party underwriters as an alternative to other forms of indebtedness.

Consumer ABS

ABS whose collateral is made up of consumer credits.

Core Business

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

Core deposits

"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the normally lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which, under normal conditions, pays less than the market interest rate.

Common Equity Tier 1 Ratio (CET1 Ratio)

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

Corporate

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

Cost/income ratio

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

Amortised cost

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

Transaction costs

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

Covenant

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

Coverage ratio

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

Covered bond

Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

CPPI (Constant Proportion Insurance Portfolio)

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

Credit default swap/option

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

Credit derivatives

Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement

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

Credit/emerging markets (Funds)

Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes

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

Credit Risk Adjustment (CRA)

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

Credit spread option

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

Past due loans

"Past due exposures" are non-performing exposures on which payments are past due on a continuing basis for over 90 days, in accordance with the definition set forth in current supervisory reporting rules.

CreditVaR

Value that indicates an unexpected loss with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's risk appetite.

Cross selling

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

CRM – Credit Risk Mitigation

Techniques used by institutions to reduce the credit risk associated with their exposures.

CRP (Country Risk Premium)

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

CR01

Referred to a credit portfolio, it indicates the change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

CSA (Credit Support Annex)

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

Reclassification date

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

Default

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

Delinquency

Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

Delta

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

Embedded derivatives

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

Desk

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

Dynamics of funding

Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

Directional (Funds)

Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap

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

Duration

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

EAD – Exposure At Default

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

ECAI – External Credit Assessment Institution

An external credit assessment institution.

EDF – Expected Default Frequency

Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

EHQLA (Extremely High Quality Liquid Asset)

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

ETD – Exchange Trade Derivatives

Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

Embedded value

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

Eonia (Euro overnight index average)

Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the Euro area.

Equity hedge / long-short (Funds)

Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivative contracts involving securities or market indices.

Equity origination

Increase of a company's risk capital achieved by floating a new issue of stock.

ERP (Equity Risk Premium)

Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

Exotics (derivatives)

Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

EVA (Economic Value Added)

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

Event-driven (Funds)

Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory

Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Expected Credit Losses (ECL)

Expected credit risk adjustments, determined based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Calculated as the difference between all contractual flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls) discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

12-Month Expected Loss

Portion of the lifetime expected loss that arises if the default occurs within 12 months from the reporting date (or a shorter period if the expected life is less than 12 months), weighted by the probability of that default.

Facility (fee)

Fee calculated with reference to the disbursed amount of a loan.

Factoring

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

Fair value

The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

Fair value hedge

Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fair Value Option (FVO)

The Fair Value Option is an option for classifying a financial instrument.

When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion

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

“G” factor (“g” growth rate)

It is the factor used for perpetuity projection of cash flows in order to calculate “Terminal value”.

FICO Score

In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the “score” to assess borrower default risk and to correctly price risk.

FIFO: First In First Out

Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale

Prudential filters

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

Harmonised mutual funds

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

Forward Rate Agreement

See “Forwards”.

Forwards

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

Front office

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

Funding

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

Futures

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

FVTOCI: Fair Value Through Other Comprehensive Income

Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss

Method of recognition of changes in the fair value of financial assets through profit or loss

Global custody

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

GMSLA

Global Master Securities Lending Agreement: these are margin agreements used to mitigate counterparty risk in securities lending transactions

GMRA

Global Master Repurchase Agreement: these are margin agreements used to mitigate counterparty risk in repurchase agreement transactions.

Goodwill

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

Governance

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

Grandfathering

The new composition of own funds under Basel 3 and other less significant measures will enter into force following a transitional period. Specifically, old instruments included in Basel 2 regulatory capital, which are not included under Basel 3, will be gradually eliminated (referred to as the grandfathering period).

Greeks

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

Hedge accounting

Rules pertaining to the accounting of hedging transactions.

Hedge funds

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

HELs – Home Equity Loans

Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HQLA (High Quality Liquid Asset)

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

HY CBO – High-Yield Collateralised Bond Obligation

CDOs with collateral represented by High-Yield securities.

IAS/IFRS

The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)

The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)

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

IFRIC (International Financial Reporting Interpretations Committee)

A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA (Internal Models Approach)

Approach for calculating the capital requirement for market risk using internal models.

IMM (Internal Model Method)

Method for calculating Exposure at Default, within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment

When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Deferred tax (tax liabilities or assets)

Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.

Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:

- (a) deductible temporary differences;
- (b) the carry forward of unused tax losses; and
- (c) the carry forward of unused tax credits.

Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.

There are two types of temporary difference:

- a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or

- b) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Significant increase in credit risk "SICR"

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

- the weighted average lifetime PD has increased beyond the threshold at the time of the origination. Other measures of PD deterioration can also be used. The relative thresholds are defined as percentage increases and set at a particular value or segment;
 - exposures are determined to be of higher credit risk and subject to closer monitoring;
- exposures are more than 30 days past due, used as a backstop rather than a primary driver.

Incurred loss

Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in a portfolio of performing loans and is the basic indicator for determining the size of the stock of collective adjustments recognised in the financial statements.

Index-linked

Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

CMBX index

The same as the ABX index, the only difference being that the reference entities are CMBSs.

Internal dealing

Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday

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

Investment property

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

Investment grade

Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

IRC – Incremental Risk Charge

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

IRS – Interest Rate Swap

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

ISDA - International Swaps and Derivatives Association

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

Joint venture

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

Junior

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

Ke (Cost of Equity)

Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g

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

Lambda (λ)

Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LCRE: Low Credit Risk Exemption

Exemption from the ordinary credit risk measurement according to which it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk (at least equal to investment grade) at the reporting date.

LDA - Loss Distribution Approach

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

Lead manager - Bookrunner

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

Risk-based lending

A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Leveraged & acquisition finance

See "Acquisition finance".

Liquidity Coverage Ratio (LCR)

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

LTV – Loan-to-Value Ratio

The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.

The LTV ratio measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

Cumulative loss

Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Loss Given Default (LGD)

It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

M–Maturity

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

Macro-hedging

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

Mark to Market

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

Market dislocation

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

Market making

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

Market neutral

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

Mark-down

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

Mark-up

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

Merchant banking

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

Mezzanine

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

Monoline

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

Multistrategy / Funds of funds (Funds)

Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value

The market value of one share of the fund's managed assets.

Net Stable Funding Ratio (NSFR).

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

Non-performing

Term generally referring to loans for which payments are overdue.

Covered bond

See "Covered Bond".

Option

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

Outsourcing

The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)

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

Over-The-Counter (OTC)

It designates transactions carried out directly between the parties outside organised markets.

Packages

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

Expected credit loss

It is calculated as the product of the Probability of Default (PD) and Loss Given Default (LGD) multiplied by the exposure value (EAD). It represents the ratio of the amount expected to be lost on the exposure, over a time horizon of one year, as a result of a potential default by the counterparty and the amount of the exposure at the time of default.

Lifetime expected loss

Expected credit loss that results from all possible default events over the expected life of a financial instrument.

Performing

Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)

Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

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

Index-linked life insurance policies

Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

Pool (transactions)

See "Syndicated lending".

Held for trading

A financial asset or financial liability that:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Pricing

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

Prime broker

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

Prime loan

Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking

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

Private equity

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

One-year Probability of Default (PD)

The likelihood that a debtor will default within the space of 1 year.

Lifetime PD

The likelihood that a debtor will default within a period equal to the expected life of the financial instrument.

Project finance

Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

PV01

Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Indirect customer deposits

The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Rating

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

Real estate (finance)

Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)

REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)

Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail

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

Counterparty risk

Counterparty risk is a particular type of credit risk, relating to OTC derivatives and SFTs (Securities Financing Transactions), which refers to the possible default of the counterparty before the expiry of a contract that has a positive market value.

Credit risk

The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Market risk

Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Liquidity risk

The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash

without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Operational risk

Risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk and compliance risk, model risk, ICT risk and financial reporting risk; strategic and reputational risk are not included.

Risk-free

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

Risk Management

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

RMBS - Residential Mortgage-Backed Securities

Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)

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

RTS (Regulation Technical Standards)

Regulatory technical standards

Risk-Weighted Assets (RWA)

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

Scoring

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

Senior/Super senior tranche

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

Sensitivity

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

Servicer

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

SGR (Società di gestione del risparmio)

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

SPE/SPV

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

Speculative grade

Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

SPPI TEST

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

Spread

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

SpreadVar

Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stage 1

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

Stage 2

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

Stage 3

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

Stakeholders

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

Stock options

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

Stress tests

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

Structured export finance

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

Financial instruments listed in an active market

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

Subprime

A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps

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

Syndicated lending

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

Effective interest rate

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

Tax rate

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

Terminal value

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

Impairment test

The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:

- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

Tier 1

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

Tier 1 capital ratio

Ratio of Tier 1 Capital, which consists of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1), to total risk-weighted assets.

Tier 2

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.

Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value

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

Total capital ratio

Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2).

Total return swap

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

Trading book

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

Trustee (Real estate)

Real estate vehicles.

Trust-preferred Securities (TruPS)

Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee

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

Value in use

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

Collective assessment of performing loans

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

Fundamental Valuation

Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

VaR - Value at Risk

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

Vega

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

Vega 01

Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage

Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Expected life

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

Warrant

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

Waterfall

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

Wealth management

See "Asset management".

What-if

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

Wholesale banking

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

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Financial calendar

Approval of the half-yearly report as at 30 June 2021:	4 August 2021
Approval of the Interim Statement as at 30 September 2021:	3 November 2021

