INTESA SANPAOLO

Basel 3 Pillar 3

Disclosure as at 31 December 2022

This is an English translation of the original Italian document "Terzo Pilastro di Basilea 3 Informativa al pubblico al 31 dicembre 2022". 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 of approval of this document. 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.

Basel 3 Pillar 3 Disclosure as at 31 December 2022

Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Italy Share Capital Euro 10.368.870.930,08 Torino Company Register and Fiscal Code No. 00799960158 “Intesa Sanpaolo” VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group “Intesa Sanpaolo” included in the National Register of Banking Groups

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Introduction

Notes to the Basel 3 Pillar 3 disclosure

With effect from 1 January 2014, the reforms of the accord by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and increase banks' transparency and disclosures. In doing so, the Committee maintained the approach founded on three Pillars, underlying the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.
In particular, with the aim of better regulating the market, Pillar 3 identifies a set of public disclosure obligations on capital adequacy, the composition of regulatory capital, the methods used by banks to calculate their capital ratios, and on risk exposure and the general characteristics of related management and control systems.

That said, the content of "Basel 3" was incorporated into two EU legislative acts:

– Regulation (EU) 575/2013 of 26 June 2013 (Capital Requirements Regulation - CRR), as amended, applicable from 1 January 2014, which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
– Directive 2013/36/EU of 26 June 2013 (CRD IV, Capital Requirement Directive) as amended, which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional capital buffers.

On 7 June 2019, following the publication in the Official Journal of the European Union of Regulation (EU) 2019/876 (CRR II), which was part of the broader package of regulatory reforms, also referred to as the Risk Reduction Measures (RRM), which also include the CRD V (Capital Requirements Directive), the BRRD II (Banking Recovery and Resolution Directive) and the SRMR II (Single Resolution Mechanism Regulation), significant changes were introduced to the EU framework established by the two above-mentioned regulations.

EU legislation is complemented by the provisions issued by the Bank of Italy, in particular with Circular 285 of 17 December 2013, as subsequently amended, which contains the prudential supervision regulations applicable to Italian banks and banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and taking into account the needs detected while supervising banks and other intermediaries.

The public disclosure by institutions (Pillar 3) is therefore directly governed by:

– CRR, Part Eight "Disclosure by Institutions" (Articles 431-455), as amended by Regulation (EU) 2019/876 (CRR II), applicable from 28 June 2021;
– the Regulations of the European Commission that transpose the regulatory or implementing technical standards drawn up by the EBA. Of particular importance in this respect is Regulation (EU) 2021/637 of 15 March 2021, applicable from 28 June 2021, discussed further below;
– the Guidelines issued by the EBA – in line with the mandate entrusted to it by Regulation (EU) 1093/2010, which created it – for the purpose of establishing uniform templates for the publication of various types of information.

In line with the regulatory changes introduced by CRR II, the above-mentioned Implementing Regulation (EU) 2021/637, stemming from the mandate given to the EBA by Article 434a CRR II ("Uniform disclosure formats"), was published on 21 April 2021, with the aim of streamlining and harmonising the periodic disclosures to the market by providing institutions with a complete integrated set of formats, templates and tables for uniform disclosures (the single framework), able to ensure high quality disclosure and a consistent framework aligned to international standards. This Regulation, applicable from 28 June 2021, establishes implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of the CRR.
In addition, to facilitate the application of the disclosure requirements by institutions and strengthen their consistency and comparability, the EBA also has made a mapping tool available to institutions, consisting of a file that links most of the quantitative public disclosure templates with those in the prudential supervisory reports.
From the reporting date of 30 June 2021, the Intesa Sanpaolo Group will publish disclosures on the basis of the provisions contained in the above-mentioned Regulation.

In addition, the requirement established by Article 448 CRR II (paragraph 1, points a) and b)), relating to the disclosure of exposures to interest rate risk on positions not held in the trading book (IRRBB – Interest Rate Risk in the Banking Book) has also been applicable from June 2021. The forms and instructions to fulfil those obligations of disclosure to the public are set out in Implementing Regulation (EU) 2022/631 of the Commission of 13 April 2022, which - in endorsing the implementing technical standards (ITS) drawn up by the EBA, and in compliance with which the Intesa Sanpaolo Group, starting from the reporting date of 30 June 2021, publishes that detailed disclosure - amends Implementing Regulation (EU) 2021/637.

With regard to the Pillar 3 instructions provided by the EBA through the Guidelines, the reference standards are:
- EBA/GL/2014/14 on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 CRR;
- EBA/GL/2018/01 regarding the templates for the publication of information relating to the impacts on own funds resulting from the introduction of the Regulation (EU) 2017/2395, containing "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds". As the Intesa Sanpaolo Group opted for the transitional arrangement through the "static" approach to mitigate this impact, it is also required to provide market disclosure on the amounts of its fully loaded own funds, Common Equity Tier 1 Capital, Tier 1 Capital, CET1 ratio, Tier 1 ratio, Total ratio and Leverage ratio, as if it had not adopted this transitional arrangement. As explained below in this introduction, these guidelines were amended by the Guidelines EBA/GL/2020/12, cited below, as part of the measures introduced as a result of the COVID-19 pandemic.

As part of the context linked to the COVID-19 pandemic, in order to mitigate the possible negative effects of the current crisis generated by the COVID-19 pandemic and ensure disclosure regarding the areas affected by the containment measures adopted for that purpose, thereby promoting sufficient and suitable understanding of the risk profile of supervised institutions, on 2 June 2020, the EBA published the final version of the document "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" (EBA/GL/2020/07), which contains the guidelines for reporting and disclosure of exposures subject to the measures applied in response to the COVID-19 crisis, whose first-time application, for disclosure purposes, started on 30 June 2020. From that date, therefore, the three templates required by the above-mentioned Guidelines have been added to the Intesa Sanpaolo Group's public disclosure – "Credit risk: credit quality" Section. It is noted that, in response to the decreased importance of the government support measures and the decrease in the volume of loans subject to various types of payment moratoria and government guarantees, the EBA repealed those guidelines on 1 January 2023.
Also within the emergency scenario mentioned above, Regulation (EU) 2020/873 of 24 June 2020, amending Regulations (EU) 575/2013 and Regulation (EU) 2019/876 containing temporary support provisions in terms of capital and liquidity, was published with an accelerated approval procedure (the "quick-fix").
The Regulation establishes that institutions that decide to apply the provisions of the new transitional IFRS 9 rules relating to adjustments to loans after 31 December 2019, amending the rules introduced by Regulation (EU) 2017/2395, and/or the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (the prudential filter for exposures to central governments classified as FVOCI), in addition to disclosing the information required in Part Eight of the CRR, they are required to disclose the amounts of own funds, Common Equity Tier 1 capital and Tier 1 capital, the total capital ratio, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, and the leverage ratio they would have in case they did not apply that treatment.
To complete the regulatory framework developed for the pandemic crisis, following the adoption of the CRR 'quick-fix', the EBA clarified the disclosure requirements for temporary treatments introduced with the quick-fix ("Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick-fix' in response to the COVID-19 pandemic" - EBA/GL/2020/12).
With regard to the various provisions set out in Regulation (EU) 2020/873, the Intesa Sanpaolo Group does not make use either of the changes to the transitional regime for the application of IFRS 9 (Article 473a CRR) or the FVOCI prudential filter (Article 468 CRR) for the purpose of calculating own funds, in line with the approach adopted starting from 30 June 2020.

With reference to the increasing weight that control of environmental, social and governance risks (ESG risks) is taking on within the European regulatory framework, it is noted that Commission Implementing Regulation (EU) 2022/2453 was published in the Official Journal in December 2022, amending the implementing technical standards (ITS) laid down in Implementing Regulation (EU) 2021/637 with regard to the introduction of new, standard models for disclosure of ESG risks and instructions, developed in compliance with Article 449a of the CRR. That Article requires large institutions that have issued securities traded in a regulated market of any Member State to publish disclosure on ESG risks, including physical risks and transition risks. Banks are required to provide initial disclosure on 31 December 2022, and every six months thereafter, gradually applying the disclosure obligations based on specific models (phase-in period from December 2022 to December 2024).

Details of the impact for the Intesa Sanpaolo Group of the military conflict between Russia and Ukraine and the impacts of the scenario resulting from the COVID-19 pandemic on the different types of risk (liquidity risk, credit risk, market risk and operational risk) are provided in the individual sections of this document. With regard to the impacts for the ISP Group more generally, reference is made to the detailed descriptions in the Group's 2022 Financial Statements.

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In accordance with the above provisions and in line with the approach described above, this document has been prepared on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (as described in Section 2 - Scope of application - Qualitative disclosure).
As also reported in the 2022 Consolidated financial statements, with respect to 31 December 2021, the changes in the line-by-line accounting scope of consolidation involved the entry of:
- Newco TPA S.p.A. (now named InSalute Servizi S.p.A.), a newly-incorporated company in the Insurance Group, 100% owned by Intesa Sanpaolo Vita;
- Compagnie de Banque Privée Quilvest (CBPQ), 100%-owned by Fideuram Bank (Luxembourg) S.A.;
- VUB Operating Leasing A.S., previously consolidated using the equity method;
- Acantus S.p.A. (transferee of ISP's pledged loans business line belonging to the former UBI Group), following the exceeding of the immateriality limits that previously allowed its consolidation at equity;

- VUB Generali Dochodkova Spravcovska Spolocnost A.S, following the acquisition of an additional share of 5.26% by VSEOBECNA UVEROVA BANKA A.S. (the total investment now amounts to 55.26%). The company was previously consolidated at equity;
- Eurizon Capital Real Asset SGR S.p.A., following the exceeding of the immateriality limits that previously allowed its consolidation at equity;

and the exit of:

- Intesa Sanpaolo Private Bank (Suisse) Morval, merged by incorporation into Reyl & Cie S.A.;
- VUB Leasing A.S., which was discontinued following its demerger into Vseobecna Uverova Banka A.S. for finance leases and into VUB Operating Leasing (mentioned above) for operating leases;
- UBI Leasing S.p.A., merged by incorporation into Intesa Sanpaolo S.p.A.;
- PBZ Stambena Stedionica d.d., merged by incorporation into PBZ – Privredna Banka Zagreb d.d.;
- Intesa Sanpaolo (Qingdao) Service Company Limited, which is now consolidated using the equity method in view of the negligible amounts of the balance sheet aggregates;
- Cargeas Assicurazioni S.p.A., merged by incorporation into Intesa Sanpaolo Assicura S.p.A.;
- Intesa Sanpaolo Smart Care S.r.l., merged by incorporation into Intesa Sanpaolo S.p.A.;
- Sanpaolo Invest SIM S.p.A., merged by incorporation into Fideuram-Intesa Sanpaolo Private Banking S.p.A.;

The changes that were also relevant for the scope of prudential consolidation involve the entry of Compagnie de Banque Privée Quilvest (CBPQ), VUB Operating Leasing, Acantus, VUB Generali and Eurizon Capital Real Asset SGR and the exit of Intesa Sanpaolo Private Bank (Suisse) Morval, VUB Leasing, UBI Leasing, PBZ Stambena Stedionica, Intesa Sanpaolo (Qingdao) Service Company Limited and Sanpaolo Invest SIM.
In addition, solely for the prudential scope of consolidation, we note the entry of Mooney Group S.p.A. following the acquisition, in July, of a further 20% stake in that company by Banca 5 S.p.A., bringing the total interest to 50%, with joint control between Banca 5 and Enel X, which holds the remaining 50% (in ISP's accounting scope of consolidation the entity continues to be consolidated using the equity method, without any change).

With regard to how the Group's two subsidiaries present in Ukraine and Russia, respectively Pravex Bank Joint-Stock Company (hereinafter: Pravex) and Joint-Stock Company Banca Intesa (hereinafter: Banca Intesa Russia), contribute to the preparation of the consolidated financial statements as at 31 December 2022 – as already described in the 2022 Financial Statements, to which reference is made for more details – it should be noted that Banca Intesa Russia was consolidated based on the results as at 31 December 2022, while for Pravex, the worsening of the situation in the city of Kiev from October onwards led to the decision – with a view to containing "operational" risks – to maintain the accounting statements produced by Pravex as at 30 September 2022 for the purpose of December's consolidation. Consequently, as at 31 December 2022, the balance sheet and income statement results of Pravex were included through the line-by-line consolidation of a consolidation package, prepared in compliance with the IAS/IFRS, referring to 30 September 2022 and translated at the exchange rate as at 31 December 2022. However, it is worth recalling that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group.

In line with the related supervisory reports, the comparative data relating to previous periods were not restated to take account of the changes in the scope of consolidation.

In accordance with Article 433 of the CRR, banks publish the Pillar 3 Disclosures required by European regulations at the same time as the financial statements or as soon as possible after that date. The frequency of publication of disclosures by large institutions (the category the Intesa Sanpaolo Group belongs to) is specifically regulated by Article 433a CRR ("Disclosures by large institutions").
In relation to the scope of application of the provisions of the CRR, which refers - as previously indicated - to a "prudential" consolidation scope, and the provisions of the CRR, this document does not illustrate all the types of risk that the Intesa Sanpaolo Group is exposed to. Additional information about the risks is presented in the consolidated financial statements based on the provisions of IFRS 7 and the related explanatory instructions issued by the Bank of Italy (Circular 262 and related updates). In particular, the information on risks is set forth in Part E of the Notes to the consolidated financial statements. Part E also illustrates:

- the various types of risks of the insurance segment (Part E – Information on risks and relative hedging policies: Section 3 – Risks of insurance companies);
- the risks of other companies (Part E – Information on risks and relative hedging policies: Section 4 – Risks of other companies);
- Banking Group foreign exchange risk (Part E – Information on risks and relative hedging policies: Section 2 – Risks of the prudential consolidation: 1.2.3 Foreign exchange risk);
- exposure to structured credit products (Part E – Information on risks and relative hedging policies: Section 2 – Risks of the prudential consolidation: Other information on financial risks – Information on structured credit products);
- legal and tax disputes (Part E – Information on risks and relative hedging policies: Section 2 – Risks of the prudential consolidation: 1.5 Operational risk - Legal risks and tax litigation).

In order to better understand the organisation of the Group, reference is also made to the Report on operations of the consolidated financial statements ("Breakdown of consolidated results by business area and geographical area").

All the amounts reported in this disclosure, unless otherwise specified, are stated in millions of euro.

In addition, an explanation of the meaning of certain terms and/or abbreviations commonly used in this disclosure is provided in the specific glossary annexed to this document.

Lastly, as required by the G-SIBs assessment exercise conducted by the EBA, the Group's website publishes information, upon the required deadlines, on the value of the indicators of global systemic importance (Governance\Risk management Section of the website: "Assessment methodology indicators to identify the global systemically important banks").

Approval, certification and publication of the Basel 3 Pillar 3 disclosure of Intesa Sanpaolo as at 31 December 2022

The Basel 3 Pillar 3 disclosure as at 31 December 2022 ("Pillar 3") of Intesa Sanpaolo has been prepared in accordance with Part Eight of the Regulation (EU) 575/2013, considering the specific requirements introduced by Regulation (EU) no. 2021/637.

The preparation of the Pillar 3 disclosure on capital adequacy, risk exposure and the general characteristics of the related management and control systems of Intesa Sanpaolo is governed, in compliance with the applicable regulations, by the "Guidelines on the disclosure of Financial information to the Market", approved by the Board of Directors. The governance of the Pillar 3 disclosure requires the Chief Risk Officer to ensure that the risk information provided therein – including the new disclosure required from December 2022 on ESG risks (Art. 449a CRR) – complies with the prudential regulation and is consistent with Group risk management guidelines and policies and with the measurement and control of the Group's exposure to the different risk categories. Also with reference to the ESG disclosure required by Art. 449a CRR, the Chief Financial Officer and the Chief Governance Officer guarantee, to the extent of their respective responsibilities, that the disclosure complies with the prudential regulations and is consistent with the strategies and policies on the matter of the Intesa Sanpaolo Group.

In addition, in accordance with the "Guidelines on Remuneration, Incentives and Identification of the Key Function Holders", the Chief Operating Officer ensures that the information provided in the Pillar 3 document in accordance with Article 450 CRR complies with the prudential regulations and is consistent with the relevant guidelines and policies of the Intesa Sanpaolo Group.

As a public disclosure, the document is accompanied by the declaration of the Manager responsible for preparing the Company's financial reports, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, which confirms that the accounting information contained in the document corresponds to the supporting documentation, ledgers and other accounting records.

The preparation of Financial disclosures to the Market is one of the processes subject to assessment under the Group "Administrative and Financial Governance Guidelines", which were also approved by the Board of Directors.

The disclosure is prepared in accordance with the internal processes and control systems that have been adopted by the Bank.

Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of Company strategies and policies;
- containment of risk within the limits set out in the reference framework for determining the Bank's risk appetite (Risk Appetite Framework – RAF);
- safeguard of asset value and protection from losses;
- effectiveness and efficiency of the Company processes;
- reliability and security of Company information and IT procedures;
- the prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing of terrorism);
- the compliance of transactions with the law and supervisory regulations, as well as internal policies, procedures and regulations.

Considering the importance of this disclosure, Intesa Sanpaolo has decided to submit the annual Pillar 3 Disclosure, as at 31 December, to a limited review on a voluntary basis. The Independent Auditor's report is included.

The document is submitted for approval by the Board of Directors and subsequently published on Intesa Sanpaolo's website at the link www.group.intesasanpaolo.com in the Governance – Risk Management section.

References to the regulatory disclosure requirements

The table below provides a summary of the location of the market disclosure, in accordance with the regulatory requirements governed by the new European regulations and in particular CRR Part Eight and related Regulation (EU) 2021/637 (as amended).

CRR Article	Pillar 3 Section Reference as at 31 December 2022	Frequency of publishing Pillar 3 disclosures
435 - Disclosure of the risk management objectives and policies	▪ Section 1 - General requirements	▪ Annual
436 - Disclosure of the scope of application	▪ Section 2 - Scope of application ▪ Section 3 - Own Funds	▪ Annual
437 – Disclosure of own funds	▪ Section 3 - Own Funds ▪ Attachment 1 - Own funds: Main features of regulatory own funds instruments (EU CCA Reg. 2021/637) ▪ Attachment 2 - Own funds: Composition of regulatory own funds (EU CC1 Reg. 2021/637)	▪ Quarterly (except "EU CC2 Reconciliation" table half-yearly) ▪ Quarterly (instruments issued in the period) / Annual (full disclosure) ▪ Quarterly
437a - Disclosure of own funds and eligible liabilities	-	N/A for ISP Group
438 - Disclosure of own funds requirements and risk-weighted exposure amounts	▪ Section 4 - Capital Requirements ▪ Section 9 - Credit risk: disclosures on portfolios subject to IRB approaches	▪ Quarterly (summary) / Annual (full)
439 - Disclosure of exposures to counterparty credit risk	▪ Section 11 - Counterparty risk	▪ Half-yearly (summary) / Annual (full)
440 - Disclosure of countercyclical capital buffers	▪ Section 4 - Capital Requirements	▪ Quarterly (summary) / Half-yearly (full)
441 - Disclosure of indicators of global systemic importance	-	N/A for ISP Group
442 - Disclosure of exposures to credit risk and dilution risk	▪ Section 7 - Credit risk: credit quality	▪ Half-yearly (summary) / Annual (full)
443 - Disclosure of encumbered and unencumbered assets	▪ Section 17 - Encumbered and unencumbered assets	▪ Annual
444 - Disclosure of the use of the Standardised Approach	▪ Section 8 - Credit risk: disclosures on portfolios subject to the standardised approach ▪ Section 11 - Counterparty risk	▪ Half-yearly (summary) / Annual (full)
445 - Disclosure of exposure to market risk	▪ Section 13 - Market risk	▪ Half-yearly
446 - Disclosure of operational risk management	▪ Section 14 – Operational risk	▪ Half-yearly (summary) / Annual (full)
447 - Disclosure of key metrics	▪ Section 4 - Capital Requirements	▪ Quarterly
448 - Disclosure of exposures to interest rate risk on positions not held in the trading book	▪ Section 16 - Interest rate risk on positions not included in the trading book	▪ Half-yearly (summary) / Annual (full)
449 - Disclosure of exposures to securitisation positions	▪ Section 12 – Securitisations	▪ Half-yearly (summary) / Annual (full)
449a - Disclosure of environmental, social and governance risks (ESG risks)	▪ Section 20 - Disclosure of environmental, social and governance risks (ESG risks)	▪ Half-yearly report (from June 2023)/Annual Report for the first year (31 December 2022)
450 - Disclosure of remuneration policy	▪ Section 19 - Disclosure of remuneration policy	▪ Annual
451 - Disclosure of the leverage ratio	▪ Section 18 - Leverage ratio	▪ Quarterly (summary) / Annual (full)
451a - Disclosure of liquidity requirements	▪ Section 5 - Liquidity risk	▪ Quarterly (summary) / Annual (full)
452 - Disclosure of the use of the IRB Approach to credit risk	▪ Section 9 - Credit risk: disclosures on portfolios subject to IRB approaches ▪ Section 11 - Counterparty risk	▪ Half-yearly (summary) / Annual (full)
453 - Disclosure of the use of credit risk mitigation techniques	▪ Section 8 - Credit risk: disclosures on portfolios subject to the standardised approach ▪ Section 9 - Credit risk: disclosures on portfolios subject to IRB approaches ▪ Section 10 - Credit risk mitigation techniques	▪ Half-yearly (summary) / Annual (full)
454 - Disclosure of the use of the Advanced Measurement Approaches to operational risk	▪ Section 14 – Operational risk	▪ Half-yearly (summary) / Annual (full)
455 - Use of Internal Market Risk Models	▪ Section 13 - Market risk	▪ Quarterly (summary) / Annual (full)

Reference to the requirements of Regulation (EU) 2021/637 (as amended), EBA GL 2020/07 and EBA GL 2020/12

The table below shows the location in the Pillar 3 document of the disclosure requirements introduced by Regulation (EU) 2021/637 (as amended, including by Regulation (EU) 2022/631 as regards the disclosure of IRRBB and Regulation (EU) 2022/2453 on ESG disclosure), applicable from June 2021, containing the implementing technical standards for the publication by institutions of the information required by Part Eight CRR, in addition to what is already required by EBA GL 2020/07 on the disclosure of exposures subject to the measures applied in response to the COVID-19 crisis and EBA GL 2020/12 on disclosure in the IFRS 9 transition period.

Table	Table Description	Publication frequency	Pillar 3 Section (annual document)
EU OVA	Institution risk management approach	Annual	Section 1 – General requirements
EU OVB	Disclosure on governance arrangements	Annual	
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Annual	Section 2 – Scope of application
EU LI1	Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories	Annual	
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Annual	
EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Annual	
EU LIB	Other qualitative information on the scope of application	Annual	
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Half-yearly	Section 3 - Own Funds
EU OVC	ICAAP information	Annual	Section 4 - Capital Requirements
EU OV1	Overview of total risk exposure amounts	Quarterly	
EU KM1	Key metrics	Quarterly	
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Quarterly	
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Quarterly	
EU MR2-B	RWEA flow statements of market risk exposures under the IMA	Quarterly	
EU CCyB2	Amount of the institution-specific countercyclical capital buffer	Quarterly	
EU CCyB1	Geographic distribution of the relevant credit exposures for the purpose of calculating the countercyclical capital buffer	Half-yearly	
EU INS1	Insurance participations	Half-yearly	
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Annual	
EU IFRS 9-FL*	Comparison of own funds, capital ratios and leverage ratio with and without the application of transitional provisions for IFRS 9	Quarterly	
EU LIQA	Liquidity risk management	Half-yearly (summary) / Annual (full)	Section 5 – Liquidity Risk
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	Quarterly	
EU LIQ1	Quantitative information of LCR (Liquidity Coverage Ratio)	Quarterly	
EU LIQ2	Net Stable Funding Ratio (NSFR)	Half-yearly	
EU CRA	General qualitative information about credit risk	Annual	Section 6 – Credit risk: General disclosure
EU CRB	Additional disclosure related to the credit quality of assets	Annual	Section 7 – Credit risk: Credit quality
EU CR1	Performing and non-performing exposures and related impairment and provisions	Half-yearly	
EU CR1-A	Maturity of exposures	Half-yearly	
EU CR2	Changes in the stock of non-performing loans and advances	Half-yearly	
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	N/A**	
EU CQ3	Credit quality of performing and non-performing exposures by past-due days	Half-yearly	
EU CQ4	Quality of non-performing exposures by geography	Half-yearly	
EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	Half-yearly	
EU CQ1	Credit quality of forborne exposures	Half-yearly	
EU CQ2	Quality of forbearance	N/A**	
EU CQ6	Collateral valuation – loans and advances	N/A**	

EU CQ7	Collateral obtained by taking possession and execution processes	Half-yearly	
EU CQ8	Collateral obtained by taking possession and execution processes - vintage breakdown	N/A**	
Table 1***	Information on loans and advances subject to legislative and non-legislative moratoria	Half-yearly	
Table 2***	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Half-yearly	
Table 3***	Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Half-yearly	
EU CRD	Qualitative disclosure requirements related to standardised approach	Annual	Section 8 – Credit risk: Disclosures on portfolios subject to the standardised approach
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Half-yearly	
EU CR5	Standardised approach - Exposures post CCF and CRM	Half-yearly	
EU CR5 bis	Standardised approach - Exposures before CCF and CRM	Half-yearly	
EU CRE	Qualitative disclosure requirements related to IRB approach	Annual	Section 9 – Credit risk: Disclosures on portfolios subject to IRB approaches
EU CR6-A	Scope of the use of IRB and SA approaches	Annual	
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Half-yearly	
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Half-yearly	
EU CR10	Specialised lending and equity exposures under the simple risk weight approach	Half-yearly	
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Half-yearly	
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Annual	
EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	N/A	
EU CRC	Qualitative disclosure requirements related to CRM techniques	Annual	Section 10 – Credit risk mitigation techniques
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Half-yearly	
EU CCRA	Qualitative disclosure related to CCR	Annual	Section 11 – Counterparty risk
EU CCR1	Analysis of CCR exposure by approach	Half-yearly	
EU CCR2	Transactions subject to own funds requirements for CVA risk	Half-yearly	
EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Half-yearly	
EU CCR3 bis	Standardised approach – CCR exposures by regulatory exposure class and risk weights – Amounts without risk mitigation	Half-yearly	
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Half-yearly	
EU CCR5	Composition of collateral for CCR exposures	Half-yearly	
EU CCR6	Credit derivatives exposures	Half-yearly	
EU CCR8	Exposures to CCPs	Half-yearly	
EU SECA	Qualitative disclosure requirements related to securitisation exposures	Annual	Section 12 – Securitisations
EU SEC1	Securitisation exposures in the non-trading book	Half-yearly	
EU SEC2	Securitisation exposures in the trading book	Half-yearly	
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor	Half-yearly	
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor	Half-yearly	
EU SEC5	Exposures securitised by the institution – Exposures in default and specific credit risk adjustments	Half-yearly	
EU MRA	Qualitative disclosure requirements related to market risk	Annual	Section 13 – Market risk
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Annual	
EU MR1	Market risk under the standardised approach	Half-yearly	
EU MR2-A	Market risk under the Internal Model Approach (IMA)	Half-yearly	
EU MR3	IMA values for trading portfolios	Half-yearly	
EU MR4	Comparison of VaR estimates with gains/losses	Half-yearly	
EU PV1	Prudent valuation adjustments (PVA)	Annual	
EU ORA	Qualitative information on operational risk	Annual	Section 14 – Operational Risk
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Annual	

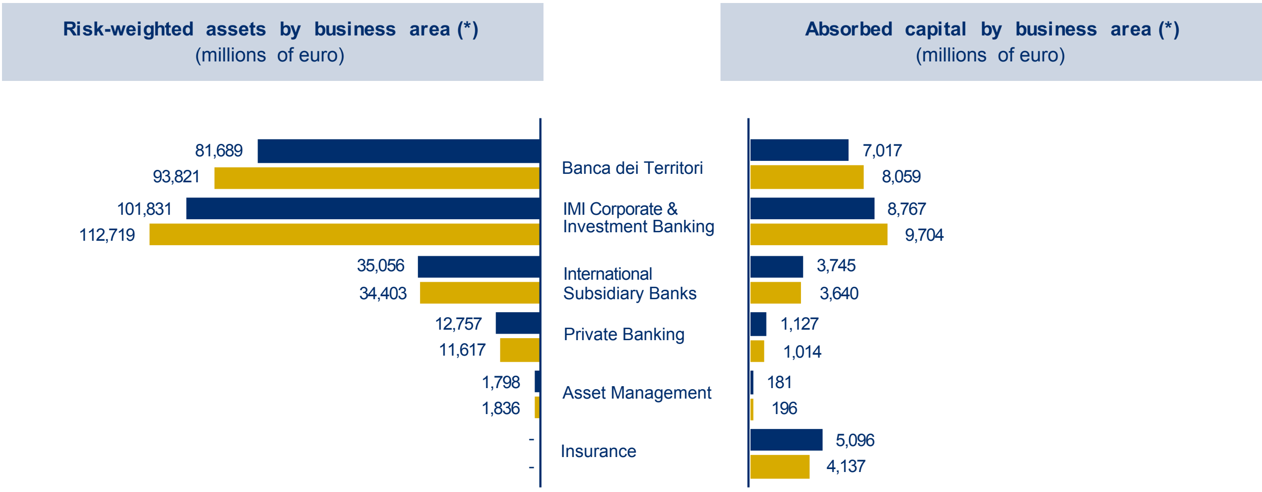
EU IRRBBA	Qualitative information on interest rate risk of non-trading book activities	Annual	Section 16 - Interest rate risk on positions not included in the trading book
EU IRRBB1	Interest rate risk of non-trading book activities	Half-yearly	
EU AE1	Encumbered and unencumbered assets	Annual	Section 17 – Encumbered and unencumbered assets
EU AE2	Collateral received and own debt securities issued	Annual	
EU AE3	Sources of encumbrance	Annual	
EU AE4	Accompanying narrative information	Annual	
EU LRA	Disclosure of LR qualitative information	Half-yearly	Section 18 - Leverage ratio
EU LR2	LRCom – Leverage ratio common disclosure	Half-yearly	
EU LR1	LRSum – Summary reconciliation of accounting assets and leverage ratio exposure	Half-yearly	
EU LR3	LRSpl – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Half-yearly	
EU REMA	Remuneration policy	Annual	Section 19 – Remuneration policy
EU REM1	Remuneration awarded for the financial year	Annual	
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	
EU REM3	Deferred remuneration	Annual	
EU REM4	Remuneration of 1 million EUR or more per year	Annual	
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	
Table 1 Qualitative Information	Qualitative information on environmental risk	Annual 31.12.2022; Half-yearly from 30.06.2023	Section 20 – Disclosure of environmental, social and governance risks (ESG risks)
Table 2 Qualitative Information	Qualitative information on social risk	Annual 31.12.2022; Half-yearly from 30.06.2023	
Table 3 Qualitative Information	Qualitative information on governance risk	Annual 31.12.2022; Half-yearly from 30.06.2023	
Template 1	Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity	Annual 31.12.2022; Half-yearly from 30.06.2023	
Template 2	Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral	Annual 31.12.2022; Half-yearly from 30.06.2023	
Template 4	Banking book - Indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms	Annual 31.12.2022; Half-yearly from 30.06.2023	
Template 5	Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk	Annual 31.12.2022; Half-yearly from 30.06.2023	
Template 10	Other climate change mitigating actions that are not covered by the EU Taxonomy (Regulation (EU) 2020/852)	Annual 31.12.2022; Half-yearly from 30.06.2023	
EU CCA	Own Funds: Main features of regulatory own funds instruments	Quarterly (instruments issued in the period)	Attachment 1
EU CC1	Own Funds: Composition of regulatory own funds	Quarterly	Attachment 2

* EBA GL 2020/12 "Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a CRR to ensure compliance with the CRR 'quick fix'".
** As at 31 December 2022 not applicable for the Intesa Sanpaolo Group because NPL ratio <5%.
*** EBA GL 2020/07 "Guidance on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis".

Section 1 - General requirements

Group's risk profile: key indicators as at 31 December 2022

Consolidated capital ratios (%)	31.12.2022	31.12.2021
Common Equity Tier 1 capital (CET1) net of regulatory adjustments / Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.8	14.5
TIER 1 Capital / Risk-weighted assets	16.2	16.4
Total own funds / Risk-weighted assets	19.1	19.1
Risk-weighted assets (millions of euro)	295,443	326,903
Absorbed capital (millions of euro)	29,574	30,763



(*) 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.

31.12.2022
31.12.2021

Consolidated profitability ratios (%)

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

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

(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments and income for the period.

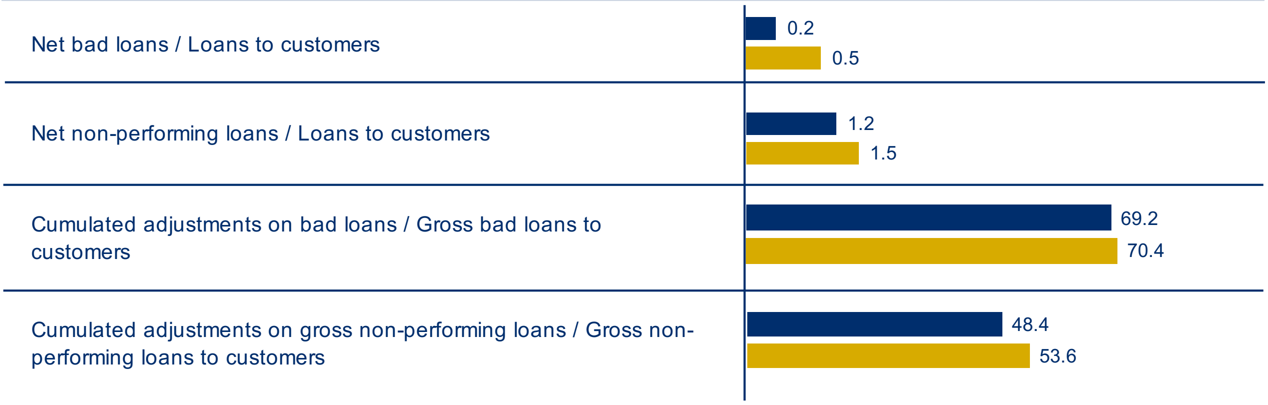
(c) Ratio between net income and total assets at the end of the period.

Earnings per share (euro)

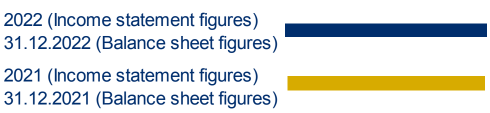
(d) Net income (loss) attributable to shareholders compared to the average number of outstanding shares. Intesa Sanpaolo's share capital consists solely of ordinary shares.

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

Consolidated risk ratios (%)



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



General risk management principles

The Intesa Sanpaolo Group attaches great importance to risk management and control, as condition to ensure a reliable and sustainable value creation in a context of controlled risk.

The risk management strategy aims to achieve a complete and consistent overview of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the growth of the risk culture and enhancing a transparent and accurate representation of the riskiness of the Group's portfolios.

The Risk-taking strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Board of Directors. The RAF is established to ensure that risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the economic situation. The framework defines both the general risk appetite principles and the control of the overall risk profile and the main specific risks.

The general principles that govern the Group's risk-taking strategy may be summarised as follows:

- Intesa Sanpaolo is a Banking Financial Conglomerate focused on a commercial business model where domestic retail activities remain the Group's structural strength, and include not only banking products and investment services, but also insurance and wealth management solutions tailored to the Group's customers;
- the Group's goal is not to eliminate risks, but to understand and manage them in such a way as to guarantee adequate returns on the risks taken and guarantee soundness and business continuity over the long term;
- Intesa Sanpaolo has a low risk profile in which capital adequacy, profits stability, a sound liquidity position and a strong reputation are the key strengths for maintaining its current and prospective profitability;
- Intesa Sanpaolo aims for a capitalisation level in line with its main European peers;
- Intesa Sanpaolo intends to maintain strict control over the risks arising from its activities;
- the Group devotes particular effort to the continuous strengthening of its risk culture as a fundamental instrument to promote sound risk-taking and ensure that risk-taking activities exceeding its risk appetite are recognised, assessed, escalated and addressed in a timely manner;
- to guarantee the sustainability of its operating model over the long-term, the Group attributes particular emphasis to monitoring and controlling non-financial risks, model risk, reputational risks and Environmental, Social and Governance (ESG) and climate change risks. With specific regard to the latter, Intesa Sanpaolo recognises the strategic importance of ESG factors and the urgency of limiting climate change, and is committed to including the impact of these aspects in strategic decision-making processes and to fully integrate them into its risk management framework with the goal of maintaining a low risk profile. This includes controlling how ESG risks and those connected with climate change impact existing risks (credit, operational, reputational, market and liquidity risk) and implementing high ethical and environmental standards in internal processes, products and services offered to customers and in the selection of counterparties and suppliers.

The general principles are applicable at Group level as well as at the individual entity level (business unit/legal entity). In case of an external growth, these general principles will be applied taking into consideration the specific characteristics of the business in which the target is involved and its competitive environment.

The Risk Appetite Framework thus represents the overall framework within which the management of corporate risks is developed, with the establishment of general risk appetite principles and the resulting structuring of the control of:

- the overall risk profile; and
- the Group's main specific risks.

The control of the overall risk profile derives from the definition of general principles and is structured in the form of a framework of limits aimed at ensuring that the Group, even under severe stress conditions, complies with minimum requirements of capital adequacy, liquidity, resolvability capacity and profitability, and also contains the non-financial risks, model risk, as well as reputational risks, ESG and climate change risks within appropriate limits.

In detail, the control of the overall risk profile is aimed at maintaining adequate levels of:

- capitalisation, also in conditions of severe macroeconomic stress, in relation to both Pillar 1 and Pillar 2, by monitoring the Common Equity Ratio, the Total Capital Ratio, the Leverage Ratio and the Risk Bearing Capacity;
- liquidity, sufficient to face periods of tension, including extended ones, on the various funding markets, with regard to both the short-term and the structural situation, by monitoring the internal limits of the Liquidity Coverage Ratio, Net Stable Funding Ratio, Loan/Deposit Ratio, Asset Encumbrance and Survival Period in an adverse scenario;
- stability of profits, by monitoring the net profit adjusted and the adjusted operational cost on income, which represent the main potential causes for their instability;
- resolvability capacity in order to be able to absorb any losses and restore the Group's capital position, continuing to perform its critical economic functions during and after a crisis;
- non-financial risks, in order to minimise the potential impact of negative events that jeopardise the Group's economic stability;
- model risk, with the aim of limiting the financial and reputational impacts of its portfolio of models;
- reputational, ESG and climate change risks, through active management of its image and the aspects connected with ESG factors, including climate change, aiming to prevent and contain any negative effects on its reputation.

In compliance with the EBA guidelines (EBA/GL/2021/11) concerning the "Minimum list of quantitative and qualitative recovery plan indicators", the Group includes asset quality, market-based and macroeconomic indicators, to ensure consistency with its Recovery Plan.

The control of the main specific risks is implemented by establishing specific limits and mitigation actions to be taken in order to limit the impact of particularly severe future scenarios on the Group. These limits and actions regard the typical risks of the Group's activities, such as credit risk, market risk and interest rate risk, as well as the most significant risk concentrations such as, for example, on single counterparties, sovereign risk and public sector risk, as well as other types of operations

deemed worthy of specific attention by the Corporate Bodies (e.g. transactions exposed to valuation risk, exposure to associated entities[1]).
Within the monitoring of the specific risks, the Credit Risk Appetite (CRA) Framework, a specific RAF for credit risk, identifies areas of growth for loans and areas to be monitored, using an approach based on ratings and other predictive statistical indicators, to guide lending growth by optimising the management of risk.
The CRA limits are approved within the RAF and are continuously monitored by the designated structures of the Chief Risk Officer Area.

The limits set in the RAF are divided into two categories, Hard Limits and Soft Limits, which differ in the escalation process triggered by their breach. In particular, with regard to the Group limits, whose governance is established in detail in the Guidelines on the Group Risk Appetite Framework, the responsibility for approving the remediation plan is assigned:
- to the Board of Directors for Hard Limits, typically set for the main metrics used to control overall risk profile (e.g. Common Equity Tier 1 ratio, Liquidity Coverage ratio, etc.);
- to the Managing Director and CEO for Soft Limits, set on the metrics used to control the main specific risks (e.g. single name concentration, concentration towards the Italian public sector, etc.).

In addition to the limits themselves, Early Warning thresholds may be defined, the exceeding of which is promptly discussed in the competent managerial committee[2].

Defining the Risk Appetite Framework is an articulated process headed by the Chief Risk Officer, which involves close interaction with the Chief Financial Officer and the Heads of the various Divisions, is developed in line with the ICAAP, ILAAP, Recovery Plan, Capital Plan and Liquidity Plan processes, and represents the risk framework in which the Budget and Business Plan are developed. This ensures consistency between the strategy and the risk-taking policy and the Plan and Budget process.
Within the annual RAF update process, it is possible to identify the following phases:
- definition of the scope of RAF risks: risks are identified continuously within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard the Group Long term viability. The activity is formalised within the Group's Risk Identification process. The scope of RAF risks is thus defined starting with that process, paying particular attention to the evolution of the risks for which specific limits and/or risk strategy actions are deemed necessary;
- formulation of the limits proposal: in general, the RAF limits are defined according to a prudential approach. However, the criteria adopted to determine the risk limits differ depending on whether related to control of the Overall Group risk or to control of the Main Specific Group Risks;
- reconciliation between the RAF, Business Plan and Budget: consistency between the RAF and the Business Plan/Budget is sought in all phases of the related preparation procedures through a process of mutual consultation and dialogue that lasts for several months, involving not only the structures of the Chief Risk Officer Governance Area and the Chief Financial Officer Governance Area but also the Business Divisions/Structures;
- approval of the RAF: in line with the provisions of the applicable regulations, the Board of Directors defines and approves the risk objectives, the tolerance threshold (where identified) and the risk governance policies.

The RAF is updated every year, in view of the preparation of the Annual Budget and/or the Business Plan. During the year, when significant events occur, such as exceptional changes in the market context in which the Group operates, significant changes in the configuration of the Group and/or its strategy or based on direct instructions from the Board of Directors, also through the Risks and Sustainability Committee, the Chief Risk Officer Governance Area assesses whether the RAF is still adequate and, if necessary, proposes partial or full revisions to the framework.
The definition of the Risk Appetite Framework and the consequent operational limits for the main specific risks, the use of risk measurement instruments in credit management and operational risk control processes, the use of capital-at-risk measures for corporate performance reporting and assessment of the internal capital adequacy of the Group represent fundamental milestones in the operational application of the risk strategy defined by the Board of Directors along the Group's entire decision-making chain, down to the single operational units and to the single desks.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas, in a comprehensive framework of limits and procedures for governance and control.

As part of correct risk assessment and the development of an adequate system of monitoring and control to mitigate them, the Chief Risk Officer, with the support of the Chief Compliance Officer, where envisaged, conducts a preventive risk assessment of Most Significant Transactions ("MSTs") – understood as transactions of particular importance of the proprietary type or with individual customers or counterparties or that could potentially have a significant impact on the overall risk profile and/or on specific risks of the Group, as defined in the RAF – in order to ensure the assumption of a risk level acceptable for the Group and in line with the RAF. The MST governance model also requires that the Chief Risk Officer reports every six months on the activities carried out to the Corporate Bodies, specifically to the Board of Directors, the Risks and Sustainability

[1] With regard to "Associated Entities", see the "Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", which set out the rules on relationships with parties with special elements of "proximity" to the decision-making centres of the Bank and the Banking Group, classified as Associated Entities, in compliance with the provisions issued on this matter by the Bank of Italy and in line with the CONSOB requirements. In that context, within the Risk Appetite Framework, at least once a year specific plafonds of Group exposure are proposed to the Board of Directors by involving the Parent Company structures concerned. Those plafonds, defined in line with the applicable limits, are broken down into sub-limits of exposure, divided among the Parent Company structures concerned and each Group company, considering the credit, equity and financial components of the market.

[2] The competent Managerial Committee varies according to the RAF metrics considered:
- for capital adequacy, credit risk, stability of profit, asset quality, ESG and climate change metrics, the responsibility lies with the Steering Committee;
- for liquidity and financial risk metrics, including market-based and macroeconomic metrics and those referring to insurance risk, the responsibility lies with the Group Financial Risks Committee;
- for non-financial risks and reputational risk metrics, the responsibility lies with the Group Control Coordination and Non-Financial Risks Committee.

Committee, the Management Control Committee and the Steering Committee.

The assessment of the Group's capital adequacy and liquidity profiles is conducted annually with the ICAAP and the ILAAP, which represent self-assessment processes according to the Group's internal rules, the results of which are then also discussed and analysed by the Supervisor.
With regard to the ICAAP, in accordance with the ECB requirements, the capital adequacy self-assessment process incorporates two complementary perspectives, both of which are analysed from an actual perspective and, on a prospective basis, in a baseline scenario and an adverse scenario:

- regulatory perspective, in which the regulatory metrics for the Pillar 1 risks over the medium term (several years) are represented for both these scenarios;
- financial and operating perspective, in which the management measures and metrics covering all the risks, including the Pillar 2 risks, are presented, with a time horizon of several years in the baseline scenario, and a time horizon of at least two years in the adverse scenario.

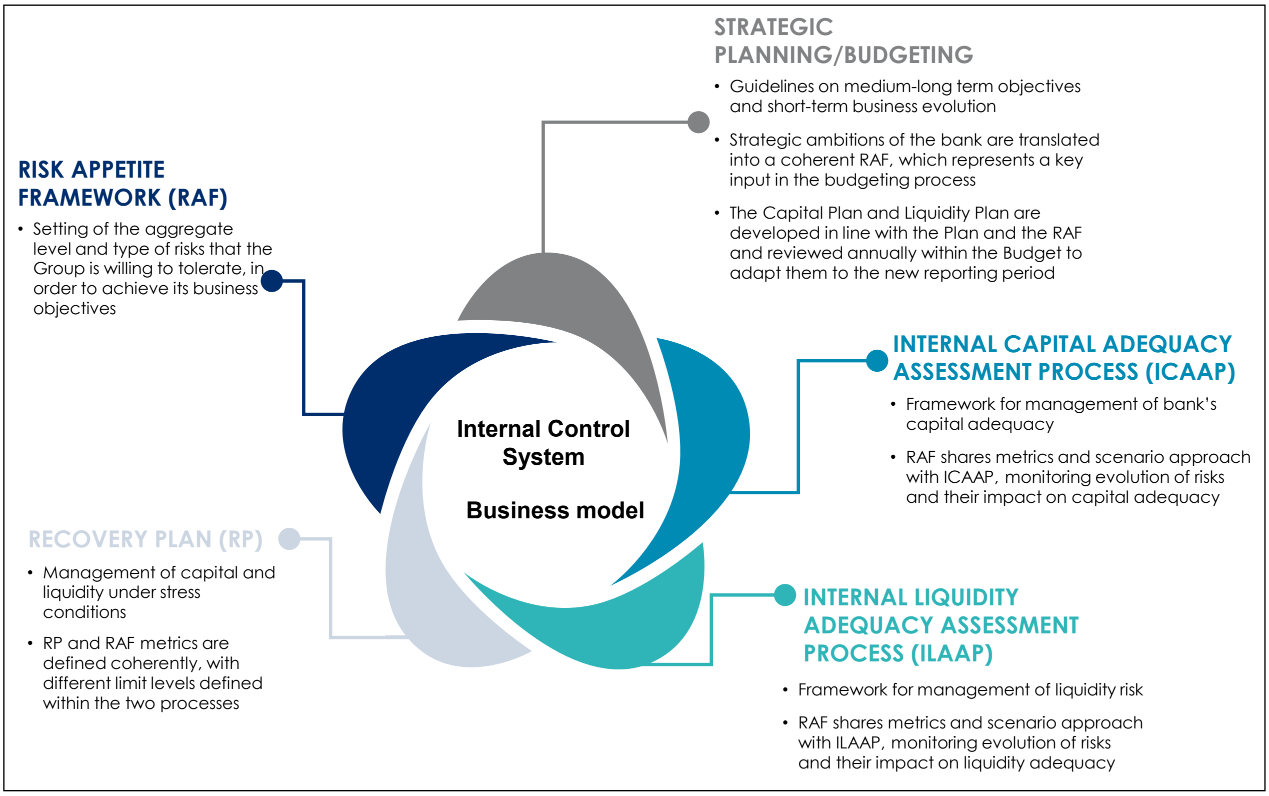
The scope of analysis also includes the insurance segment to better capture the specific characteristics of the Group's business model (financial conglomerate).
The quantitative reconciliation between regulatory requirements and management estimates of capital adequacy is set out in a specific document attached to the ICAAP, which reports the differences in scope and definition of risks considered in both areas, as well as the differences, where appreciable, between what is considered in the two perspectives in terms of the main parameters (e.g. confidence interval and holding period) and assumptions (such as those relating to the diversification of effects).
The ILAAP is the internal process of self-assessment of the adequacy of the Group's short-term and structural liquidity position. Like the ICAAP, it is based on two complementary pillars – the economic perspective and the regulatory perspective – aimed at supporting a clear assessment of the corporate liquidity risks and their effective governance, based on a management strategy, all aspects of which have been carefully considered, with the establishment of an appropriate system of risk-taking limits.

The Group is required to provide a Recovery Plan according to indications received by Supervisory Authorities. The Recovery Plan is governed by the European Bank Recovery and Resolution Directive – BRRD - 2014/59/EU, transposed into Italian law by Legislative Decrees no. 180 and no. 181 of 16 November 2015 and the Bank Recovery and Resolution Directive – BRRD II - Directive 2019/879/EU, transposed into Italian law by Legislative Decree no. 193 of 8 November 2021, in force from 1 December 2021, and establishes the methods and measures to be used when an institution comes under severe stress and in an early intervention phase, in order to restore financial strength and long-term viability.
Within the annual preparation process for the Recovery Plan, the Chief Risk Officer Governance Area identifies the stress scenarios suitable of highlighting the main vulnerabilities of the Group and its business model (e.g. significant exposure to the domestic market), as well as measuring their potential impacts on the Group's risk profile.
For 2022, in accordance with the applicable regulations, the Intesa Sanpaolo Group has developed four stress scenarios, two of which are also based on the potential economic and financial fallouts of the prolonged crisis caused by the Russia-Ukraine conflict.
Following the publication of the "European Banking Authority's Final Report on Recommendation on the coverage of entities in a group recovery plan" (EBA/Rec/2017/02), dated 1 November 2017, Intesa Sanpaolo has adopted specific criteria for the classification of Group companies among:

- Group-relevant;
- Locally relevant;
- Not relevant.

The application of these criteria to the Group scope has led to the Parent Company as well as Fideuram – Intesa Sanpaolo Private Banking, the VUB Group, Banka Intesa Sanpaolo d.d., Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, CIB Group, the PBZ Group, Banca Intesa Beograd and Intesa Sanpaolo Romania, being classified among the Group-relevant entities. The remaining companies are included in the category of not relevant entities. The above breakdown is consistent with the scope covered by the 2021 Recovery Plan.

The Intesa Sanpaolo Group ensures full consistency of the business model and internal control system with the Business Plan and the Budget, the RAF, the Recovery Plan, the ICAAP and the ILAAP, as illustrated in the diagram below.



Stress Tests

Stress tests are a fundamental risk management tool that enable banks to adopt a forward-looking perspective in their risk management, strategic planning and capital planning activities. As a fundamental element of company decision-making processes, the stress testing must be duly formalised and must have a suitable data infrastructure.
The conduct of the stress tests consists of three basic steps:

- selection and approval of scenarios;
- execution of stress tests;
- approval of the results.

Intesa Sanpaolo distinguishes between the following types of stress tests:

- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity. This type of exercise, which requires the full revaluation of the impacts, is also used in the Risk Appetite Framework (RAF), Internal Capital Adequacy Assessment Process (ICAAP) / Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan processes;
- regulatory multi-risk exercise, ordered and coordinated by the Supervisor/Regulator which defines its general assumptions and scenarios, and requires the full revaluation of the impacts;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective. Its scope may vary from case to case;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas;
- mono or specific risk regulatory exercise, ordered and coordinated by the Supervisor/Regulator which defines its general assumptions and scenarios, to assess the impact on specific risk areas.

With regard to the regulatory multi-risk exercises in particular, you are reminded that in 2022 the Intesa Sanpaolo Group took part in the 2022 SSM Climate Risk Stress Test conducted by the ECB. This is a learning exercise both for banks and for the Supervisory Authorities, aimed at assessing the vulnerabilities, sector best practices and challenges that banks will have to deal with in managing climate change risk. The results of this exercise were published by the ECB in aggregate form on 8 July 2022[3].
In 2023 the Intesa Sanpaolo Group will take part in the 2023 EBA EU-wide Stress Test, conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB). The results of this exercise will be published by the EBA by the end of July. As in previous years, there is no minimum capital threshold to be met and the results will be used as an input in the Supervisory Review and Evaluation Process (SREP).

[3] For more information see the document "2022 climate risk stress test" https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708~2e3cc0999f.en.pdf.

Risk Culture

Risk Culture is the subject of increasing attention, as an essential tool to promote solidity as a crucial value, in a rapidly changing economic context. This is two-sided, as it is an expression of the principles guiding the Group (top-down) on one side, and the values and attitudes of its people on the other (bottom-up). The balance of these two elements was the founding objective of Risk Culture activities in 2022, aimed at strengthening cooperation, awareness and responsibilities in relation to risk, with a view to promoting an approach to work aimed at innovation, ethical sustainability, personal and professional development and the proactive search for solutions. Particular attention was paid to the promotion of the guiding principles, also by systematically and carefully updating the reference documents on risk (e.g. Risks Tableau de Bord, ICAAP, Risk Appetite Framework) and the information set for the exercise of operational activities. In addition, numerous initiatives were promoted during 2022, including:

- several workshops/webinars on innovative topics with a high potential impact on the Bank's risk profile (e.g. infodemics, the role of neurobiology in economic decision-making and other aspects of neuroscience, the new frontiers of cybersecurity, in particular cyber-fraud and cyber-war, the main megatrends, and emerging risks);
- the conclusion of the Risk Culture Assessment, initiated in 2021, completing the investigation scope (IMI C&IB, Private, Asset Management, Insurance and International Subsidiary Banks Divisions), aimed at analysing the Group's Risk Culture profile. The Assessment was conducted through a questionnaire that assesses the perceptions and opinions on a wide variety of aspects, including: (i) the degree and diffusion of responsibility, (ii) the role of risk-based reasoning in decision-making processes, (iii) the speed of responses to difficulties, (iv) the quality of the reporting and communication processes, (v) the attitude for cooperation, (vi) openness to dialogue and challenging the status quo, (vii) the quality of expertise and propensity to promote talent and experience, and (viii) compliance with rules and guiding principles. The results were compared with those of the same questionnaire provided to a sample of international peers and with the results of the same questionnaire circulated within the Company during 2016-2017. In addition, several questions, not included during the last edition nor in the questionnaire provided to the peers, were also proposed to colleagues with the goal of investigating the perception of emerging risks, specifically in relation to the Russia-Ukraine conflict, the pandemic and the new way of working, and ESG and Diversity & Inclusion issues. The 2021-2022 results show improvements over the previous edition (2016-17), also with good scores compared to the peers;
- in line with previous years, the Risk Culture Ambassador initiative entailed the temporary secondment of resources from the Chief Risk Officer Area, receiving the same number of resources from the recipient structures of the Head Office Departments and Divisions.

Risk governance organisation

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risks and Sustainability Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework.
The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.

The Corporate Bodies also benefit from the action of some Managerial Committees on risk management. These Committees operate in compliance with the primary responsibilities of the Corporate Bodies regarding internal control system and the prerogatives of Corporate control functions, and specifically the risk control function. In particular:

- the Steering Committee, chaired by the Managing Director and CEO, is a Group body with a decision-making, consulting and reporting role, which, within the Group Risk Analysis Session, seeks to ensure the control and management of risks and safeguard business value at Group level, including the internal control system, in implementation of the strategic guidelines and management policies established by the Board of Directors. Its various tasks include examining the RAF proposal for the Group, preparatory and instrumental to its approval by the Board of Directors, the analysis of the ICAAP and ILAAP Group packages and of the Risks Tableau de Bord;
- the Group Financial Risks Committee is a technical body with decision-making, reporting and consulting powers, focused both on the risks relating to the banking business (including market risk, banking book financial risks, and liquidity risk) and those in the life and non-life insurance business (result exposure to the trend in market variables and technical variables). The functions of said Committee are set out in three sessions:
  - the Risk Analysis and Valuation Session, chaired by the Chief Risk Officer, responsible for evaluating, *inter alia*, in advance of approval by the Board of Directors, the guidelines on undertaking and measuring financial risks and the liquidity risk of the Group, with a view to consistency with the RAF, proposals for operational limits for financial operations referring to interest rate risk of the banking, the trading book and valuation risk defining, within the scope of the powers received, the distribution thereof amongst the Group's major units. It periodically analyses the overall financial risk profile and exposure to liquidity risk and interest rate risk of the Group and the single Group banks and companies, verifying any breaches of the limits and monitoring the approved come-back procedures;
  - the Management Guidelines and Operating Choices Session (ALCO), chaired by the Chief Financial Officer, provides the Group Companies operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors, in respect of management of the banking book, liquidity, interest rate and exchange risk;
  - the ALCO Session – Extended, chaired by the Chief Risk Officer, which analyses the performance of loans and deposits, in current and prospective terms, together with the expected trend in Risk-Weighted Assets (RWA) and financial assets (debt securities and loans) measured at Fair Value through Other Comprehensive Income (FVOCI reserves), in order to monitor and assess their impact on the Group's liquidity and capital profiles;
- the Credit Risk and Pillar 2 Internal Models Committee is a technical body with a decision-making, reporting and advisory role. In particular, with regard to the internal risk measurement systems, the Committee acts as the competent

Management Committee for:
  - the internal models for the measurement and management of credit risk;
  - the internal models for Pillar 2 risks[4].
- the Group Control Coordination and Non-Financial Risks Committee is divided into specific and distinct sessions:
  - the Integrated Internal Control System Session, with a reporting and advisory role, whose objective is to reinforce coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process, in relation to non-financial and reputational risks, to facilitate their effective management;
  - the Operational and Reputational Risk Session, with a decision-making, reporting and advisory role, which has the task of supervising the implementation of operational and reputational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall non-financial risk profile, monitoring the implementation of the mitigation actions identified in accordance with indications formulated by the Corporate Bodies and/or the Steering Committee;
  - the Compliance Risk Session, for reporting and consulting purposes, which is tasked with examining the results of the periodic compliance risk assessments.

  The sessions of the Committee are attended by, among others, the Heads of Corporate control functions, as well as the Manager responsible for preparing the Company's financial reports as a permanent member. This contributes to fulfilling the assigned legal obligations and the responsibilities established in the Company Regulations on the supervision of the financial reporting process. It also enables the promotion of the inter-functional coordination and integration of control activities, within its area of responsibility;
- the Group Credit Committee is a technical body with a decision-making and advisory role that has the task of ensuring the coordinated management of issues relating to credit risk and is organised in two separate sessions (Performing Loans Session and Non-Performing Loans Session). Among other duties, the Committee resolves on the granting, renewal and confirmation of loans within the scope of the powers assigned to it;
- lastly, the Hold To Collect and Sell (HTCS) Sign-Off Committee is tasked with proposing the assumption of market risks put forward by the business structures of the Parent Company or the subsidiaries, on the HTCS shares required for Originate to Share ("OtS") transactions. These transactions consist of loans originated with the intention of being distributed to third-party operators on the primary or post primary market and which provide for a holding period less than or equal to 12 months at the time of their origination.

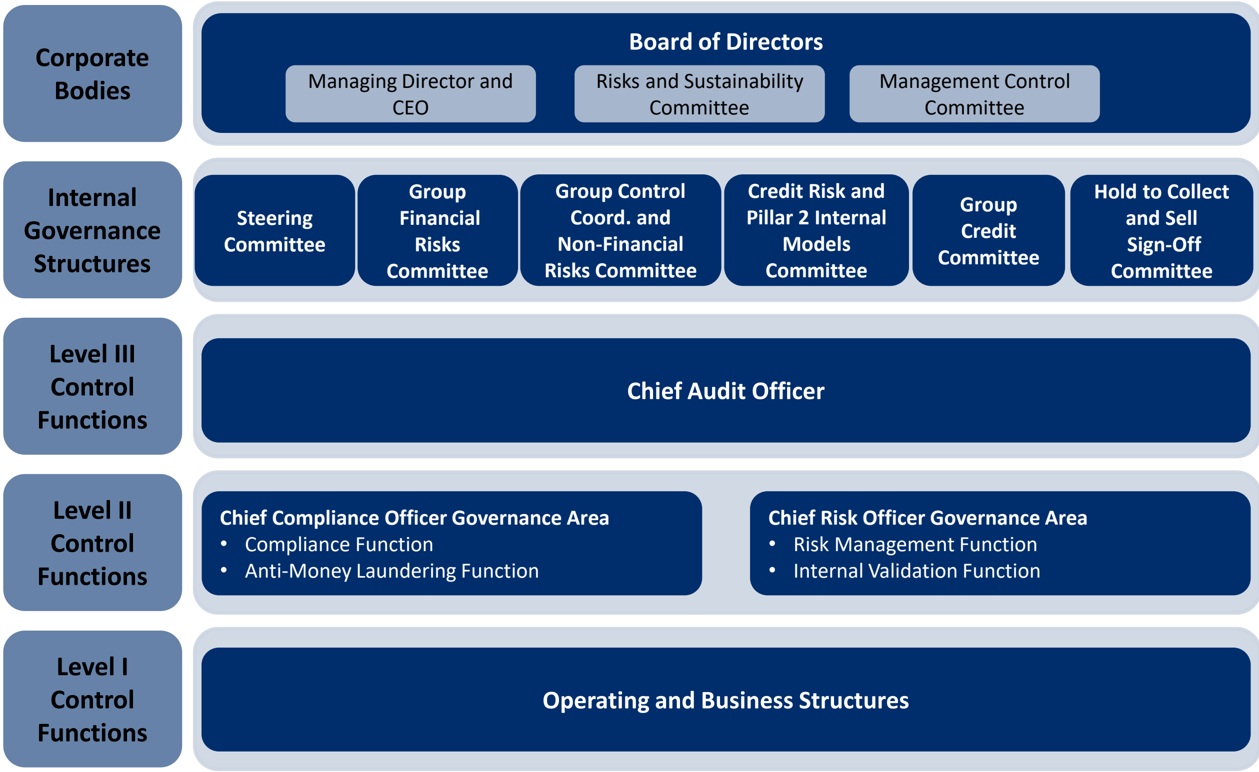
The Chief Risk Officer Governance Area, directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the "second line of defence" of the internal control system that is separate and independent from the business supporting functions.
This Area is responsible for 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, as well as assisting the Corporate Bodies in setting and implementing the Group's risk management guidelines and policies, in accordance with the company's strategies and objectives, and coordinates and verifies their implementation by the responsible units of the Group, also within the various corporate areas, guaranteeing the measurement and control of the Group's exposure to various types of risk, implementing the II level controls on credit and other risks, in addition to ensuring the validation of risk measurement and management internal systems.
To that end, the Chief Risk Officer Governance Area is broken down into the following Organisational Units:
- Market, Financial and C&IB Risks Coordination Area;
  - Market and Financial Risk Management Head Office Department;
  - IMI CIB Risk Management Head Office Department;
- Credit Risk Management Head Office Department;
- Banca dei Territori Risk Management Head Office Department;
- Enterprise Risk Management Head Office Department;
- Internal Validation and Controls Head Office Department;
- Foreign Banks Risk Governance;
- Coordination of Risk Management Initiatives.

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines along the Bank's entire decision-making chain, down to individual operational units. The risk control functions of subsidiaries with a decentralised management model and any representatives of the Parent Company's risk control function at subsidiaries with a centralised management model report to it.

The Chief Compliance Officer Governance Area, which reports directly to the Managing Director and CEO, in a position that is independent from operating departments and separate from internal auditing, ensures the monitoring of the Group regulatory compliance risk, including conduct risk. Within the Risk Appetite Framework, the Chief Compliance Officer Governance Area (i) proposes the statements and limits set for compliance risk and (ii) collaborates with the Chief Risk Officer Governance Area in the monitoring and control of non-financial risks for compliance purposes and, if the set limits are exceeded, in the identification/analysis of events attributable to non-compliance with regulations and in the identification of appropriate corrective measures.
The Chief Compliance Officer Governance Area is broken down into the following Organisational Units:
- Regulatory Compliance Retail and Private Banking Head Office Department;
- Regulatory Compliance Corporate and Investment Banking Head Office Department;

[4] The scope does not include the Pillar 2 models for the measurement and quantification of financial risks in the banking book, which already come under the scope of the Group Financial Risks Committee and the Pillar 2 models for the measurement and quantification of operational and reputational risks, which, instead, come under the scope of the Group Control Coordination and Non-Financial Risks Committee. However, it does include the models used for stress testing and forward-looking income statement valuations.

- Compliance Governance, Privacy and Controls Head Office Department, which includes the Data Protection Officer function that performs the tasks assigned by data protection legislation;
- Anti Financial Crime Head Office Department, which is tasked, *inter alia,* with the duties and responsibilities of the anti-money laundering function;
- Compliance Digital Transformation.



The Parent Company performs a guidance and coordination role with respect to the Group companies[5], 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 Corporate Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of the 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.

[5] 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 internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.

Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for Listed Companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.

Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of Company strategies and policies;
- containment of risk within the limits set out in the reference framework for determining the Bank's risk appetite (Risk Appetite Framework – RAF);
- safeguard of asset value and protection from losses;
- effectiveness and efficiency of the Company processes;
- reliability and security of Company information and IT procedures;
- prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing of terrorism);
- compliance of business operations with the law and supervisory regulations, as well as internal policies, procedures and regulations.

The internal control system plays a crucial role and involves the entire corporate organisation (bodies, units, hierarchical levels, all personnel). In compliance with the provisions of Bank of Italy Circular 285/2013 (First Part, Title IV, Chapter 3) the "Integrated Internal Control System Regulation" was finalised. This aims to define the guidelines of Intesa Sanpaolo's internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adaptation of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration.

The internal control system is made up of a documentation infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls present in the Company, which incorporate all the company policies and the instructions of the Supervisory Authorities, as well as the provisions of law, including the principles laid down in Legislative Decree 231/2001.

The regulatory framework consists of "Governance Documents", adopted from time to time, that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Internal Code of Conduct, Group Regulations, Group Committees Regulation, Regulation on Related Party Transactions, Integrated Internal Control System Regulation, Authorities and powers, Guidelines, Function charts of the Organisational Structures, etc.) and more strictly operational regulations that govern business processes, individual operations and the associated controls (Rules, Process Guidelines, Control Sheets, etc.).

More specifically, the corporate rules set out organisational solutions that:

- ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
- are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
- enable the recording of every operational event and, in particular, of each transaction, with an adequate level of detail, ensuring their correct allocation over time;
- guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the control functions;
- ensure the prompt notification to the appropriate levels within the business and the swift handling of any anomalies found by the business units, the internal audit department and the other control functions;
- ensure adequate levels of business continuity.

The Company's organisational solutions also include controls at each operational level that enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.

In terms of Corporate Governance, Intesa Sanpaolo adopted the one-tier corporate governance system, pursuant to Articles 2409-sexiesdecies and following of the Italian Civil Code. It therefore conducts its operations through a Board of Directors, certain members of which are also members of the Management Control Committee.

Based on this system:

- the Board of Directors is the body responsible for strategic supervision and performs all the tasks assigned to it by the Articles of Association, the applicable regulations and the Bank's governance documents;
- the Managing Director and CEO performs the tasks assigned by the supervisory regulations to the body responsible for management, as set out in the Bank's governance documents, approved by the Board of Directors, except for the responsibilities assigned to the Board;
- the Management Control Committee performs the control function.

The Board of Directors elects a Managing Director from its members, other than the Chair of the Board, the members of the Management Control Committee or the minimum number of Independent Directors.

The Intesa Sanpaolo Group adopts an internal control system based on three levels, in line with the legal and regulatory provisions in force.

The model has the following types of control:

- Level I: line controls which are aimed at ensuring proper performance of operations (for example, hierarchical, systematic and sample-based controls) and which, to the extent possible, are incorporated in the IT procedures. They are carried out by the same operating and business structures, including through units dedicated exclusively to control duties reporting to the heads of the same structures or performed as part of the back office.
- Level II: risk and compliance controls for the purpose of ensuring, inter alia:
  - correct implementation of the risk management process;

  - compliance with the operating limits assigned to the various functions;
  - compliance of company operations with the rules, including self-governance rules.

  The functions assigned to such controls are separate from the ones in charge of production and contribute to the definition of the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent local units of the Group companies, where established:
  - Chief Compliance Officer Governance Area, which has the tasks and responsibilities of the "compliance function", as defined in the applicable regulations, and which includes the "anti-money laundering function", within the Anti Financial Crime Head Office Department, which has the tasks and responsibilities laid down in the regulations on anti-money laundering, counter-terrorism and monitoring of financial sanctions, and the "data protection officer function", within the Compliance Governance, Privacy and Controls Head Office Department, which performs the tasks assigned by data protection legislation;
  - Chief Risk Officer Governance Area, which is assigned the role of the risk management function, as defined by the applicable regulations. The Chief Risk Officer Governance Area also includes the Internal Validation and Controls Head Office Department, which is tasked, among other things, with the duties and responsibilities of the "validation function", as defined by the applicable regulations, as well as Level II controls on credit and data quality;
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

In the Intesa Sanpaolo Group, internal auditing is carried out by the Parent Company's Chief Audit Officer and by the equivalent local units of Group companies, where established.

The Manager responsible for preparing the Company's financial reports also contributes to the internal control system, who, pursuant to art. 154 bis of the Consolidated Law on Finance, exercises oversight at Group level of the internal control system for the purpose of accounting and financial reporting.
The internal control system is periodically reviewed and adapted in relation to business development and the reference context.
Intesa Sanpaolo has an internal control structure consistent with the indications provided by the Supervisory Authorities.

Compliance

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature are founded on trust.
The responsibilities and duties of the compliance function are assigned to the Chief Compliance Officer, who is independent and autonomous in relation to the operating structures, reports directly to the Corporate Bodies and has access to all activities within the Bank, as well as any significant information for the performance of its duties.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Corporate Bodies, which indicate the responsibilities of the various company structures and macro processes to mitigate compliance risk:
- identifying and assessing compliance risk;
- proposing the functional and organisational measures for mitigation of this risk;
- conducting pre-assessments of the compliance of innovative projects, operations and new products and services;
- providing advice and assistance to the governing bodies and the business units in all areas with significant compliance risk;
- monitoring of ongoing compliance, both through control of compliance with regulations by company structures, and through the use of information provided by the other control functions;
- disseminating a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules, as well as the enhancement of technical and professional skills, including in the area of IT developments;
- managing relations with the Authorities with regard to compliance issues and non-compliance events.

The compliance function also includes the data protection officer function, which performs the tasks assigned by data protection legislation in accordance with the governance model described in the Guidelines on the protection of personal data of natural persons.

The regulatory scope, including Environmental, Social and Governance (ESG) factors, and the procedures for monitoring regulatory areas that present significant risks of non-compliance for the Group are defined in the aforementioned guidelines. The Chief Compliance Officer submits periodic reports to the Corporate Bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the Group which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.

The Compliance Guidelines call for the adoption of two distinct models in relation to direction, coordination and control of the Group. These models are organised in such a way as to account for the Group's structure in operational and territorial terms.
In particular:
- for specifically identified Italian Banks and Companies, whose operations are highly integrated with the Parent Company, the compliance supervision is centralised at the Parent Company;
- for the other Companies, that have a legal obligation or have been specifically identified based on the business conducted, as well as the International Branches, an internal compliance function is established and a local Compliance Officer is appointed, which are assigned compliance responsibilities. The local Compliance Officers of the subsidiaries functionally report to the Chief Compliance Officer structures, while those of the International Branches, except where not

permitted by local regulations, hierarchically report to the Chief Compliance Officer structures. Functional reporting is also in place for the local Data Protection Officers of Group Companies established in the European Union.

Anti-Money Laundering

The duties and responsibilities of the anti-money laundering function are assigned, as required by the regulations, to the Anti Financial Crime Head Office Department, which reports to the Chief Compliance Officer, and is therefore independent and autonomous in relation to the operating structures, reporting directly to the Corporate Bodies, and has access to all activities within the Bank, as well as to any significant information for the performance of its duties.

Specifically, as envisaged in the Guidelines for combating money laundering and the terrorism financing and for managing embargoes and the Group Anti-Corruption Guidelines, the Anti Financial Crime Head Office Department ensures monitoring of compliance risk in the area of money laundering, terrorist financing, breach of embargoes, weapons and corruption (Financial Crime), by:

- laying down the general principles to be adopted within the Group for the management of compliance risk;
- identifying and assessing compliance risk;
- conducting ongoing monitoring, with the support of the competent functions, of developments in the national and international context of reference, verifying the adequacy of company processes and procedures with respect to applicable regulations and proposing appropriate organisational and procedural changes;
- providing advice to the corporate functions, as well as establishing adequate training plans;
- preparing appropriate periodic reporting for Corporate Bodies and top management;
- discharging the required specific obligations including, in particular, enhanced customer due diligence, controls of proper management of the data storage Archive and the assessment and monthly submission to the Financial Intelligence Unit of data relating to aggregated anti-money laundering reports, and the assessment of reporting of suspicious transactions received from operating structures for the submission to the Financial Intelligence Unit of reports deemed accurate.

The Anti Financial Crime Head Office Department also performs its role of direction, coordination and control of the Group according to a model similar to the one described for the compliance function.

The Risk Management and Internal Validation Function

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank's entire decision-making chain, down to individual operational units. The tasks and functions are discussed in detail in the subsequent chapters of this Part.

Through the Internal Validation and Controls Head Office Department, the Chief Risk Officer Governance Area carries out Level II controls on credit and data quality.

The purpose of the credit controls is to verify the proper classification and provisioning and the adequacy of the management and recovery process for individual exposures (so-called single names).

In general, the control activities development includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.

As part of the overall risk management process, the Department carries out the Level II controls connected with data quality, in line with the internal and external regulations on the matter, with specific focus on the input data used in internal models, in cooperation with the Data Office, the Enterprise Risk Management Head Office Department and Administrative and Financial Governance. In accordance with regulatory developments, the Internal Validation and Controls Head Office Department is also responsible for the development, maintenance and oversight of the framework for the model risk governance, aimed at ensuring the identification, assessment, monitoring and mitigation of the risk for all Internal Systems, including the Pillar 1 and 2 risk measurement systems and the systems that are used for accounting purposes. To that end, the Department mainly carries out the following activities, in coordination with the Functions concerned: a) defining and developing the model risk governance and methodological framework to identify models, assign the related priorities and assess and mitigate model risk, including the methodology for quantifying the economic capital buffer for model risk; b) defining, managing and upgrading the Group Model Management platform (Group Model Inventory) with the goal of guaranteeing a complete, updated inventory of the models and tracking of the processes connected to the various phases of their life cycles; c) ensuring the periodic identification and assessment of model risk and the economic capital buffer; d) overseeing the process for assigning priorities to models (tiers) in order to efficiently steer their governance, with specific reference to the levels of detail, analysis and frequency of validation and development activities; e) for the model risk component, contributing to the annual proposal to update the Group RAF and periodically monitoring the model risk appetite indicators; and f) providing periodic disclosure on the Model Risk Management Framework and on the results of the model risk assessments to the Head of the Chief Risk Officer Area, the competent managerial committees and the Corporate Bodies.

Moreover, the Internal Validation and Controls Head Office Department is assigned the validation function, aimed at ensuring the validation at Group level of the internal risk measurement systems, used both for the determination of capital requirements and for non-regulatory purposes, in order to assess their compliance with regulatory provisions[6], operational needs and reference market demands[7].

The internal systems adopted by the Group are validated on first adoption (based on the plans of gradual extension made by the Group) or when changes are made to them, in compliance with the development and validation process approved by the Corporate Bodies. The validation function also ensures the periodic review of internal systems in terms of models, processes, data used and implementations in IT, assessing their adequacy, predictive ability and performance, as well as their compliance over time with regulatory provisions, company needs and changes in the reference market.

The validations are conducted in line with the planning of the function's activities, defined consistently with the internal and external reference regulations and that presented to the competent Corporate Bodies. The relevant criteria that define the

[6] Regulation (EU) 575/2013 (CRR), EBA Guidelines, EU Directive 2013/36 (CRD IV), Bank of Italy Circular 285/2013.

[7] Regulation (EU) 575/2013 (CRR), EBA Guidelines, EU Directive 2013/36 (CRD IV), Bank of Italy Circular 285/2013.

type of validation to implement (Standard or Full) and its frequency also include the tier of the model and its use, as attributed in the Model Risk Management Framework.
For Pillar 1 risks, the validation frequency is set, in any event, in line with the external reference regulations.
In order to ensure the periodic reporting on the results of the validation process continuously carried out to the Corporate Bodies and, regarding the internal Pillar 1 risk measurement systems, to the Supervisory Authorities, the Internal Validation Function prepares the Annual Validation Reports regarding the internal Pillar 1 systems and the internal systems used for management purposes. These reports summarise the results of the analyses conducted during the reporting year on the internal systems used at the Parent Company and the Group Companies and the opinion formulated. They also highlight the main areas for improvement identified and the critical level assigned. In carrying out the validation process at Group level, the function interacts with the Supervisory Authorities, with the relevant Corporate Bodies and the functions responsible for the Level III controls required by the regulations. It adopts a decentralised approach for companies with local validation functions (the main Italian and international companies), coordinating and supervising the activities of those companies, and adopting a centralised approach for the others. The adopted methodologies were developed in implementation of the principles that inspire the Supervisory regulations for banks, EU directives and regulations, general guidelines of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.

Internal Auditing

Internal auditing activities are assigned to the Chief Audit Officer, who reports directly to the Board of Directors (and therefore it reports to the Chairman), functionally reporting to the Management Control Committee, without prejudice to the appropriate links with the Managing Director and CEO. The Chief Audit Officer has not any direct responsibility on the business.
This function has a structure and a control model which is organised according to the evolution of the organisational structure of Intesa Sanpaolo and of the Group.
The Internal Auditing structures of the Group’s Italian and international companies report to the Chief Audit Officer in terms of functions.
The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the Risk Appetite Framework (RAF), the risk management process and risk measurement and control instruments. In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, inter alia, it audits the risk control and regulatory compliance corporate functions, also through participation in projects, so as to generate added value and improve the effectiveness of the control and corporate governance processes.
The audit action concerns directly both Intesa Sanpaolo and the Group companies.
The Head of the Internal Auditing Department do not have direct responsibility for operating areas subject to control and not be directly subordinate to the managers of these areas. The Department has access to all the activities carried out both in the head office departments and in peripheral structures. In case of outsourcing to third parties of relevant activities for the functioning of the internal control system (e.g. data processing activity), the internal audit function must access to the activities carried out by those parties either.
Within the framework of the RAF, the Chief Audit Officer prepares its own contribution to the Integrated Risk Assessment conducted by the corporate control functions and by the Manager responsible for preparing the Company’s financial reports.
The Department uses personnel with the appropriate professional skills and expertise and operates in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA).
As required by the international standards, the department is subject to an external Quality Assurance Review every five years. The most recent review was carried out at the end of 2021, three years after the previous review, in accordance with the frequency agreed with the Management Control Committee, and concluded in the first quarter of 2022, confirming the highest assessment envisaged (“Generally Compliant”).
When performing its tasks, the function uses structured risk assessment methodologies to identify the areas of greatest focus and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.
It supports the Surveillance Body pursuant to Legislative Decree 231/2001 in ensuring constant and independent surveillance of the regular performance of operations and processes, to prevent or detect anomalous and risky actions or situations, and to monitor compliance with and effectiveness of the rules set out in the 231 Model. The Chief Audit Officer ensures the correct execution of the Internal management process for reporting violations (so called “Whistleblowing”).
The Chief Audit Officer coordinates the “Integrated Internal Control System” session of the Group Control Coordination and Non-Financial Risks Committee.
During the year, auditing was performed directly for the Parent Company as well as for other subsidiaries under an outsourcing contract. For the other Group companies having their own internal audit departments, steering and practical coordination of the local departments was performed to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, were also performed for those companies, as mentioned above.
Any weaknesses identified in the audit activities were systematically reported to the Corporate Functions involved for prompt remedial action, which is, then, duly followed up by the Chief Audit Officer to verify its effectiveness.
Summary internal control system assessments from the audit activities have been periodically submitted to the Management Control Committee and the Board of Directors.
The findings of the audit activities completed with a negative opinion or with the identification of major shortcomings were sent in full to the Board of Directors, the Managing Director and CEO and the Management Control Committee, as well as the Boards of Directors and Boards of Statutory Auditors of the subsidiaries concerned.

The main weaknesses detected and their evolution have been included in the Audit Tableau de Bord (TdB), with evidence of the ongoing mitigation actions, the parties responsible for implementing them and the relevant deadlines, to ensure systematic follow-up.
Lastly, the Chief Audit Officer ensured constant assessment of its own effectiveness and efficiency in line with the internal “quality assurance and improvement" plan drafted in accordance with the recommendations of International Standards for the Professional Practice of Internal Auditing. In this context, during 2022, the new Strategic Audit Innovation Line-up (SAIL) programme for the period 2022-2025 continued in line with the new Business Plan, with the establishment of the related operational work streams.

Manager responsible for preparing the Company’s financial reports

Supervision on the reliability of the Company financial reports and on the financial reporting process is carried out by Intesa Sanpaolo's Manager responsible for preparing the Company’s financial reports, in compliance with the provisions of Article 154-bis of the Consolidated Law on Finance and the related implementing provisions. This control is also ensured over the subsidiaries governed by the laws of non-EU countries, in accordance with the supervisory rules on management and accounting systems set by Article 15 of Consob Market Regulation 20249/2017 (as subsequently amended and supplemented).
In order to comply with the aforesaid provisions, the Manager responsible for preparing the Company’s financial reports:

- performs a steering and coordination role in Group companies with regard to administrative matters and in the monitoring of the internal control system functional to financial reporting;
- supervises the implementation of legal requirements according to a shared approach at Group level, set out in specific internal regulations.

In particular, the Manager responsible for preparing the Company’s financial reports:

- issues the instructions for the correct and uniform application of the accounting standards and measurement criteria, formalised as part of the Group Accounting Policies, which are subject to regular periodic updates;
- prepares appropriate administrative and accounting procedures for the preparation of the separate and the consolidated financial statements, and updates them to ensure compliance with the corporate disclosure requirements in force;
- verifies the adequacy of the administrative and accounting procedures and the effectiveness of the control system on the financial reporting process;
- oversees the correspondence between the corporate reporting to the market with the accounting records; to this end, it has the right to promptly obtain any information deemed necessary for the performance of his/her duties and coordinates the exchange of information with the independent auditors.

With specific regard to the financial reporting processes, the Manager responsible for preparing the Company’s financial reports:

- maintains a system of contact and information flows with the function of the Parent Company and of the Group Companies, in order to ensure the adequacy of balance sheet, income statement and financial positions and the descriptions of the main types of risks and uncertainties to which the Group may be exposed, monitoring the reliability of the acquisition of relevant data and information;
- oversees the internal control system on the financial reporting process:
  - providing a prior opinion of suitability regarding the changes to the existing organisational structure (new internal regulations) that have an impact on the adequacy of the procedures for financial reporting;
  - preparing audit plans aimed at ensuring the adequacy and effective application of administrative and accounting procedures over the period, also by subsidiaries subject to the laws of non-European Union countries in accordance with Art. 15 of the CONSOB Market Regulation;
- acquires, in relation to the impact on the financial reporting process and the reliability of the corporate information, the results of the activities carried out by the Corporate control functions and, in particular, by the Chief Audit Officer, who is responsible for the overall assurance for the internal control system in accordance with the “Integrated Internal Control System Regulation”;
- acquires any recommendations formulated by the independent auditors at the end of the process of auditing the separate financial statements of the Parent Company and the consolidated financial statements, as well as the related feedback in terms of measures to improve the procedures that have an impact on accounting data, monitoring their implementation and effectiveness;
- periodically reports on the scope and results of the assurance activities performed, to the Management Control Committee and the Board of Directors.

The Manager responsible for preparing the Company’s financial reports contributes to supervising the independence of the independent auditors, in accordance with the procedures governed by specific Company Regulations, in line with the provisions of law (Legislative Decree 39/2010 amended by Legislative Decree 135/2016, which transposed Directive 2014/56/EU into the Italian legislation, and EU Regulation 537/2014). The above-mentioned Company Regulations assign to the Manager responsible for preparing the Company’s financial reports the role of supervising, overseeing and monitoring the accounting audit engagements and other services entrusted by the Parent Company departments and the Group companies to independent auditors, their networks and their affiliates, in addition to the task of regularly informing the Management Control Committee in this regard.
The Manager responsible for preparing the Company’s financial reports also ensures periodic reporting to the Board of Directors regarding the legal and regulatory obligations assigned to the Board for the monitoring of the adequacy of powers and means granted to the Manager responsible for preparing the Company’s financial reports and of the effective observance of administrative and accounting procedures. This reporting is discussed beforehand with the Management Control Committee and the other Board Committees, for the aspects under their responsibility.

Scope of risks

The risks identified, covered and incorporated within the Economic Capital are as follows:

- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
- operational risks;
- insurance risk;
- strategic risk;
- risk on real estate assets owned for whichever purpose;
- risk on equity investments not subject to line-by-line consolidation;
- risks relating to defined-benefit pension funds;
- model risk.

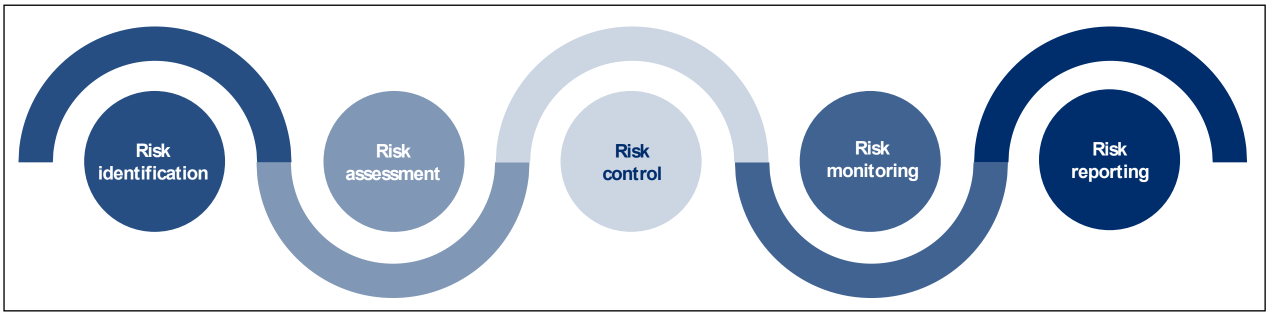
Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures, including stress tests.

Special attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.

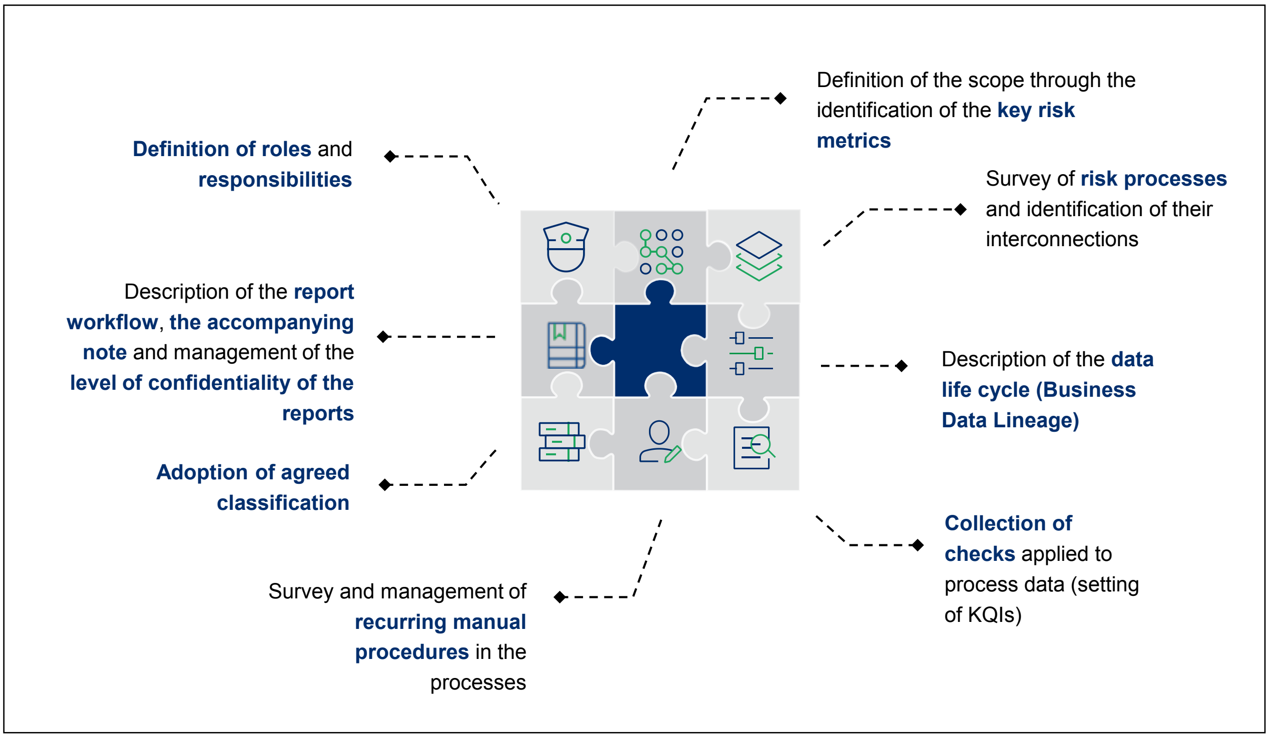
The Group also attaches great importance to the management of reputational risk, which it pursues not only through organisational units with specific duties of promotion and protection of the company image, but also through dedicated processes for the identification and assessment of reputational risk and the creation of specific reporting flows. In addition, starting in 2018, a specific add-on for economic capital has been introduced for operational risk, determined on the basis of operational losses, to strengthen the protection against possible reputational repercussions.

Lastly, particular attention is also given to the control of environmental, social and governance (ESG) risks associated with the activities of its corporate customers and the economic activities the Group is involved in. In the area of ESG risks, particular attention is given to integrating climate change risk into the overall risk management framework, in line with the regulatory guidance and international best practices.

Over the years, the Group has developed and implemented the necessary structural and operational improvements for integrated risk reporting that is as complete, accurate and regular as possible, in order to support senior management.



The risk monitoring processes have undergone a progressive strengthening of the Data & Reporting Governance controls, also in compliance with the applicable regulations ("Principles for effective risk data aggregation and risk reporting - BCBS239"). The Chief Risk Officer Governance Area has planned actions in specific areas, including the adoption of agreed classifications and uniform practices for the description of the life cycle of the data, as well as the adoption of the Data Quality standards, within the main risk monitoring processes. Starting in 2020, a process was also initiated for the convergence towards the Group's target framework developed and regulated by the Data Office Department, continued in 2021 and completed in 2022, through the participation of the Chief Risk Officer Area in specific waves of adoption of the framework. More generally, the strengthening of Data & Reporting Governance has involved the aspects detailed in the diagram below.



The Group has also strengthened its focus on data quality control, defining processes, roles and responsibilities, reference classifications (quality aspects), identifying the related support instruments and activating, within the Chief Risk Officer Area, a second level control unit over data quality.
The scope of Data & Reporting Governance includes: credit risk, market and counterparty risk, interest rate risk of the banking book, liquidity risk, operational risks and the risk integration process.
Assessments of each single type of risk for the Group are integrated in a summary figure – the Economic Capital – defined as the maximum "unexpected" loss the Group may incur over a year, at a given confidence level. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group's capital adequacy and is calculated within the ICAAP.
The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks and Sustainability Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks.

In addition to managing the risks described above, Intesa Sanpaolo pays close attention to the identification and monitoring of specific areas of emerging risk, which, in the medium term, could compromise the achievement of the Group's strategic objectives or significantly influence its financial position and results.

For the purposes described above, the Intesa Sanpaolo Group uses a wide-ranging set of tools and techniques for risk assessment and management, described in detail in this document.

With regard to the detail of the different types of risk governed by Basel 3 Pillar 3 Disclosure (credit, counterparty, market, interest rate, liquidity, operational and ESG risk), reference is made to the individual sections of this document. With regard to insurance risk, outside the prudential scope, reference is made to Part E of the Notes to the 2022 consolidated financial statements, available for consultation in the "Financial Reports" section of the Group website www.group.intesasanpaolo.com.

In addition to the risks discussed above, the Group has identified and monitors the following other risks.

Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decline in profits or capital due to changes in the operating context, misguided Company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.
The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Board of Directors, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions ensures that the component linked to any impacts of incorrect company decisions and low reactivity to changes in the competitive scenario are mitigated.
As regards the component more directly related to business risk, i.e. associated with the risk of a potential decline in profits as a result of the inadequate implementation of decisions, changes in the operating context and unexpected changes in the cost of refinancing, is handled not only by using systems for regulating Company management, but also via specific internal

capital, determined according to an approach that simulates the volatility of margins, fees and commissions, operating costs and refinancing costs, anchored to the business mix of the Group and its Business Units.
Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses, with analyses to assess the impacts on both interest income and margins from the performance of net fees and commissions.

Reputational risk

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.
The Intesa Sanpaolo Group actively manages its image in the eyes of all stakeholders, by engaging all its Organisational Units and seeking robust, sustainable growth capable of creating value for all stakeholders. In addition, the Group seeks to minimise possible negative effects on its reputation through rigorous and comprehensive governance, proactive risk management and guidance and control of its activities.
The overall management of reputational risk is pursued primarily through:

- compliance with standards of ethics and conduct and self-governance policies. The Code of Ethics adopted by the Group contains the core values that Intesa Sanpaolo intends to commit itself to and sets out the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with even broader objectives than those required by current legislation;
- the systematic, independent contribution by the company structures tasked with safeguarding the company reputation, which maintain relations with stakeholders, within their respective areas of responsibility;
- an integrated monitoring system for primary risks, to limit exposure to those risks, and to comply with the related limits contained in the Risk Appetite Framework;
- the Reputational Risk Management processes governed by the Chief Risk Officer Governance Area, which operate transversally across the corporate functions and in synergy with decision-making processes.

Those processes, which involve control, specialist and business functions, for various purposes, specifically include:

- the Reputational Risk Assessment, which seeks to identify the most significant reputational risk scenarios that the Intesa Sanpaolo Group is exposed to, is implemented annually and gathers the opinion of Top Management regarding the potential impact of these scenarios on the Group's image, in order to identify appropriate communication strategies and specific mitigation actions, where necessary;
- ESG & Reputational Risk Clearing, which is aimed at the ex-ante identification and assessment of the potential reputational risks associated with the most significant business operations, the main capital budget projects and the selection of the Group's suppliers/partners;
- Reputational Risk Monitoring, aimed at monitoring the evolution of Intesa Sanpaolo's reputational positioning (on the web, for example) also with the aid of external analyses.

The reputational risk governance model also includes an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature are founded on trust.

In performing the Investment Service for customers, the Groups is exposed to a series of potential risks linked to the activity, such as reputational, legal, strategic and operational risks.
To minimise the above risk dimensions, also in compliance with the applicable regulations, the Group has long had appropriate processes in place to capture their key aspects. These include the following processes in particular:

- Product Governance Risk Clearing, which is assigned the objective of pre-emptive assessment, together with the other competent control functions and the business owner, of the suitability of the products being sold/distributed to customers, analysing all potential risk factors;
- Risk Profile Annual Review of the adequacy of the portfolio risk "limit" associated with each customer segment identified;
- Investment Adequacy Framework, covering the subscription of financial investments and the execution of transactions in unlisted derivatives.

The sale of financial products is therefore governed by specific preventive risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered), in order to correctly identify and mitigate any potential source of risk inherent to the activity.

Risk on owned real-estate assets

The risk on owned real-estate assets may be defined as risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and it is thus included in the category of banking book financial risks. Real-estate management is highly centralised and represents an investment that is largely intended for use in company operations. The degree of risk in the portfolio of owned properties is represented by calculating an economic capital based on the volatility observed in the past in real estate price indexes (mainly Italian, the type of exposure prevalent in the Group's real-estate portfolio), with a degree of granularity of geographical location and intended use appropriate to the real estate portfolio at the reporting date.

Risk on equity investments not subject to line-by-line consolidation

The risk in the equity investment portfolio is related to the possibility of incurring economic losses due to the adverse changes in values of investments not subject to line-by-line consolidation.
The scope considered consists of the equity instruments held in financial and non-financial companies, and includes financial investment instruments, commitments to purchase, and derivatives with underlying equity instruments and equity funds.
The model used to estimate the Economic Capital is based on a PD/LGD approach similar to the credit risk portfolio model and it is used for the stand-alone equity investment portfolio, supplemented with market valuations for the listed portion. The

applicable LGD is the regulatory LGD, whereas the model's other parameters are the same as those used in the portfolio model for credit risk.

Risk related to defined-benefit pension funds

The risk related to defined-benefit pension funds is attributable to the possibility of having to increase the reserve that the Parent Company Intesa Sanpaolo maintains to guarantee the benefits of those pension funds, based on an adverse change in the value of the assets and/or liabilities of the pension funds concerned. This risk is fully considered within the assessment of capital adequacy, measured and controlled both with respect to Economic Capital, using an econometric model for the main macroeconomic variables, as well as to prospective baseline and stress scenarios.

Model risk

Model risk is defined as the potential loss an institution may sustain, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. In continuity with previous years, within the 2022 ICAAP Report, the Internal Validation and Controls Head Office Department updated the model risk assessment (expressed synthetically through a score) of the methodologies supporting the measurement of Pillar 1 and Pillar 2 risks that also contribute to the calculation of the Economic Capital and provided the Enterprise Risk Management Head Office Department with the parameters for the quantification of the model risk economic capital buffer.

Emerging risks

The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.

The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function as part of identifying risk, continuously performed within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard long term viability. In addition to being performed as part of the identification and assessment processes, that activity also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.

Any emerging risks for which a model for calculating economic capital has not been developed are assessed, in any event, using expert-based approaches or using proxies or simplified calculation models in order to guarantee a prudent assessment of the economic capital absorbed.

In that context, the increasing digitalisation of technological infrastructure and the commercial offering, the increased process automation (e.g. through the introduction of robotics and/or artificial intelligence) and the introduction of new ways of working have changed the morphology of certain risks. Specifically, though they do not represent intrinsically new risks, it is probable that there will be significant exposure to:

- IT and Cyber risks, in relation to: (i) the increasing dependence on ICT systems and the resulting increase in the number of users of virtual channels and interconnected devices, (ii) exponential growth in the quantity of data managed, which must be high quality and protected, (iii) greater use of IT services offered by third parties (Open Banking, Fintech, Cloud systems), and (iv) low production costs of new attack techniques with the presence of organisation with specific skills and experience;
- risks connected with the digital transformation process linked to the increase in competition triggered by digitalisation in the financial sector (e.g. entry of new competitors) and the vulnerability that still marks the current operating context (e.g. costs of the digitalisation process, obsolescence of legacy systems and fragmentation of the regulatory framework);
- third party risk, in relation to: (i) greater dependence on systems and services offered by third parties (both regarding the outsourcing of company processes and the growing dependence on providers of cloud or IT services in general).

In addition, in view of the rapidly evolving world of Digital Assets/Metaverse and the associated competitive environment, it is more relevant than ever to consider a new service offering and communication methods. The Group has initiated a series of discussions with the various stakeholders to identify a structured programme aimed at assessing the opportunities and risks associated with these potential new markets. Although the current progress of the work does not allow for an overall assessment of the risk associated with these ecosystems, from the preliminary analyses carried out, it is reasonable to expect that transactions in digital assets and the use of new technology will have the same categories of risk as traditional finance products, but with increased significance due to the following factors:

- vulnerabilities of the new technologies not fully explored;
- technological standards being defined;
- absence of a reference regulatory/legal framework;
- absence of safeguards and guarantee schemes;
- presence of non-regulated entities and/or entities based in non-EU/OECD jurisdictions;
- continuous evolution of the related laws and regulations.

The continuous evolution of the operational environment, both internal and external, requires the continuous updating of the current analysis frameworks (e.g. portfolio development policies, internal control system, payment systems, cybersecurity safeguards, anti-money laundering and counter-terrorism financing safeguards, and accounting, tax and prudential treatment of the assets) in order to take into account the new/altered operations and maximise the effectiveness of the controls for the identification and mitigation of the Group's potential exposure. To this end, a series of projects have been launched to optimise the Group's Digital Operational Resilience profile, by developing the current assessment processes towards more timely, data driven approaches.

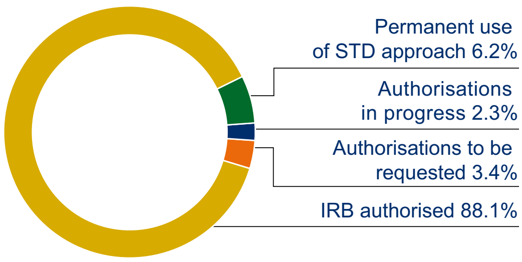
The Basel 3 regulations

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

With regard to credit risk, the ECB's authorisation to use the new Retail models for regulatory purposes was implemented starting from September 2022.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

With regard to the progress of the roll-out plan for the internal models for credit risk (IRB regulatory Roadmap), the share of exposures authorised for the IRB system is 88.1% of the loans portfolio. There are no pending authorisations on portfolios not yet validated, while requests to be made for the remaining portfolios of the Group's Italian and international banks represent 3.4% of the portfolio. For the residual component, equal to 8.5%, the permanent use of the Standardised approach has been reported to the supervisory authorities and authorisation has been received for 6.2% and is still being awaited for 2.3%.

Roll-out plan for internal models for credit risk(*)



(*) Percentages calculated based on the full standard RWA amounts as at 31.12.22. The portfolios are considered to be covered by IRB models when the authorisation has been received, from the Supervisory Authority, for use of the internal model for at least one of the risk parameters.

With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3. For reporting purposes, the Parent Company is authorised to use the internal models approach for the reporting of the requirement with respect to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos and securities lending). This authorisation was obtained for derivatives from the first quarter of 2014, and for SFTs from the report as at 31 December 2016.
For management purposes, the advanced risk measurement approaches have been implemented for the OTC derivatives of the Parent Company since 2010 and were subsequently extended in 2015 to Securities Financing Transactions.
Compared to 31 December 2021, it is noted that, starting from the second quarter of 2022, the eligibility rules for securities used as collateral in SFTs were revised, in light of the provisions of art. 271.2 CRR. In order to maintain a suitable level of control over the materiality of transactions previously considered at full risk, a concentration limit was introduced on guarantees that have low levels of liquidity or creditworthiness. A new assessment process was also defined for guarantees comprised of senior securitisation tranches, to make them eligible to mitigate exposures deriving from SFTs.
Starting from the fourth quarter of 2022, in response to the request from the ECB, a process was activated to exclude from the internal counterparty risk model those transactions whose valuation does not comply with the consistency thresholds between the risk and front office systems.

With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. As at 31 December 2022, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in April 2022.

Other risk factors

In addition to the above risks, the Intesa Sanpaolo Group is carefully assessing the following risk factors.

Interest Rate Benchmark Reform – General aspects

For some years now, the European benchmark rates have been undergoing extensive reform, largely due to the introduction of the European regulation on benchmarks (Benchmark Regulation, Regulation (EU) 2016/1011), published in 2016 and in effect since January 2018.
After the reform of the EURIBOR, effective from November 2019, the adoption of the €STR rate to replace the EONIA fixing in October 2019 and the publication from April 2021 of the Compounded €STR Index and the €STR Compounded Average Rates, the transition has been completed in the Eurozone and this is also the case in the rest of the world where risk-free rates have become the main reference. The following is a summary of the framework of risk-free rates:

IBOR	Risk Free Rate	Administrator	Secured or Unsecured	Transaction
GBP LIBOR	SONIA	Bank of England	Unsecured	o/n wholesale deposits
USD LIBOR	SOFR	New York Fed	Secured	o/n UST repo
JPY LIBOR	TONAR	Bank of Japan	Unsecured	o/n call rate
CHF LIBOR	SARON	SIX Swisse Exchange Ltd.	Secured	interbank o/n report
EUR LIBOR	€STR	ECB	Unsecured	o/n wholesale deposits

Source: ICE Benchmark Administration, Intesa Sanpaolo

With regard to the LIBOR, in its announcement of 5 March 2021, the Financial Conduct Authority (FCA) established that the LIBOR would no longer be published or would lose validity immediately from 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar. The final phase will be activated after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month).

Information on the governance system

Intesa Sanpaolo adheres to the Corporate Governance Code for listed companies, and its governance is in line with the principles and purposes set out therein, as well as, in general, with national and international best practices, which aim to ensure, also in accordance with the Supervisory Authority provisions, effective and transparent distribution of the roles and responsibilities of its Corporate Bodies and a proper balance of strategic supervision, management and control functions.

One-tier governance system

Intesa Sanpaolo adopts the one-tier governance system and therefore operates through a Board of Directors, within which guidance and strategic supervision powers converge; the control functions are carried out by the Management Control Committee, established within the Board of Directors, made up entirely of Independent Directors appointed by the Shareholders' Meeting; the Managing Director and CEO supervises the company’s management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors.
The practical application of the one-tier system to the Bank’s structure is marked by a clear division of roles and responsibilities between the Governing Bodies:

- the Board of Directors of the Company is assigned the guidance and strategic supervision duties and the duty to resolve on all the relevant corporate deeds;
- the internal Board Committees support the Board of Directors in carrying out its functions in order to facilitate the taking of fully informed decisions;
- the Management Control Committee performs the powers and functions conferred by the current regulations upon the body with the control function and upon the internal control and audit committee, pursuant to Legislative Decree 39/2010;
- the Managing Director and CEO performs the day-to-day management function, within the scope of the powers delegated by the Board of Directors;
- the Managers support the Managing Director and CEO in performing the day-to-day management function: as Managerial Committees, in performing the tasks and powers assigned to them by the Board of Directors and detailed within the scope of specific Regulations which govern the functioning thereof.

The Board of Directors, the Managing Director and the Board Committees

The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, including non-shareholders, appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders. Board Members remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected. The Shareholders’ Meeting of Intesa Sanpaolo, held on 29 April 2022, determined the number of members of the Board of Directors as 19 and appointed the Board of Directors for the 2022/2023/2024 financial years, electing as its Chair Gian Maria Gros-Pietro and as Deputy Chair Paolo Andrea Colombo. The election took place on the basis of slates of candidates who meet the requirements envisaged by law and by the Articles of Association.
The Board of Directors is responsible for corporate management: it may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration.
The Board has guidance and strategic supervision duties over the Company and the duty to pass resolutions on all the most important corporate actions.

With regard to its corporate management duties, the Board of Directors, without prejudice to the powers reserved for it, delegates to the Managing Director the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines decided by the same Board. The Board of Directors determines the content, limits and methods of exercise of the powers granted to the Managing Director and CEO and establishes the methods whereby the Board of Directors is to receive information concerning the delegated activity.
The Board of Directors' meeting held on 29 April 2022 appointed Carlo Messina as Managing Director, thereby granting him the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the Board.
The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors. He determines and issues operational directives and is responsible for personnel management.
The Board of Directors has established four internal committees, the prerogatives and duties of which comply with the provisions of the Articles of Association and the Supervisory regulations in force:
- Nomination Committee: it performs investigative and consulting functions to support the Board of Directors in the process of appointment or co-option of the Board Members to ensure that the composition of the body, in terms of size and professionalism, makes it possible to fulfil its duties efficiently, and as part of the process for the appointment of the Bodies of the main subsidiaries.
- Remuneration Committee: it proposes, advises and enquires on remuneration and incentive matters, thereby supporting the Board of Directors.
- Risks and Sustainability Committee: it supports the Board of Directors in the performance of strategic supervision functions regarding risks, the internal control system, as well as sustainability issues (ESG).
- Committee for Transactions with Related Parties: it carries out the tasks assigned to it by the rules on transactions with related parties and associated entities; in particular, it issues its opinion, for the benefit of the Board of Directors, on the transactions that fall within the scope of application of the rules and of the internal regulations.

The Management Control Committee
The Management Control Committee, established as part of the Board of Directors, consists of 5 members of the Board of Directors elected by the Meeting of 29 April 2022, who appointed as its Chair Alberto Maria Pisani.
All Committee members meet the independence requirements defined by the Articles of Association.
The Management Control Committee performs the duties assigned by current legislation to the control body of a parent company of a banking group heading a financial conglomerate and issuing listed shares and also operates as the Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c) of Legislative Decree no. 39/2010.
The Management Control Committee oversees, amongst other things:
- compliance with legal and regulatory provisions and the Articles of Association and the principles of correct management;
- the adequacy, efficiency and functionality of the company's organisational structure and administrative-accounting system and its suitability to correctly represent the company operations;
- the adequacy, efficiency and functionality of the internal control system and risk management process;
- compliance with the regulations applicable to Intesa Sanpaolo as the Parent Company of a banking group issuing shares listed on regulated markets.

The Committee may, after notifying the Chair of the Board of Directors, convene the Shareholders' Meeting whenever it deems it necessary for the performance of its duties or if, during its activities, it detects objectionable facts of significant severity and requiring urgent measures.

The "Report on Corporate Governance and Ownership Structures", prepared in accordance with Article 123-bis of the Consolidated Law on Finance, provides detailed information on the ownership structures, compliance with a corporate governance code, the corporate bodies structure and operation, as well as the corporate governance practices.
The specific information required by Article 435 (2) CRR – Disclosure of the risk management objectives and policies, in relation to the Intesa Sanpaolo Group's governance system, is provided below.

Management and control offices held by the Board Directors in other companies and entities
The offices held by members of the Board of Directors of Intesa Sanpaolo in other companies or entities are subject to specific restrictions, in compliance with the provisions of European Directive 2013/36 and the banking regulations, which also govern the time commitment for the office in the Bank.
The members of the Management Control Committee must also comply with the limitation of directorships provided by the law and by the current regulations for appointment as members of the control bodies of a bank issuing shares listed on regulated markets. Furthermore, they must comply with the additional limitations set out in the Articles of Association.

Directors are required to inform the Bank of any office they hold in other companies and institutions.
The table below shows the number of management and control offices that the Directors have declared they hold, specifying whether they belong to a group, the relevance of the office for the purposes of the limitations established in Article 17 Ministerial Decree 169/2020, in implementation of the European Directive 2013/36, as well as the executive or non-executive nature of the office, when held in a company.

Director	Office	E/NE	Company/Entity	R
Gian Maria Gros-Pietro	Member of the Board of Directors		ABI – Italian Banking Association	
	Member of the Board of Directors	NE	ABI Servizi S.p.A.	•
	Member of the Board of Directors		LUISS – Università Guido Carli	
Paolo Andrea Colombo	Member of the Board of Directors	NE	Colombo & Associati S.r.l.	•
	Chair of the Board of Statutory Auditors	NE	Humanitas S.p.A.	•
Carlo Messina	Member of the Board of Directors		Bocconi university	
	Member of the Board of Directors		ABI – Italian Banking Association	
Franco Ceruti	Chair of the Board of Directors	NE	Intesa Sanpaolo Expo Institutional Contact S.r.l. (1)	
	Chair of the Board of Directors	NE	Società Benefit Cimarosa 1 S.p.A. (1)	
	Member of the Board of Directors	NE	Intesa Sanpaolo Private Banking S.p.A. (1)	
	Chair of the Board of Directors		Fondazione per l'Innovazione del Terzo Settore	
	Member of the Board of Directors		Milan Monza Brianza Lodi Chamber of Commerce	
Anna Gatti	Member of the Board of Directors	NE	WiZink Bank S.A.	•
	Member of the Board of Directors	NE	Wizz Air Holdings PLC	•
Liana Logiurato	Member of the Board of Directors		IMD Business School - International Alumni Association	
Maria Mazzarella	-			
Luciano Nebbia	Deputy Chair of the Board of Directors	NE	Equiter S.p.A.	•
	Member of the Board of Directors		Fondazione Parchi Monumentali Bardini Peyron	
Bruno Maria Parigi	-			
Bruno Picca	Member of the Management Board	NE	National Interbank Deposit Guarantee Fund – Voluntary Scheme	•
Livia Pomodoro	Chair of the Executive Board		Milan Center for Food Law and Policy	
	Chair of the Board of Directors		Accademia di Belle Arti di Brera	
	Director Executive Board		Fondazione Sodalitas	
	Member of the Board of Directors	NE	Febo S.p.A.	•
	Member of the Board of Directors		Touring Club Italiano	
	Chair of the Board of Directors		Spazio Teatro No'hma	
	Chair of the Board of Directors	NE	Sustainability and Inclusion for Food S.r.l.	•
Maria Alessandra Stefanelli	-			
Paola Tagliavini	Member of the Board of Directors	NE	Saipem S.p.A.	•
	Member of the Board of Directors	NE	Interpump Group S.p.A.	•
	Member of the Board of Directors	NE	RAI WAY S.p.A.	•
Daniele Zamboni	-			
Alberto Maria Pisani	-			

Roberto Franchini	Chair of the Control Body Member of the Executive Board		Fondazione per l'Infanzia Ronald Mc Donald Italia British Chamber of Commerce for Italy (*)	
Fabrizio Mosca	Chairman of the Board of Statutory Auditors	NE	Bolaffi S.p.A. (2)	•
	Chairman of the Board of Statutory Auditors	NE	Aste Bolaffi S.p.A. (2)	
	Chairman of the Board of Statutory Auditors	NE	Bolaffi Metalli Preziosi S.p.A. (2)	
	Chairman of the Board of Statutory Auditors	NE	Olivetti S.p.A. (3)	•
	Sole director	E	Fly S.r.l. (**)	
	Chairman of the Board of Statutory Auditors	NE	Diasorin Italia S.p.A.	•
	Chairman of the Board of Statutory Auditors	NE	Mindicity S.r.l. Società Benefit (3)	
Milena Teresa Motta	Member of the Board of Directors	NE	Strategie & Innovazione S.r.l.	•
Maria Cristina Zoppo	Member of the Board of Directors	NE	Newlat Food S.p.A.	•
	Standing Statutory Auditor	NE	Michelin Italiana S.p.A. S.A.M.I.	•

E/NE = Executive/Non-Executive
R = Relevant offices pursuant to art. 17 Ministerial Decree 169/2020
(1) Intesa Sanpaolo Group companies
(2) Bolaffi Group companies
(3) Tim Group companies
(*) Non-profit organisation with registered office in the United Kingdom.
(**) Company set up for the sole purpose of managing personal economic interests.

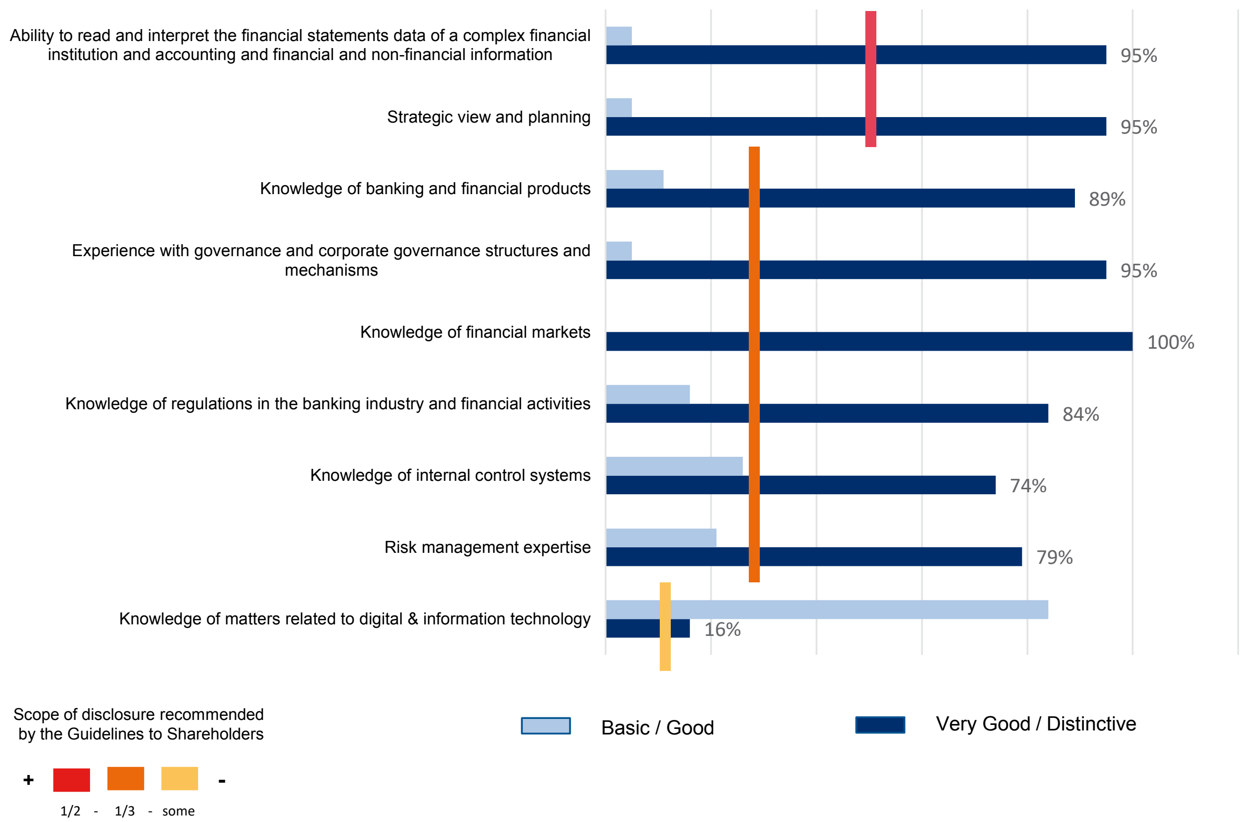
Policy on selection and replacement of members of the management body

In line with the Supervisory Provisions, for the purposes of appointment or co-option of the directors, the Board of Directors identifies its optimal qualitative and quantitative composition.
The guidance document for shareholders was published on the Company's website suitably in advance of the publication of the notice of the Shareholders' Meeting called to appoint the new members of the Corporate Bodies.

In accordance with the Articles of Association, the procedure for appointing Directors is based on slates of candidates prepared by Shareholders, in line with the legislation for listed companies. The Board of Directors is not entitled to submit a slate of candidates.
The election system defined in the Articles of Association is based on a majority principle, balanced by the appointment of a share of Directors and members of the Management Control Committee on a proportional basis.
This mechanism ensures adequate representation of minority shareholders within the Corporate Bodies, through the submission of slates of candidates to the Shareholders' Meeting at the time of Board renewal and also for the replacement of any individual outgoing Board Members.
The minority shareholders are thus given the option to elect, within both the Board and the Management Control Committee, a number of Directors well above that required by the legislation.
This solution creates a governance structure in line with international standards and makes full use of the slate election system, provided for by Italian law, allowing the minorities to appoint Directors as well as members of the Management Control Committee.
Moreover, the minority slate not connected with the majority shareholders that obtains the highest number of votes in the Shareholders' Meeting is given the option to appoint, in addition to the Chair of the Management Control Committee, also a second Director who is a member of the same Committee, to further strengthen the level of protection of the minorities within the control body.
The slates, containing between a minimum of 2 and a maximum of 19 names, must comprise two sections: the first section with the names of the candidates for the position of Director and the second with the names of the candidates for the position of Director and member of the Management Control Committee.
For the purposes of election, all Board Members are drawn from the majority slate, except for 5 or 4 Directors, depending on their total number. Moreover, three Directors from the majority slate are also appointed to the Management Control Committee. Among the Directors appointed from the minority slates, two are in any case taken from the minority slate that obtained the second highest number of votes (first minority slate) and that has no connection with the majority, as required by the legislation.
The first of said Directors is appointed Chair of the Management Control Committee. The other Board Members are drawn proportionately from slates other than the one that obtained the highest number of votes, also including the first minority slate, provided that such slates, taken as a whole, obtained votes at least equal to 10% of the ordinary share capital represented at the Shareholders' Meeting.
Where it is necessary to complete the composition of the Board upon the outcome of the proportional division, all the other additional Directors are drawn from the slate that obtained the highest number of votes, until it is exhausted.
The appointment procedure ensures that the Board composition is in line with the requirements of professionalism, independence and gender balance.
The Articles of Association establish a supplementary mechanism whereby a candidate not meeting the requirements is replaced by the candidate who meets the requirements and is drawn from the same slate as the excluded candidate. If there

are not enough candidates on the slates for that purpose and in any other case in which the established criteria do not make it possible to appoint all Directors in compliance with the necessary requirements, the missing Directors are appointed by the Shareholders' Meeting with replacement procedures that make it possible to meet all necessary requirements.
If only one slate of candidates is submitted, the Board Members are chosen from that slate, up to the number of candidates it contains, drawing from the second section of the slate all the members of the Management Control Committee. In this case, the office of Chair of the Committee is awarded to the first candidate in the ranking of the second section of the slate.
In the absence of slates, the Shareholders' Meeting elects the Directors and the Management Control Committee members by relative majority of the capital represented at the Shareholders' Meeting, subject to compliance with the requirements established by the applicable legislation and the Articles of Association. In this case, the Shareholders' Meeting shall appoint the Chair of the Committee when appointing the Committee members.
The Shareholders' Meeting elects the Chair of the Board of Directors and one or more Deputy Chairs by relative majority.
For additional information on the appointment of Board Members, see the relevant provisions of the Articles of Association.

The Board currently in office was appointed, for the period 2022/2023/2024, in compliance with the guidelines on the Board's composition and diversity issued by the outgoing Board at the time of the 2022 renewal in the document on the qualitative and quantitative composition of the Board of Directors approved on 1 March 2022.
The document expressly required shareholders to ensure the widest possible gender diversity within the Board, the presence of adequate professional skills and age diversity, as well as a wide range of knowledge and experience.
With specific reference to the adequacy and diversity of the professional profiles required, the set of very good or distinctive expertise, knowledge and skills – with a very wide, medium-wide or limited distribution – considered appropriate to achieve the optimal qualitative composition of the new Board of Directors was outlined in a "Skills Directory".
Following the renewal of the Bodies, the characteristics declared by the Directors were assessed by the Board of Directors as appropriately diversified and suitable to ensure adequate Board composition and a well-balanced composition of the Board Committees. The Board and the Management Control Committee have also assessed and confirmed that their members meet all the suitability requirements, taking into account the regulatory provisions and the Articles of Association.
Without prejudice to the general expertise required for all areas envisaged by the applicable legislation, the chart below illustrates the skills declared by the individual Directors when their candidature is accepted. The indicated skills and expertise were subsequently strengthened and expanded through training programmes (on-boarding sessions) and the intensive induction plan for Board members.



In the event that a Director ceases to hold office, the Board of Directors, with the support of the Nomination Committee, may replace the outgoing Director by co-option, in compliance with the requirements of the Articles of Association, provided that the majority continues to consist of Directors appointed by the Shareholders' Meeting.
In the event that the Chair of the Board of Directors ceases to hold office early, the Chair's functions shall be exercised by the Deputy Chair until the date of the next Shareholders' Meeting for the appointment of the new Chair.
If a member of the Management Control Committee ceases to hold office, the first non-elected member from the second section of the slate to which the previous member belonged – meeting the requirements – shall take up the position or, if the substitute thus identified fails to meet the requirements applicable under law, regulations or the Articles of Association to the outgoing member, the latter shall be replaced by the subsequent non-elected candidate from the second section of the same slate that satisfies said requirements. If, for whatever reason, it is impossible to find a replacement using these criteria, the member of the Management Control Committee who has ceased to hold office shall be replaced by the Shareholders' Meeting that will be called without delay.
If the Chair of the Committee ceases to hold office, he/she shall be replaced by the second ranked member from the same slate as the outgoing Chair.
The new members of the Management Control Committee and the members appointed by the Board by co-option shall hold office until the next Shareholders' Meeting.
The Shareholders' Meeting called for the appointment of new Directors to replace those who ceased to hold office shall make the appointment in accordance with the principle of necessary representation of minorities, gender balance and the other requirements under the applicable legislation and the Articles of Association.

With regard to the succession plans for the Managing Director and General Manager, the Board of Directors has tasked the Nomination Committee to support the Board, in coordination with the Chair, in designing the succession process. This process has been incorporated into the internal regulations adopted by the Board on the assessment of the suitability requirements for office and of the overall adequacy of the Body.

At the time of a change in office and the appointment of new Directors, the Board carries out a process of verification of all the suitability requirements for the office and also assesses the overall compliance of the qualitative and quantitative composition of the Board with the recommendations provided by the outgoing Board of Directors.

The diversity policy adopted in the selection of members of the management body

In line with the supervisory provisions, the document on the optimal qualitative and quantitative composition approved by the Board of Directors for the renewal of the Bodies must specify the appropriate level of diversification of the members also in terms of age, gender, geographical origin and skills.
In this regard, the Articles of Association specify that the Board shall take the necessary measures to ensure that each Director and the Board as a whole are constantly adequate in terms of diversity, including of experience, gender and international orientation, and in terms of competence, fairness, reputation, independence of mind and time commitment.
At the end of the appointment, the Board of Directors verifies the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process.

Subject to the above concerning the aspects relating to diversity, Intesa Sanpaolo guarantees full compliance with the gender quotas laid down by the regulations.
The less-represented gender must currently make up at least two-fifths of the members, as established by applicable regulations on equal access to the management and control bodies of listed companies and by the recommendations of the Corporate Governance Code.
In the current structure of the Board, women are present in all the Board Committees, make up 80% of the members of the Committee for Transactions with Related Parties and chair both the Risks and Sustainability Committee and the Nomination Committee.

Risks and Sustainability Committee

As already stated, Intesa Sanpaolo has established a Risks and Sustainability Committee, within the Board of Directors, consisting of 5 non-executive members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association and 3 of whom are also enrolled with the Register of Statutory Auditors and have practised as auditors for at least three years.
In 2022, the Committee held 40 meetings, 18 of which in its composition prior to the renewal of the Bodies. The Report on Corporate Governance and Ownership Structures published by the Bank sets out the main responsibilities and activities carried out by the Committee in support of the Board, in line with the Organisation and Operating Regulations adopted.
The Committee supports the Board: in defining and approving the risk governance policies at Group level, including those related to liquidity risk, which take into account the specific operations and the related risk profiles of each of the Group member companies, so as to implement an integrated and consistent risk management policy, conducting also the activities conducive to their periodic review by the Board, in relation to the evolution of the business and the external environment, in order to ensure its effectiveness over time; in overseeing the Bank's public disclosure and reporting process, as well as approving the disclosure to the public (Pillar 3);in the assessment and investigation of the sustainability issues (ESG) associated with the performance of the Bank's activities and in the approval of the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, contributing to ensuring more efficient risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders; in approving the list of ESG-sensitive sectors for the purposes of the Group's loan activity; in approving the updates to the Code of Ethics and the CNFS, analysing, in particular, the potentially most relevant sustainability issues, as well as any other report of particular importance in this area submitted to the Board of Directors; in examining the Report on the Code of Ethics; in verifying the Group's positioning with respect to national and international best practices in sustainability, with particular reference to Intesa Sanpaolo's participation in the main sustainability indices.

Information flows to the Board of Directors regarding risks

The Board of Directors, with the support of the Risks and Sustainability Committee and taking into account the proposals from the Managing Director and CEO, establishes and approves the overall governance and organisational structure of the Bank and the Group, the guidelines of the internal control system, the risk appetite and the risk governance policies and processes, and identifies the information flows necessary to ensure the full circulation of information within the Board and the information flows that need to be directed by the corporate structures to the Bodies and the Committees.

The Board examines the reports prepared, at least annually, by the Corporate Control Functions and approves the annual work plan, including the audit plan and the multi-year audit plan prepared by the head of the internal audit function, after their examination by the Risks and Sustainability Committee and the Management Control Committee.
The Committees periodically report to the Board on their activities and their main findings.

The Regulations of the Board of Directors include the "Document on information flows" that summarises the required information flows between the Board, the Management Control Committee, other Committees and the Managing Director.
Internal information flows are an essential element to the proper performance of the duties of the Board of Directors, Committees appointed by the Board of Directors and the Management Control Committee, and for the fulfilment of the obligations under current regulations.
The system in place for the exchange of information between the Board as a whole, the Managing Director, the Management Control Committee and the other Committees, is appropriate, in terms of frequency and content, to ensure close and fast coordination of the functions of said Bodies, while ensuring the clear separation of their respective tasks.
Moreover, the Integrated Internal Control System Regulation, approved by the Board of Directors, identifies the main information flows in table form (with the related frequencies), which are directed to the Board of Directors, the Management Control Committee and the Board Committees, together with each component of the internal control system, while further and specific information flows are identified within the governance documents dedicated to specific operational and risk areas, including those concerning the Surveillance Body envisaged by Legislative Decree 231/2001.

In particular, with regard to information flows concerning the reporting and management of any significant breaches and/or deficiencies identified, the reporting process by the control functions to the Bodies consists of:
- prompt reporting in the event of particularly critical issues to the Managing Director and CEO and the Chair of the Board of Directors, to enable them to assess any management actions, and to the Chairman of the Management Control Committee;
- at least every six months, the submission of the Tableaux de Bord and an integrated Tableau de Bord, containing the critical issues identified and the related corrective measures, by the corporate control functions to the Management Control Committee, the Risks and Sustainability Committee and the Board of Directors;
- annual submission by each of the corporate control functions to the Board of Directors (after submission to the Management Control Committee and the Risks and Sustainability Committee) of the report on the activities carried out, which describes the checks undertaken, results obtained, weaknesses identified and proposed corrective measures to be adopted to address them, together with information on the completeness, adequacy, functionality and reliability of the internal control system relating to each function. The report may be updated every six months;
- quarterly submission, by the Chief Risk Officer Area to the Risks and Sustainability Committee and to the Board of Directors, of the Risks Tableau de Bord for the evaluation of the Group results in the light of risk and capital consumption component.

Lastly, the following Managerial Committees report to the Board: Group Control Coordination and Non-Financial Risks Committee, Steering Committee, Group Financial Risk Committee, Credit Risk and Pillar 2 Internal Models Committee, Hold To Collect and Sell (HTCS) Sign-Off Committee (HTCS), and Group Credit Committee.

Section 2 - Scope of application

Qualitative disclosure

Name of the bank to which the disclosure requirement applies

Intesa Sanpaolo S.p.A., Parent Company of the Banking Group “Intesa Sanpaolo”, included in the National Register of Banking Groups.

Outline of differences in the basis of consolidation for accounting and prudential purposes

The disclosure contained in this document refers solely to the Banking Group as defined by the prevailing Supervisory Provisions.
The scope of consolidation of the Banking Group (or “prudential” scope of consolidation) differs from the scope of consolidation of the consolidated financial statements (the full list of the consolidated companies is provided in Part A of the Notes to the consolidated financial statements) which includes Intesa Sanpaolo and the companies that it directly and indirectly controls and considers in the scope of consolidation – as specifically set out by IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no stake in the company.

The “prudential” scope of consolidation, on the other hand, excludes the companies engaged in insurance, commercial or other types of activities different from banking and financial activities and some types of vehicle companies from the line-by-line consolidation. Moreover, for the purposes of prudential consolidation, the companies that are jointly controlled by Intesa Sanpaolo, which are measured using the equity method in the financial statements, are consolidated using the proportional method.

The table below provides the list of companies fully consolidated or consolidated with the equity method in the financial statements, with details of the “prudential” treatment. The investments in companies listed in the column “Neither consolidated nor deducted” are weighted for the purposes of determining total risk-weighted assets. This is also the case for the companies listed in the column “Equity method”, which shows the companies that, although they belong to the Banking Group, are consolidated at equity due to immateriality (Article 19 (1) CRR).
The Intesa Sanpaolo Group submitted a request to be able to use the option provided by Article 49 (1) (otherwise known as the “Danish Compromise”), and received notification of the ECB’s permission to calculate the Group’s consolidated capital ratios applying the Danish Compromise – under which insurance investments are treated as risk-weighted assets instead of being deducted from capital – as of the regulatory filings for 30 September 2019.
The treatment described above, which involves the application of the weighting instead of the deduction, results in the failure to meet the thresholds established in Articles 46 (“Deduction of holdings of Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity”) and 48 (“Threshold exemptions from deduction from Common Equity Tier 1 items”) of the CRR, resulting in the absence of an entry in the column “Deducted” from 30 September 2019, the start date of the authorisation for the application of the Danish Compromise granted by the ECB.

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2022 (EU LI3 Reg. 2021/637) *(Table 1 of 5)*

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
INTESA SANPAOLO S.P.A.	Full consolidation	X					BANK
ACANTUS S.P.A.	Full consolidation	X					FINANCIAL COMPANY
ASTERIA INVESTMENT MANAGERS SA	Full consolidation	X					FINANCIAL COMPANY
BANCA 5 S.P.A.	Full consolidation	X					BANK
BANCA COMERCIALA EXIMBANK S.A.	Full consolidation	X					BANK
BANCA INTESA AD BEOGRAD	Full consolidation	X					BANK
BANK OF ALEXANDRIA S.A.E.	Full consolidation	X					BANK
BANKA INTESA SANPAOLO D.D.	Full consolidation	X					BANK
CIB BANK LTD	Full consolidation	X					BANK
CIB INSURANCE BROKER LTD	Full consolidation				X		EU NO EMU NON-FIN. COMP.
CIB LEASING LTD.	Full consolidation	X					FINANCIAL COMPANY
CIB RENT OPERATIVE LEASING LTD	Full consolidation	X					FINANCIAL COMPANY
COMPAGNIA ITALIANA FINANZIARIA SRL - IN FORMA ABBREVIATA CIF	Full consolidation				X		FIN AND NON-FIN- GROUPS HOLDING
COMPAGNIE DE BANQUE PRIVEE QUILVEST SA	Full consolidation	X					BANK
DUOMO FUNDING PLC	Full consolidation				X		OTHER EU EMU FIN. INTERMEDIARIES
EPSILON SGR S.P.A.	Full consolidation	X					FINANCIAL COMPANY
ETOILE FRANCOIS PREMIER SARL	Full consolidation				X		EU EMU NON FIN. COMPANIES
EURIZON ASSET MANAGEMENT CROATIA D.O.O.	Full consolidation	X					FINANCIAL COMPANY
EURIZON ASSET MANAGEMENT HUNGARY LTD	Full consolidation	X					FINANCIAL COMPANY
EURIZON ASSET MANAGEMENT SLOVAKIA SPRAV SPOL AS	Full consolidation	X					FINANCIAL COMPANY
EURIZON CAPITAL REAL ASSET SGR S.P.A.	Full consolidation	X					FINANCIAL COMPANY
EURIZON CAPITAL SA	Full consolidation	X					FINANCIAL COMPANY
EURIZON CAPITAL SGR SPA	Full consolidation	X					FINANCIAL COMPANY
EURIZON SLJ CAPITAL LIMITED	Full consolidation	X					FINANCIAL COMPANY
EXETRA S.P.A	Full consolidation				X		PRODUCTION COMPANIES
FIDEURAM - INTESA SANPAOLO PRIVATE BANKING SPA	Full consolidation	X					BANK
FIDEURAM ASSET MANAGEMENT (IRELAND) DAC	Full consolidation	X					FINANCIAL COMPANY
FIDEURAM ASSET MANAGEMENT SGR S.P.A	Full consolidation	X					FINANCIAL COMPANY
FIDEURAM BANK (LUXEMBOURG) SA	Full consolidation	X					BANK
FIDEURAM VITA SPA	Full consolidation				X		INSURANCE COMPANIES
IMI CAPITAL MARKET USA CORP	Full consolidation	X					FINANCIAL COMPANY
IMI INVESTMENTS SA	Full consolidation	X					FINANCIAL COMPANY
IMMIT - IMMOBILI ITALIANI SRL	Full consolidation	X					INSTRUMENTAL
IMMOBILIARE CASCINA RUBINA S.R.L	Full consolidation				X		PRODUCTION COMPANIES
IN.FRA - INVESTIRE NELLE INFRASTRUTTURE S.R.L.	Full consolidation				X		FIN AND NON-FIN- GROUPS HOLDING
INIZIATIVE LOGISTICHE S.R.L.	Full consolidation				X		PRODUCTION COMPANIES
INSALUTE SERVIZI S.P.A.	Full consolidation				X		OTHER ACCESSORY FINANCIAL COMP.
INTESA LEASING (CLOSED JOINT STOCK COMPANY)	Full consolidation	X					FINANCIAL COMPANY
INTESA LEASING D.O.O. BEOGRAD	Full consolidation	X					FINANCIAL COMPANY
INTESA SANPAOLO ASSICURA SPA	Full consolidation				X		INSURANCE COMPANIES
INTESA SANPAOLO BANK ALBANIA	Full consolidation	X					BANK
INTESA SANPAOLO BANK IRELAND PLC	Full consolidation	X					BANK
INTESA SANPAOLO BANK LUXEMBOURG SA	Full consolidation	X					BANK
INTESA SANPAOLO BANKA D.D. BOSNA I HERCEGOVINA	Full consolidation	X					BANK
INTESA SANPAOLO BRASIL S.A. - BANCO MULTIPLO	Full consolidation	X					BANK

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2022 (EU LI3 Reg. 2021/637) *(Table 2 of 5)*

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
INTESA SANPAOLO FUNDING LLC	Full consolidation	X					FINANCIAL COMPANY
INTESA SANPAOLO HARBOURMASTER III S.A.	Full consolidation	X					INSTRUMENTAL
INTESA SANPAOLO HOLDING INTERNATIONAL SA	Full consolidation	X					FINANCIAL COMPANY
INTESA SANPAOLO HOUSE LUXEMBOURG S.A.	Full consolidation	X					INSTRUMENTAL
INTESA SANPAOLO IMI SECURITIES CORP	Full consolidation	X					FINANCIAL COMPANY
INTESA SANPAOLO INNOVATION CENTER SPA	Full consolidation	X					INSTRUMENTAL
INTESA SANPAOLO INSURANCE AGENCY S.P.A.	Full consolidation				X		INSUR. BROKERS/AGENTS AND CONSULT.
INTESA SANPAOLO INTERNATIONAL VALUE SERVICES D.O.O.	Full consolidation	X					INSTRUMENTAL
INTESA SANPAOLO LIFE DESIGNATED ACTIVITY COMPANY	Full consolidation				X		EU EMU INSURANCE COMPANIES
INTESA SANPAOLO PRIVATE BANKING SPA	Full consolidation	X					BANK
INTESA SANPAOLO PROVIS S.P.A.	Full consolidation	X					FINANCIAL COMPANY
INTESA SANPAOLO RBM SALUTE S.P.A.	Full consolidation				X		INSURANCE COMPANIES
INTESA SANPAOLO RE.O.CO. S.P.A.	Full consolidation	X					INSTRUMENTAL
INTESA SANPAOLO RENT FORYOU S.P.A.	Full consolidation				X		PRODUCTION COMPANIES
INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Full consolidation	X					BANK
INTESA SANPAOLO SERVITIA S.A.	Full consolidation	X					INSTRUMENTAL
INTESA SANPAOLO VITA SPA	Full consolidation				X		INSURANCE COMPANIES
IW PRIVATE INVESTMENTS SIM S.P.A.	Full consolidation	X					FINANCIAL COMPANY
JOINT STOCK COMPANY BANCA INTESA	Full consolidation	X					BANK
LUX GEST ASSET MANAGEMENT S.A.	Full consolidation	X					FINANCIAL COMPANY
MILANO SANTA GIULIA S.P.A.	Full consolidation				X		PRODUCTION COMPANIES
MSG COMPARTO QUARTO SRL	Full consolidation				X		PRODUCTION COMPANIES
MSG COMPARTO SECONDO S.R.L.	Full consolidation				X		PRODUCTION COMPANIES
MSG COMPARTO TERZO SRL	Full consolidation				X		PRODUCTION COMPANIES
PBZ CARD D.O.O.	Full consolidation	X					FINANCIAL COMPANY
PBZ LEASING D.O.O.	Full consolidation	X					FINANCIAL COMPANY
PORTA NUOVA GIOIA	Full consolidation				X		OTHER COLL. INVEST. ORG.
PRAVEX BANK JOINT-STOCK COMPANY	Full consolidation	X					BANK
PRESTITALIA S.P.A.	Full consolidation	X					FINANCIAL COMPANY
PRIVATE EQUITY INTERNATIONAL S.A.	Full consolidation	X					FINANCIAL COMPANY
PRIVREDNA BANKA ZAGREB DD	Full consolidation	X					BANK
QINGDAO YICAI FUND DISTRIBUTION CO. LTD.	Full consolidation	X					FINANCIAL COMPANY
RB PARTICIPATIONS SA	Full consolidation	X					FINANCIAL COMPANY
RECOVERY PROPERTY UTILISATION AND SERVICECS ZRT.	Full consolidation				X		EU NO EMU NON-FIN. COMP.
REYL & CIE SA	Full consolidation	X					BANK
RI. RENTAL S.R.L.	Full consolidation				X		PRODUCTION COMPANIES
RISANAMENTO EUROPA S.R.L.	Full consolidation				X		PRIVATE OPERATING HOLDING
RISANAMENTO SPA	Full consolidation				X		PRODUCTION COMPANIES
ROMULUS FUNDING CORP.	Full consolidation				X		OTHER NON-EU FIN. COMPANIES
SOCIETA ITALIANA DI REVISIONE E FIDUCIARIA - S.I.RE.F. S.P.A.	Full consolidation	X					FINANCIAL COMPANY
SVILUPPO COMPARTO 3 SRL	Full consolidation				X		PRODUCTION COMPANIES
VSEOBECNA UVEROVA BANKA A.S.	Full consolidation	X					BANK
VUB GENERALI DOCHODKOVA SPRAVCOVSKA SPOLOCNOST A.S.	Full consolidation	X					FINANCIAL COMPANY
VUB OPERATING LEASING	Full consolidation	X					INSTRUMENTAL
1875 FINANCE HOLDING AG	Equity method				X		OTHER NON-EU FIN. COMPANIES
ADRIANO LEASE SEC S.R.L.	Equity method				X		SECURITISATION VEHICLE

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2022 (EU LI3 Reg. 2021/637) *(Table 3 of 5)*

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
ALPIAN SA	Equity method				X		OTHER NON-EU NON FIN. COMPANIES
ANTI FINANCIAL CRIME DIGITAL HUB S.C.A.R.L.	Equity method			X			INSTRUMENTAL
APSIDE S.P.A.	Equity method				X		PRODUCTION COMPANIES
APULIA FINANCE N. 4 S.R.L. IN LIQUIDAZIONE	Equity method				X		SECURITISATION VEHICLE
AUGUSTO SRL	Equity method				X		SECURITISATION VEHICLE
BACK2BONIS	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
BACKTOWORK24 S.R.L.	Equity method				X		PRODUCTION COMPANIES
BANCOMAT SPA	Equity method				X		OTHER ACCESSORY FINANCIAL COMP.
BERICA ABS 3 S.R.L.	Equity method				X		SECURITISATION VEHICLE
BRERA SEC S.R.L.	Equity method				X		SECURITISATION VEHICLE
CAMFIN SPA	Equity method				X		PRIVATE OPERATING HOLDING
CASSA DI RISPARMIO DI FERMO SPA	Equity method				X		BANK
CBP QUILVEST PE FUND GP SARL	Equity method			X			FINANCIAL COMPANY
CENTAI INSTITUTE S.P.A.	Equity method				X		PRODUCTION COMPANIES
CLARA SEC. S.R.L.	Equity method				X		SECURITISATION VEHICLE
COLLINE E OLTRE SPA	Equity method				X		PRODUCTION COMPANIES
COMPAGNIA AEREA ITALIANA SPA	Equity method				X		PRIVATE OPERATING HOLDING
CONSORZIO STUDI E RICERCHE FISCALI GRUPPO INTESA SANPAOLO	Equity method			X			INSTRUMENTAL
DESTINATION GUSTO S.R.L.	Equity method				X		PRODUCTION COMPANIES
DIGIT'ED HOLDING S.P.A.	Equity method				X		PRIVATE OPERATING HOLDING
DIOCLEZIANO SRL	Equity method				X		SECURITISATION VEHICLE
EQUITER SPA	Equity method				X		OTHER FINANCIAL COMP.
EURIZON CAPITAL ASIA LIMITED	Equity method			X			FINANCIAL COMPANY
EUROMILANO SPA	Equity method				X		PRODUCTION COMPANIES
EUROPROGETTI & FINANZA S.R.L. IN LIQUIDAZIONE	Equity method				X		COMP. UNDER CENTRAL ADMIN. CONTROL
EUSEBI HOLDINGS B.V.	Equity method				X		EU EMU NON FIN. COMPANIES
EXELIA SRL	Equity method			X			INSTRUMENTAL
FI.NAV. COMPARTO A - CREDITI	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
FIDEURAM ASSET MANAGEMENT UK LIMITED	Equity method				X		FINANCIAL COMPANY
FONDO DI RIGENERAZIONE URBANA SICILIA S.R.L.	Equity method				X		PRIVATE OPERATING HOLDING
FONDO PER LA RICERCA E L'INNOVAZIONE S.R.L. RIF	Equity method				X		FUND MANAGEMENT COMPANY
FONDO SARDEGNA ENERGIA S.R.L.	Equity method				X		PRIVATE OPERATING HOLDING
FONDO SVILUPPO ECOSISTEMI DI INNOVAZIONE	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
GAP MANCO SARL	Equity method			X			INSTRUMENTAL
GIADA SEC. S.R.L.	Equity method				X		SECURITISATION VEHICLE
GILDA S.R.L.	Equity method				X		PRODUCTION COMPANIES
IBERIA DISTRESSED ASSETS MANAGER SARL	Equity method			X			FINANCIAL COMPANY
IIF SME MANAGER LTD	Equity method			X			FINANCIAL COMPANY
IMI FINANCE LUXEMBOURG S.A.	Equity method			X			FINANCIAL COMPANY
IMMOBILIARE NOVOLI S.P.A.	Equity method				X		PRODUCTION COMPANIES
INDACO VENTURE PARTNERS SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A	Equity method				X		FUND MANAGEMENT COMPANY
INIZIATIVE IMMOBILIARI INDUSTRIALI S.P.A. - IN LIQUIDAZIONE	Equity method				X		COMP. UNDER LOCAL ADMIN. CONTROL
INTESA INVEST AD BEOGRAD	Equity method			X			FINANCIAL COMPANY
INTESA SANPAOLO (QINGDAO) SERVICE COMPANY LIMITED	Equity method			X			INSTRUMENTAL
INTESA SANPAOLO CASA S.P.A	Equity method				X		PRODUCTION COMPANIES
INTESA SANPAOLO EXPO INSTITUTIONAL CONTACT S.R.L.	Equity method				X		PRODUCTION COMPANIES
INTESA SANPAOLO HIGHLINE SRL	Equity method				X		PRODUCTION COMPANIES
INTESA SANPAOLO PRIVATE ARGENTINA S.A.	Equity method			X			FINANCIAL COMPANY

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2022 (EU LI3 Reg. 2021/637) *(Table 4 of 5)*

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
INTESA SANPAOLO SERVICOS E EMPRENDIMENTOS LTDA EM LIQUIDACAO	Equity method			X			FINANCIAL COMPANY
INTRUM ITALY S.P.A.	Equity method				X		PRODUCTION COMPANIES
INVENIAM SA EN LIQUIDATION	Equity method			X			INSTRUMENTAL
ISM INVESTIMENTI SPA	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
ISP CB IPOTECARIO S.R.L.	Equity method			X			FINANCIAL COMPANY
ISP CB PUBBLICO S.R.L.	Equity method			X			FINANCIAL COMPANY
ISP OBG S.R.L.	Equity method			X			FINANCIAL COMPANY
LEONARDO TECHNOLOGY S.R.L. IN LIQUIDAZIONE	Equity method				X		PRIVATE OPERATING HOLDING
MARKETWALL SRL	Equity method				X		PRODUCTION COMPANIES
MATERIAS SRL	Equity method				X		PRODUCTION COMPANIES
MIR CAPITAL MANAGEMENT SA	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
MIR CAPITAL S.C.A. SICAR	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
MISR ALEXANDRIA FOR FINANCIAL INVESTMENTS MUTUAL FUND CO. IN LIQ	Equity method				X		OTHER NON-EU FIN. COMPANIES
MISR INTERNATIONAL TOWERS CO.	Equity method				X		NON-EU NON FIN. COMPANIES
MONILOGI SRO	Equity method				X		EU EMU NON FIN. COMPANIES
MONTEFELTRO SVILUPPO SOC. CONS. A R.	Equity method				X		PRODUCTION COMPANIES
MOONEY GROUP S.P.A.	Equity method		X				FIN AND NON-FIN- GROUPS HOLDING
MORVAL BANK & TRUST CAYMAN LTD	Equity method			X			BANK
NETWORK IMPRESA S.P.A. IN CONCORDATO PREVENTIVO	Equity method				X		PRODUCTION COMPANIES
NEVA FIRST-FCC	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
NEVA SGR S.P.A.	Equity method			X			FINANCIAL COMPANY
NEWCO - FONDO TEMATICO PIANI URB	Equity method				X		PRIVATE OPERATING HOLDING
NEWCO - FONDO TEMATICO TURISMO S.R.L.	Equity method				X		PRIVATE OPERATING HOLDING
OOO INTESA REALTY RUSSIA IN LIQUIDATION	Equity method				X		NON-EU NON FIN. COMPANIES
ORO ITALIA TRADING SPA IN LIQUIDAZIONE	Equity method				X		COMP. UNDER CENTRAL ADMIN. CONTROL
PBZ CROATIA OSIGURANJE PUBLIC LIMITED COMPANY FOR COMPULSORY PENSION FUND MANAGEMENT	Equity method		X				EU NO EMU OTHER FIN. INT.
PENGHUA FUND MANAGEMENT CO. LTD	Equity method				X		OTHER NON-EU FIN. COMPANIES
PIETRA S.R.L. IN LIQUIDAZIONE	Equity method				X		PRIVATE OPERATING HOLDING
PORTUGAL REAL ESTATE OPPORTUNITIES MANAGER SARL	Equity method			X			FINANCIAL COMPANY
RCN FINANZIARIA S.P.A.	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
RESPONSABILITY BOP S.A.R.L.	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
REYL & CIE (MALTA) HOLDING LTD	Equity method			X			FINANCIAL COMPANY
REYL & CIE (MALTA) LTD	Equity method			X			FINANCIAL COMPANY
REYL & CO (UK) LLP	Equity method			X			FINANCIAL COMPANY
REYL & CO HOLDINGS LTD	Equity method			X			FINANCIAL COMPANY
REYL FINANCE (MEA) LTD	Equity method			X			FINANCIAL COMPANY
REYL OVERSEAS AG	Equity method			X			FINANCIAL COMPANY
REYL PRIVATE OFFICE (LUXEMBOURG) SARL	Equity method			X			INSTRUMENTAL
REYL SINGAPORE HOLDING PTE. LTD.	Equity method			X			FINANCIAL COMPANY
REYL SINGAPORE PTE LTD	Equity method			X			FINANCIAL COMPANY
RSCT FUND - COMPARTO CREDITI	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
S.F. CONSULTING S.R.L.	Equity method				X		PRODUCTION COMPANIES
SICILY INVESTMENTS S.A.R.L.	Equity method				X		EU EMU NON FIN. COMPANIES
SLOVAK BANKING CREDIT BUREAU S.R.O.	Equity method				X		EU EMU NON FIN. COMPANIES
SOCIETA' BENEFIT CIMAROSA 1 SPA	Equity method				X		PRODUCTION COMPANIES
SRM STUDI E RICERCHE PER IL MEZZOGIORNO	Equity method				X		SOC. SEC./CHAR./TRAD. UN./POLIT. INST./ENTITIES
SVILUPPO INDUSTRIALE S.P.A. IN LIQUIDAZIONE	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2022 (EU LI3 Reg. 2021/637) *(Table 5 of 5)*

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
TRINACRIA CAPITAL S.A.R.L.	Equity method				X		EU EMU NON FIN. COMPANIES
UBI FINANCE S.R.L.	Equity method			X			FINANCIAL COMPANY
UBI SPV LEASE 2016 S.R.L.	Equity method				X		SECURITISATION VEHICLE
UBI TRUSTEE S.A.	Equity method			X			FINANCIAL COMPANY
VESTA OML LIMITED	Equity method				X		OTHER NON-EU FIN. COMPANIES
WARRANT HUB S.P.A.	Equity method				X		PRODUCTION COMPANIES
YOLO GROUP SPA	Equity method				X		OTHER ACCESSORY FINANCIAL COMP.
ZHONG OU ASSET MANAGEMENT COMPANY LIMITED (*)	Equity method				X		OTHER NON-EU FIN. COMPANIES

(*) The equity investment has been classified under discontinued operations since December 2021, pending the finalisation of the disposal planned in upcoming months.

The table below (LI1) contains the reconciliation of the consolidated balance sheet with the regulatory-scope balance sheet as at 31 December 2022, as well as the allocation of the entries among the regulatory risk categories. The second table below (EU LI2) presents the reconciliation between the total amount based on the "prudential" scope of consolidation (carrying amounts) and the exposure value subject to capital requirements, for each type of risk.

Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories as at 31 December 2022 (EU LI1 Reg. 2021/637)

(Table 1 of 2)

(millions of euro)

				Carrying values of items						
	Breakdown by asset classes according to the balance sheet in the published financial statements	**Carrying values as reported in published financial statements**	**Carrying values under scope of prudential consolidation**	Subject to the credit risk framework	Subject to the CCR framework	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Assets									
10.	Cash and cash equivalents	112,924	112,009	112,009	-	-	-	-	-	-
20.	Financial assets measured at fair value through profit or loss	47,577	48,321	5,386	30,948	-	*30,948*	323	42,612	13
	a) financial assets held for trading	*42,522*	*42,614*	*13*	*30,948*	-	*30,948*	-	*42,612*	*2*
	b) financial assets designated at fair value	*1*	*1*	*1*	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	*5,054*	*5,706*	*5,372*	-	-	-	*323*	-	*11*
30.	Financial assets measured at fair value through other comprehensive income	49,716	49,716	48,192	-	-	-	1,524	-	-
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	172,725	-	-	-	-	-	-	-	-
40.	Financial assets measured at amortised cost	528,078	528,839	469,212	21,306	*21,306*	-	38,272	-	49
	a) due from banks	*32,884*	*32,887*	*26,947*	*5,940*	*5,940*	-	-	-	-
	b) loans to customers	*495,194*	*495,952*	*442,265*	*15,366*	*15,366*	-	*38,272*	-	*49*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	-	-	-	-	-	-	-	-
50.	Hedging derivatives	10,062	10,062	-	10,062	-	*10,062*	-	-	-
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-9,752	-9,752	-	-	-	-	-	-
70.	Investments in associates and companies subject to joint control	2,013	8,540	7,001	-	-	-	-	-	1,539
80.	Technical insurance reserves reassured with third parties	163	-	-	-	-	-	-	-	-
90.	Property and equipment	10,505	9,228	9,228	-	-	-	-	-	-
100.	Intangible assets	9,830	8,945	1,604	-	-	-	-	-	7,341
	of which:									
	- goodwill	*3,626*	*3,244*	-	-	-	-	-	-	*3,244*
110.	Tax assets	18,273	17,146	14,999	-	-	-	-	-	2,147
	a) current	*3,520*	*3,423*	*3,423*	-	-	-	-	-	-
	b) deferred	*14,753*	*13,723*	*11,576*	-	-	-	-	-	*2,147*
120.	Non-current assets held for sale and discontinued operations	638	635	570	-	-	-	-	-	65
130.	Other assets	22,851	18,771	18,771	-	-	-	-	-	-
Total Assets		**975,683**	**802,460**	**677,220**	**62,316**	***21,306***	***41,010***	**40,119**	**42,612**	**11,154**

Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories as at 31 December 2022 (EU LI1 Reg. 2021/637)
(Table 2 of 2)

(millions of euro)

				Carrying values of items						
	Breakdown by liability classes according to the balance sheet in the published financial statements	**Carrying values as reported in published financial statements**	**Carrying values under scope of prudential consolidation**	Subject to the credit risk framework	Subject to the CCR framework	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Liabilities and Shareholders' Equity									
10.	Financial liabilities measured at amortised cost	667,586	671,246	-	14,037	*14,037*	-	-	-	657,209
	a) due to banks	*137,482*	*137,217*	-	*12,753*	*12,753*	-	-	-	*124,464*
	b) due to customers	*454,025*	*456,640*	-	*1,284*	*1,284*	-	-	-	*455,356*
	c) securities issued	*76,079*	*77,389*	-	-	-	-	-	-	*77,389*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,550	-	-	-	-	-	-	-	-
20.	Financial liabilities held for trading	46,512	46,533	-	31,496	-	*31,496*	-	43,754	2,779
30.	Financial liabilities designated at fair value	8,795	8,795	-	-	-	-	-	-	8,795
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	-	-	-	-	-	-	-	-
40.	Hedging derivatives	5,346	5,346	-	5,346	-	*5,346*	-	-	-
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-8,031	-	-	-	-	-	-	-8,031
60.	Tax liabilities	2,306	995	-	-	-	-	-	-	995
	a) current	*297*	*273*	-	-	-	-	-	-	*273*
	b) deferred	*2,009*	*722*	-	-	-	-	-	-	*722*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	15	-	-	-	-	-	-	15
80.	Other liabilities	11,060	10,266	-	-	-	-	-	-	10,266
90.	Employee termination indemnities	852	847	-	-	-	-	-	-	847
100.	Allowances for risks and charges	5,010	4,658	-	-	-	-	-	-	4,658
	a) commitments and guarantees given	*711*	*575*	-	-	-	-	-	-	*575*
	b) post-employment benefits	*139*	*139*	-	-	-	-	-	-	*139*
	c) other allowances for risks and charges	*4,160*	*3,944*	-	-	-	-	-	-	*3,944*
110.	Technical reserves	100,117	-	-	-	-	-	-	-	-
120.	Valuation reserves	-1,939	-1,939	-	-	-	-	-	-	-1,939
125.	Valuation reserves pertaining to insurance companies	-696	-696	-	-	-	-	-	-	-696
130.	Redeemable shares	-	-	-	-	-	-	-	-	-
140.	Equity instruments	7,211	7,211	-	-	-	-	-	-	7,211
150.	Reserves	15,827	15,827	-	-	-	-	-	-	15,827
155.	Interim dividends (-)	-1,400	-1,400	-	-	-	-	-	-	-1,400
160.	Share premium reserve	28,053	28,053	-	-	-	-	-	-	28,053
170.	Share capital	10,369	10,369	-	-	-	-	-	-	10,369
180.	Treasury shares (-)	-124	-124	-	-	-	-	-	-	-124
190.	Minority interests (+/-)	166	135	-	-	-	-	-	-	135
200.	Net income (loss) (+/-)	4,354	4,354	-	-	-	-	-	-	4,354
Total liabilities and shareholders' equity		**975,683**	**802,460**	**-**	**50,879**	***14,037***	***36,842***	**-**	**43,754**	**739,323**

The differences between the carrying values in the accounting scope and the carrying values in the “prudential” scope of consolidation are attributable to the deconsolidation of the companies that are not part of the Banking Group and the proportional consolidation of the subsidiaries subject to joint control, which are consolidated according to the equity method in the financial statements.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements as at 31 December 2022 (EU LI2 Reg. 2021/637)

(millions of euro)

		Total	Items subject to					
			Credit risk framework	Securitisation framework	CCR framework (*)	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**791,306**	**677,220**	**40,119**	**62,316**	***21,306***	***41,010***	**42,612**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**63,137**	**-**	**-**	**50,879**	***14,037***	***36,842***	**43,754**
3	**Total net amount under the scope of prudential consolidation**	**854,443**	**677,220**	**40,119**	**76,353**	***35,343***	***41,010***	**86,366**
4	**Off-balance-sheet amounts**	**294,265**	**282,565**	**6,575**	**5,125**	***5,125***	***-***	
5	Differences in valuations	-	-	-	-	*-*	*-*	
6	Differences due to different netting rules, other than those already included in row 2	-59,214	-	-	-59,214	*-31,159*	*-28,055*	
7	Differences due to consideration of provisions	7,899	7,899	-	-	*-*	*-*	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-11,236	-10,706	-	-530	*-530*	*-*	
9	Differences due to credit conversion factors	-218,091	-218,091	-	-	*-*	*-*	
10	Differences due to Securitisation with risk transfer	-2,463	-	-2,463	-	*-*	*-*	
11	Other differences	-15,808	-13,391	-2,468	51	*-*	*51*	
12	**Exposure amounts considered for regulatory purposes**	**789,044**	**725,496**	**41,763**	**21,785**	***8,779***	***13,006***	

(*) Reconciliation entries for counterparty risk are broken down into SFTs and derivatives, in separate columns.

The main differences between the carrying values determined based on the regulatory scope of consolidation and the amounts of the exposures determined for regulatory purposes, with regard to credit risk, are attributable to the following:

a) amounts of the off-balance sheet exposures, not included in the carrying values, reported at nominal value for regulatory purposes, after application of the credit conversion factors;
b) the amounts relating to value adjustments, deducted from the gross value for accounting purposes, whereas for regulatory purposes and for the on-balance sheet exposures subject to internal models they do not reduce the value of the EAD (Exposure at Default), because they are included in the calculation of the Excess Reserve - Shortfall (comparison between value adjustments and expected losses);
c) amounts relating to the value of collateral received which, in the case of the standardised approach, are deducted from the carrying amount for the purposes of determining the exposure value, in application of the line-by-line method envisaged by the regulations;
d) amounts relating to initial and variation margins, for derivative transactions, which are not included in the exposure value for credit risk purposes because they are included in the calculation of the exposure value of derivatives subject to the EPE (Expected Positive Exposure) approach, shown in the table in row 11 “Other differences”.

With regard to the “Total” column, the amount in row 12 is not the sum of rows 3 to 11, but the sum of the rows in the next three columns; the intention is to present an EAD in row 12 that is consistent with what is reported in Pillar 1.

The main differences attributable to counterparty risk that explain the differences between the carrying values in the financial statements and the regulatory values (EAD) mainly relate to the use of the EPE approach for both Derivatives transactions and SFTs. These include the following factors:

a) for Derivatives, the use of an EPE internal model enables the measurement of the entire portfolio of this type of instrument over time, by simulating the risk factors over a period of one year (in accordance with the regulatory requirement). Derivatives that have a negative fair value at t_0, but could have a positive fair value over the one-year period, are simulated and revaluated;
b) at the same time, the internal model approach allows the Group to fully benefit from the risk mitigation contracts which consist of netting and margining arrangements, which it uses both to reduce bilateral risk and to comply with the EMIR clearing obligations. The exposure to each counterparty, in each simulated scenario, is obtained as the positive difference between the value of the portfolio and any financial collateral received or given to the counterparty. The final EAD corresponds to the weighted average for the period of the simulated exposures, scaled at a prudential alpha factor;
c) for the exposures in SFTs, these are margined daily, through GMRA/GMSLA arrangements, that reduce the exposure and consequently the EAD.

Section 3 - Own Funds

Qualitative disclosure

Introduction

As previously mentioned, the harmonised rules for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013 and amended respectively by Directive 2019/878/EU (CRD V) and Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee on Banking Supervision (the Basel 3 Framework) into European Union laws, became applicable from 1 January 2014.

The above provisions have been incorporated into the following two regulations:

– Bank of Italy Circular 285: "Supervisory regulations for banks" which renders the above-mentioned provisions operational;
– Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) 575/2013 with regard to supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 680/2014.

These provisions are supplemented by the European Commission Delegated Regulations and the ECB Decisions on the definition of Own Funds, listed below:

– Commission Delegated Regulation (EU) 342/2014 of 21 January 2014, supplementing Directive 2002/87/EC of the European Parliament and of the Council and Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the application of the calculation methods of capital adequacy requirements for financial conglomerates;
– Commission Delegated Regulation (EU) 2015/923 of 11 March 2015, amending Delegated Regulation (EU) 241/2014 (as amended) supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions;
– Commission Delegated Regulation (EU) 2016/101 of 26 October 2015 supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation;
– Decision No. 2015/656 of the European Central Bank of 4 February 2015 on the conditions under which credit institutions are permitted to include interim or year-end profits in Common Equity Tier 1 capital;
– Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017, amending Regulation (EU) 575/2013, through the addition of the new Article 473a ("Introduction of IFRS 9"), in relation to the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. The above article was amended in turn by Regulation (EU) 2020/873 of 24 June 2020 (so-called "CRR quick fix"), which makes adjustments in response to the COVID-19 pandemic;
– Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) 575/2013 as regards minimum loss coverage for non-performing exposures;
– Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

This regulatory framework requires that Own Funds (or regulatory capital) are made up of the following tiers of capital:

– Tier 1 Capital, in turn composed of:
    - Common Equity Tier 1 Capital (CET1);
    - Additional Tier 1 Capital (AT1);
– Tier 2 Capital (T2).

Tier 1's predominant element is Common Equity, mainly composed of equity instruments (e.g. ordinary shares net of treasury shares), share premium reserves, retained earnings reserves, undistributed income for the period, valuation reserves, eligible minority interests, net of the deducted items.

In order to be eligible for Common Equity, the equity instruments issued must guarantee absorption of losses on going concern, by satisfying the following characteristics:

– maximum level of subordination;
– option for suspending the payment of dividends/coupons at the full discretion of the issuer and in a non-cumulative manner;
– unredeemability;
– absence of redemption incentives.

At present, with reference to the Intesa Sanpaolo Group, no equity instrument other than ordinary shares is eligible for inclusion in Common Equity.

A number of prudential filters are also envisaged with effects on Common Equity:
- filter on profits associated with future margins deriving from securitisations;
- filter on cash flow hedge (CFH) reserves;
- filter on profits or losses on liabilities designated at fair value (derivatives or otherwise) associated with changes in own credit risk (DVA);
- adjustments to fair value assets associated with the “prudent valuation”.

The regulation also envisages a series of elements to be deducted from Common Equity Tier 1:
- losses for the current year;
- goodwill, intangible assets and residual intangible assets;
- deferred tax assets (DTA) associated with future income not deriving from temporary differences (e.g. DTA on losses carried forward);
- expected losses exceeding total credit risk adjustments (the shortfall reserve) for exposures weighted according to IRB approaches;
- net assets deriving from defined benefit plans;
- direct, indirect or synthetic holdings of the entity in Common Equity Tier 1 Capital instruments;
- exposures for which it is decided to opt for deduction rather than a 1,250% weighting among RWA;
- non-significant investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the thresholds envisaged in the regulations);
- deferred tax assets (DTA) that rely on future profitability and arise from temporary differences (deducted for the amount exceeding the thresholds envisaged in the regulation);
- significant investments in CET1 instruments issued by companies operating in the financial sector (deducted for the amount exceeding the thresholds envisaged in the regulation);
- the applicable amount of insufficient coverage for non-performing exposures, as governed by Regulation (EU) 2019/630 (minimum loss coverage);
- any negative difference between the current market value of the units or shares in CIUs held by retail customers and the present value of the minimum amount that the institution has committed as a guarantee for those customers (minimum value commitment).

The AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity), which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares or AT1 equity instruments), once the deductions of items and exemptions provided for in Regulation (EU) 575/2013 (CRR) and amended by Regulation (EU) 2019/876 (CRR II) have been applied.

Tier 2 Capital is mainly composed of items such as eligible subordinated liabilities and any excess of credit risk adjustments over and above expected losses (the excess reserve) for exposures weighted according to IRB approaches, once the deductions of items and exemptions provided for in Regulation (EU) 575/2013 (CRR) have been applied. Following the issue of Regulation (EU) 2019/876 (CRR II), the eligibility of Tier 2 instruments with a residual maturity of less than five years (being amortised) is determined based on the carrying amount instead of the nominal value.

The transitional period, which ends with the last reporting date as at 31 December 2022 and is aimed at mitigating the capital impacts linked to the introduction of the new financial reporting standard IFRS 9, started from 1 January 2018. The Intesa Sanpaolo Group has exercised the option provided in the above-mentioned Regulation (EU) 2017/2395 of adopting the “static” approach that allows the neutralisation of a progressively decreasing amount of the impact of IFRS 9 in its CET1 solely for the FTA component of the impairment.
In particular, the result from the comparison between the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018 – relating to performing loans and securities (stage 1 and 2) and adjustments to NPLs (stage 3), net of tax and having eliminated any shortfall reserve – is re-included in the capital according to phase-in percentages of 95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, and 25% in 2022. During the transitional period, the possibility of electing to change this approach is only allowed once, subject to authorisation from the Supervisory Authority, moving from the “static” approach to the “dynamic” approach or suspending the application of the transitional treatment in favour of the fully loaded regime. During 2018, two EBA Q&As were published (2018_3784, 2018_4113) which specified that, during the transitional period, any Deferred Tax Assets (DTAs) connected to IFRS 9 FTA-related adjustments should not be considered as deductions from CET1 as envisaged by the CRR.
Considering that the approval of Law 145 of 30 December 2018 (2019 Budget Act) led to the recognition of DTAs linked to the deferred deductibility, over 10 financial years starting from 2018, of the value adjustments recognised in shareholders’ equity because they are related to the first-time adoption of IFRS 9, as envisaged by the aforementioned Regulation and the subsequent EBA Q&As, those DTAs have been neutralised for the purposes of CET 1 Capital during the transitional period established for the IFRS 9 impact (which extends until 2022) limited to the complementary portion of the phase-in percentages detailed above. Law 160 of 27 December 2019 (2020 Budget Act), like the previous Law, deferred the deduction of the portions pertaining to 2019 of the above value adjustments to the tax period 2028.

In November 2019, Q&A 2018_4302 was published which allows the amount of net deferred tax assets that rely on future profitability to be treated for prudential purposes, within the deductions from the CET1 items provided for in the CRR, independently and distinctly from the accounting framework applied to them. In this respect, the EBA clarified that for the deduction of the above-mentioned DTAs from CET1 items, the netting rules established by the CRR apply and that therefore the amount of the DTAs – calculated for prudential purposes – may differ from the related net balance reported in the periodic reports and determined according to the applicable accounting rules.

The above-mentioned Regulation (EU) 2019/876 (CRR II), in Article 494b "Grandfathering of Own Funds instruments and eligible liabilities instruments", introduced a new transitional regime, applicable until 28 June 2025, which allows Own Funds instruments – issued before 27 June 2019 (the date of entry into force of CRR II) – which do not meet the specific conditions set out in points p), q) and r) of Article 52 ("Additional Tier 1 instruments"), as amended by Article 1 point 23) of CRR II, and in points n), o) and p) of Article 63 ("Tier 2 instruments"), as amended by Article 1 point 27) of CRR II – to qualify as AT1 and T2 instruments. Since July 2020, the Intesa Sanpaolo Group has no longer held any subordinated instruments subject to the above-mentioned transitional rules.
In addition, as already mentioned in the introduction to this document, since June 2020 the Intesa Sanpaolo Group has not adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category, both introduced by the European Commission in Regulation (EU) 2020/873 of 24 June 2020 (quick fix).

Lastly, since December 2020, the Intesa Sanpaolo Group has applied Commission Delegated Regulation (EU) 2020/2176, which entered into force on 23 December 2020 and amends Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. The Regulation introduced the criterion of prudential amortisation applied to all software assets over a three-year period, regardless of their estimated useful lives for accounting purposes. Specifically, the difference, where positive, between prudential cumulative amortisation and accounting cumulative amortisation (including impairment losses) is fully deducted from CET1. The remainder, i.e. the portion of the net carrying amount of each software asset not deducted as a result of the prudential treatment, is included in the RWAs with a 100% risk weight.

Significant restrictions to transferring own funds or to liability repayment within the Group

In terms of significant restrictions, it is noted that the Intesa Sanpaolo Group is subject to supervisory rules provided by Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), amended by Directive 2019/878/EU (CRD V) and Regulation (EU) 2019/876 (CRR II), respectively, and controls financial institutions subject to the same or similar regulations aiming to maintain an adequate level of regulatory capital in relation to risks taken; therefore, the ability of subsidiary banks or financial institutions to distribute capital or dividends is dependent on the fulfilment of the regulatory thresholds set in those regulations.
Referring, for more details, to Part A - Section 5 of the consolidated financial statements, in compliance with the provisions of IFRS 12, in this section we note the limitations currently imposed by Russian regulations which – in substance – impose restrictions on repayments and payments to parties resident in unfriendly countries.
Those limitations specifically affect the subsidiary Banca Intesa Russia, which, in 2022, was unable to directly route the repayments of past due instalments referring to intragroup exposures to the creditor banks and, therefore, routed the resources allocated for those repayments (for a total of around 29 million euro at the end of 2022) to specific accounts in Russia.
It must also be noted that the current legal restrictions on transferring monetary resources beyond the country's borders do not prejudice in any way the ownership of the amounts (due to the creditor banks), nor, as argued in greater detail in Part A – Section 5, do they constitute an obstacle to maintaining control over the Russian subsidiary.
Lastly, within the Group, there are insurance companies subject to the Solvency Capital Requirements of Insurance companies established by the Solvency II legislation.

Aggregate amount of the capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to any mandatory capital requirements

As at 31 December 2022, there were no capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to the mandatory capital requirements.

Quantitative disclosure

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 31 December 2022 is summarised in the table below.

(millions of euro)

	31.12.2022	31.12.2021
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**52,752**	**55,955**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**149**	**492**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**52,901**	**56,447**
D. Items to be deducted from CET1	**-12,882**	**-10,712**
E. Transitional period - Impact on CET1 (+/-)	**753**	**1,512**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**40,772**	**47,247**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**7,207**	**6,264**
of which AT1 instruments subject to transitional adjustments	-	-
H. Items to be deducted from AT1	**-**	**-**
I. Transitional period - Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**7,207**	**6,264**
M. Total Tier 1 (T1) (F + L)	**47,979**	**53,511**
N. Tier 2 (T2) before items to be deducted and effects of transitional period	**8,381**	**9,164**
of which T2 instruments subject to transitional adjustments	-	-
O. Items to be deducted from T2	**-**	**-223**
P. Transitional period - Impact on T2 (+ / -)	**-**	**-**
Q. Total Tier 2 (T2) (N - O +/- P)	**8,381**	**8,941**
R. Total own funds (F + L + Q)	**56,360**	**62,452**

The tables below provide a detailed summary of the various capital levels before regulatory adjustments and transitional regime adjustments, together with the reconciliation between Common Equity Tier 1 and net book value.

The own funds disclosure required by the above-mentioned Regulation 2021/637, applicable from June 2021, is provided:

– at the end of this Section: template EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements;
– in Attachment 1, which contains the details of the terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, in line with template EU CCA of Regulation 2021/637;
– Attachment 2: template EU CC1 – Composition of regulatory own funds.

Reconciliation of net book value and Common Equity Tier 1 Capital

(millions of euro)

Captions	**31.12.2022**	**31.12.2021**
Group Shareholders' equity	61,655	63,775
Minority interests	166	291
Shareholders' equity as per the Balance Sheet	**61,821**	**64,066**
Interim dividend [(a)]	1,400	1,399
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,207	-6,263
- Minority interests eligible for inclusion in AT1	-	-1
- Minority interests eligible for inclusion in T2	-	-1
- Ineligible minority interests on full phase-in	-166	-286
- Ineligible net income for the period [(b)]	-3,165	-3,031
- Own shares included under regulatory adjustments [(c)]	169	266
- Other ineligible components on full phase-in	-100	-194
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,752**	**55,955**
Regulatory adjustments (including transitional adjustments) [(d)]	**-11,980**	**-8,708**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**40,772**	**47,247**

(a) As at 31 December 2022 and 31 December 2021 the Shareholders' Equity as per the Balance Sheet does not include the interim dividend, of 1,400 million euro and 1,399 million euro respectively (net of the amount not distributed in respect of own shares held at the record date).

(b) Common Equity Tier 1 capital as at 31 December 2022 includes the net income as at that date, less the related dividend, calculated considering a payout of 70%, equal to that envisaged in the 2022-2025 Business Plan and other foreseeable charges (accrued coupon on Additional Tier 1 instruments net of the tax effects and charity allowance).

(c) The amount includes, in addition to the book value of own shares, also the part of unused plafond for which the Group received authorisation for repurchase (other than buyback).

(d) Adjustments for the transitional period as at 31 December 2022 take account of - among other cases - i) the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (25% in 2022) set to decrease progressively until 2022; ii) the book value of own shares and the amount of own shares for which the Group received authorisation for repurchase (buyback) for 1.7 billion.

Further details are provided below on the composition of each capital level making up Own Funds.

Common Equity Tier 1 Capital (CET1)

(millions of euro)

Information	31.12.2022	31.12.2021
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	10,369	10,084
Share premium reserve	28,053	27,286
Reserves (a)	15,776	17,662
Accumulated other comprehensive income (b)	-2,635	-234
Net income (loss) for the period	4,354	4,185
Net income (loss) for the period not eligible (c)	-3,165	-3,031
Minority interests	-	3
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,752**	**55,955**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-1,869	-266
Goodwill	-4,252	-4,146
Other intangible assets	-3,949	-3,609
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-2,154	-1,914
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-240	-318
Defined benefit pension funds assets	-	-
Prudential filters	149	492
- of which Cash Flow Hedge Reserve	*365*	*602*
- of which Gains or Losses due to changes in own credit risk (DVA)	*-15*	*125*
- of which Prudent valuation adjustments	*-201*	*-235*
- of which Other prudential filters	*-*	*-*
Exposures to securitisations deducted rather than risk weighted at 1250%	-62	-155
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically, which exceed the threshold of 10% of Common Equity	-	-
Deductions with 10% threshold (d)	-	-
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	*-*	*-*
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	*-*	*-*
Deductions with threshold of 17.65% (d)	-	-
Foreseeable tax charges relating to CET1 items	-	-
Positive or negative elements - other (e)	-356	-304
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-12,733**	**-10,220**
Total adjustments in the transitional period (CET1)	**753**	**1,512**
Common Equity Tier 1 (CET1) - Total	**40,772**	**47,247**

(a) Amount included in CET1, includes a negative effect of about 3,265 million euro deriving from the adoption of IFRS 9, in addition to the 2021 income allocated to reserves.

(b) The caption "Accumulated other comprehensive income" includes a positive effect of about 328 million euro deriving from the adoption of IFRS 9.

(c) Common Equity Tier 1 capital as at 31 December 2022 includes the net income for the year, less the related dividend, calculated considering a payout of 70%, equal to that envisaged in the 2022-2025 Business Plan and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects and charity).
As at 31 December 2021, the figure considers the dividends on 2021 results, the portion of the remuneration of the AT1 instruments issued at that date and the portion of 2021 income allocated to charity, net of the tax effect.

(d) See the specific table for the details of the calculation of the deduction thresholds.

(e) The caption includes also "Foreseeable tax charges relating to CET1 items".

As at 31 December 2022, own funds take account of the deduction following the authorisation from the ECB to buyback own shares for their annulment, as approved by the Shareholders' Meeting on 29 April 2022, for the amount of 3.4 billion euro, of which 1.7 billion euro already carried out in the period from 4 July 2022 to 11 October 2022.
For the purposes of calculating own funds as at 31 December 2022 the net income for 2022 was considered, less the related dividend, calculated according to the payout ratio envisaged in the 2022-2025 Business Plan (70% for 2022) and other foreseeable charges; as previously reported, on 23 November 2022 Intesa Sanpaolo distributed 1.4 billion euro of interim dividends on 2022 net income.

As envisaged by Article 36 (1)(k)(ii) of Regulation (EU) 575/2013 which governs this circumstance, in place of the weighting of the positions towards securitisations that meet the requirements to receive a weighting of 1,250%, it was chosen to proceed with the direct deduction of these exposures from the Own Funds.
The amount of such deduction as at 31 December 2022 is equal to 62 million euro.

Additional Tier 1 Capital (AT1)

(millions of euro)

Information	31.12.2022	31.12.2021
Additional Tier 1 capital (AT1)		
AT1 instruments	7,207	6,263
Minority interests	-	1
Additional Tier 1 capital (AT1) before regulatory adjustments	**7,207**	**6,264**
Regulatory adjustments to Additional Tier 1 (AT1)	**-**	**-**
Adjustments in the transitional period, including minority interests (AT1)	**-**	**-**
Additional Tier 1 (AT1) - Total	**7,207**	**6,264**

Additional Tier 1 (AT1) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfather-ing	Original amount in currency	Contribution to the own funds (millions of euro)
Intesa Sanpaolo	7.70% fixed rate	NO	17-Sep-2015	perpetual	17-Sep-2025	USD	NO	1,000,000,000	871
Intesa Sanpaolo	6.25% fixed rate	NO	16-May-2017	perpetual	16-May-2024	Eur	NO	750,000,000	743
Intesa Sanpaolo	7.75% fixed rate	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,241
Intesa Sanpaolo	3.75% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2025	Eur	NO	750,000,000	745
Intesa Sanpaolo	4.125% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2030	Eur	NO	750,000,000	745
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Sep-2031	Eur	NO	750,000,000	736
Intesa Sanpaolo	5.5% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Mar-2028	Eur	NO	750,000,000	742
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	20-Jan-2020	perpetual	20-Jan-2025	Eur	NO	400,000,000	377
Intesa Sanpaolo	6.375% fixed rate (payable semi-annually)	NO	30-Mar-2022	perpetual	30-Sep-2028	Eur	NO	1,000,000,000	984
REYL & Cie SA	4.75%	NO	30-Nov-2019	perpetual	30-Nov-2024	CHF	NO	15,000,000	13
REYL & Cie SA	4.75%	NO	30-Nov-2018	perpetual	30-Nov-2023	CHF	NO	12,000,000	10
Total Additional Tier 1 equity instruments									**7,207**

Tier 2 Capital (T2)

(millions of euro)

	31.12.2022	31.12.2021
Tier 2 Capital (T2)		
T2 Instruments	8,308	9,163
Minority interests	-	1
Excess of provisions over expected losses eligible (excess reserve)	73	-
Tier 2 capital before regulatory adjustments	**8,381**	**9,164**
Tier 2 Capital (T2): Regulatory adjustments		
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-	-223
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	**-**	**-223**
Total adjustments in the transitional period, including minority interests (T2)	**-**	**-**
Tier 2 Capital (T2) - Total	**8,381**	**8,941**

Tier 2 (T2) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfather-ing	Original amount in currency	Contribution to the own funds (millions of euro)
Intesa Sanpaolo	6.625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	205
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	USD	NO	2,000,000,000	540
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	701
Intesa Sanpaolo	2.855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	221
Intesa Sanpaolo	5.71% fixed rate	NO	15-Jan-2016	15-Jan-2026	NO	USD	NO	1,500,000,000	820
Intesa Sanpaolo	3-month Euribor + 1.9%/4	NO	26-Sep-2017	26-Sep-2024	NO	Eur	NO	723,700,000	251
Intesa Sanpaolo	5.875% fixed rate	NO	04-Mar-2019	04-Mar-2029	04-Mar-2024	Eur	NO	500,000,000	521
Intesa Sanpaolo	4.375% fixed rate	NO	12-Jul-2019	12-Jul-2029	12-Jul-2024	Eur	NO	300,000,000	300
Intesa Sanpaolo	1.98% fixed rate	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	160,250,000	110
Intesa Sanpaolo	3-month Euribor + 206 bps/4	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	188,000,000	139
Intesa Sanpaolo	5.148% fixed rate	NO	10-Jun-2020	10-Jun-2030	NO	GBP	NO	350,000,000	296
Intesa Sanpaolo	3.75% fixed rate	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	309,250,000	237
Intesa Sanpaolo	3-month Euribor + 405 bps/4	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	590,500,000	482
Intesa Sanpaolo	2.925% fixed rate	NO	14-Oct-2020	14-Oct-2030	NO	Eur	NO	500,000,000	413
Intesa Sanpaolo	4.198% fixed rate	NO	01-Jun-2021	01-Jun-2032	01-Jun-2031	USD	NO	750,000,000	589
Intesa Sanpaolo	4.95% fixed rate	NO	01-Jun-2021	01-Jun-2042	01-Jun-2041	USD	NO	750,000,000	558
Intesa Sanpaolo	3-month Euribor + 345 bps/4	NO	16-Jun-2022	16-Jun-2032	NO	Eur	NO	861,800,000	833
Intesa Sanpaolo	8.505% fixed rate	NO	20-Sep-2022	20-Sep-2032	NO	GBP	NO	400,000,000	432
Intesa Sanpaolo	3-month Euribor + 415 bps/4	NO	14-Oct-2022	14-Oct-2032	NO	Eur	NO	677,400,000	660
Total Tier 2 instruments									**8,308**

Deduction thresholds for DTAs and investments in companies operating in the financial sector

(millions of euro)

	31.12.2022	31.12.2021
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	4,004	4,576
B. Threshold of 10% for CET1 instruments of financial sector entities where the institution has a significant investment and for DTA that rely on future profitability and arise from temporary differences	4,004	4,576
C. Threshold of 17.65% for significant investments and DTA not deducted in the threshold described under point B	6,271	7,268

The regulations envisage that for certain regulatory adjustments, such as those for DTAs based on future income and deriving from temporary differences, and for significant and minor investments in CET1 instruments issued by companies in the financial sector, certain thresholds or "deductibles" are specified, calculated on Common Equity estimated using different approaches:

- for minor investments in CET1 instruments issued by companies in the financial sector, the deduction of amounts exceeding 10% of CET1 prior to deductions deriving from exceeding the thresholds is envisaged;
- for significant investments in CET1 instruments and DTAs, however, an initial threshold on deductions is envisaged, still calculated as 10% of CET1 prior to deductions deriving from exceeding the thresholds, adjusted to take into account any excess over the threshold described in the previous point. A further threshold is indicated, calculated on 17.65% of Common Equity adjusted for the above 10% threshold, to be applied in aggregate on amounts not deducted using the first threshold.

All amounts not deducted must be weighted among risk-weighted assets at 250%.

Changes in Own Funds

The changes in own funds during the year are shown below.

OWN FUNDS	01.01.2022 - 31.12.2022
Common Equity Tier 1 capital (CET1)	
Amount 31.12.2021	**47,247**
Changes of IFRS 9 filter	-759
Initial amount 01.01.2022	**46,488**
Shares issued during the period and related share premium [a]	1,052
Changes in reserves [b]	-3,040
Accumulated other comprehensive income [c]	-2,401
Net income for the period (net of foreseeable dividends) [d]	1,189
Minority interests	-3
Regulatory adjustments	
Prudential filters [e]	-343
Own CET1 instruments [f]	-1,603
Goodwill and other intangible assets [g]	-446
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-240
Deferred tax assets that rely on future profitability and arise from temporary differences	-
Significant and non-significant investments in CET1 instruments of the financial sector	-
Amount by which expected losses exceed total impairment provisions on IRB positions	78
Deductions deriving from securitisations	93
Other deductions	-52
Final amount 31.12.2022	**40,772**
Additional Tier 1 (AT1)	
Initial amount 01.01.2022	**6,264**
Issues/redemptions of AT1 instruments [h]	944
Minority interests	-1
Regulatory adjustments	
Own AT1 instruments	-
Non-significant investments in AT1 instruments of the financial sector	-
Significant investments in AT1 instruments of the financial sector	-
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 31.12.2022	**7,207**
Tier 2 (T2)	
Initial amount 01.01.2022	**8,941**
Issues/redemptions of T2 instruments [i]	-855
Minority interests	-1
Excess adjustments over expected losses (excess reserve)	73
Regulatory adjustments	
Own T2 instruments	-
Non-significant investments in T2 instruments of the financial sector	-
Significant investments in T2 instruments of the financial sector [j]	223
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 31.12.2022	**8,381**
Total Own Funds at the end of the reporting period	**56,360**

Below is a summary analysis of the main changes in Own Funds during the year.

Common Equity Tier 1 capital (CET1)

a) the increase in Share Capital and Share Premium Reserve was mainly attributable to the share capital increase, without payment and with payment, to service the LECOIP 3.0 incentive plan;

b) the decrease in reserves is mainly attributable to the use of the extraordinary reserve to support the buyback, the share capital increase without payment to support the Lecoip 3.0 incentive plan, the reclassification of the FVOCI reserves of ISP (mainly deriving from Nexi), the reclassification of the substitute tax for accounting/tax realignment of property and equipment pursuant to IAS 16, the value adjustment of the RBM put and other minor effects;

c) the change in accumulated other comprehensive income was due to:
   - the decrease in the AFS reserve for the insurance companies of -1,268 million euro;
   - the deterioration in the reserve for equity and debt securities measured at fair value of -1,553 million euro;
   - the improvement in the CFH reserve of 237 million euro, of which 96 million euro related to the insurance segment;
   - the increase in the reserve for property, equipment and investment property of 151 million euro;
   - the improvement in the financial liabilities designated at fair value through profit or loss valuation reserve (DVA) of 32 million euro;
   - the improvement in the IAS 19 reserve (+179 million euro), the worsening of the exchange rate reserve (-159 million euro) and other minor effects (-20 million euro);

d) the consolidated net income for the period ended 31 December 2022, amounting to 4,354 million euro, was recognised in Own Funds for 1,189 million euro, due, as already mentioned above, to the regulatory conditions having been met for its inclusion, net of dividends and other foreseeable costs (3,166 million euro as at 31 December 2022);

e) the variance was mainly due to the change in the Filter on the CHF Reserve (-237 million euro), the change in Group's own credit rating (DVA) (-139 million euro) and the change in the Prudent Valuation (+33 million euro);

f) the variance was mainly due to the second tranche of the buyback of own shares for their cancellation for 1,700 million euro, partially offset by the reduction in the authorised ceilings;

g) the increase in the deduction was attributable to:
   - the new goodwill, mainly arising following the acquisitions of CBPQ, Warrant HUB and Alpian, as well as the increase in goodwill of Mooney;
   - the increase in other intangible assets due to the reduction in DTLs as a result of the realignment of the tax values of certain intangible assets, in addition to the reduction in the benefit related to the prudential treatment of software introduced by Regulation (EU) 2020/2176.

Additional Tier 1 (AT1)

h) the change was due to the issuance of an equity instrument during the first half of the year.

Tier 2 (T2)

i) during the half year, new T2 instruments were issued, and a security was repurchased, the period amortisation for instruments with a maturity of less than 5 years was carried out and other minor changes were made;

j) the change was due to the lack of the deduction of the Vendor Loan subscribed by Banca 5 in Mooney, following the proportionate consolidation.

Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2 Reg. 2021/637)

(millions of euro)

Row		Financial statements scope	Prudential scope	Relevant amount for the purpose of own funds	See table "EU CC1 - Composition of regulatory own funds"
	TOTAL ACCOUNTING DATA, OF WHICH			**57,160**	
	Assets				
1	70. Investments in associates and companies subject to joint control	2,013	8,540	-627	8, 18, 19
1.1	*of which: implicit goodwill in associated companies IAS 28-31*	*627*	*1,604*	*-627*	*8*
2	100. Intangible assets	9,830	8,945	-7,659	8
2.1	*of which: goodwill*	*3,626*	*3,244*	*-3,626*	*8*
2.2	*of which: other intangible assets*	*6,204*	*5,701*	*-4,033*	*8*
3	110. Tax assets	18,273	17,146	-2,154	10, 25
3.1	*of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability*	*2,326*	*2,326*	*-2,326*	*10*
	Liabilities				
4	10. Securities issued	76,079	77,389	8,308	46, 52
4.1	*of which: subordinated instruments subject to transitional arrangements*	-	-	-	*46, 52*
4.2	*of which: subordinated instruments not subject to transitional arrangements*	-	*8,308*	*8,308*	*46, 52*
5	60. Tax liabilities	2,306	995	84	8
5.1	a) Current tax liabilities	297	273	N.A.	
5.2	b) Deferred tax liabilities	2,009	722	N.A.	
5.2.1	*of which: tax liabilities related to goodwill and other intangible assets*	-	-	*84*	*8*
6	120. Valuation reserves	-2,635	-2,635	-2,270	3, 11
6.1	*of which: valuation reserves on securities available for sale*	*-696*	-	*-798*	
6.2	*of which: valuation reserves on financial assets measured at fair value through other comprehensive income*	*-2,040*	*-2,840*	*-2,041*	
6.3	*of which: valuation reserves on cash flow hedges*	*-468*	*-364*	-	*11*
6.4	*of which: foreign exchange differences*	*-1,197*	*-1,197*	*-1,197*	*3*
6.5	*of which: legally-required revaluations*	*2,060*	*2,060*	*2,060*	*3*
6.6	*of which: valuation reserves on net actuarial losses*	*-238*	*-238*	*-238*	*3*
6.7	*of which: other*	*-56*	*-56*	*-56*	
7	140 Equity instruments	7,211	7,211	7,207	30
8	150. Reserves	15,827	15,827	17,929	2
8.1	*of which: impact of the adoption of IFRS 9 net of transitional arrangements*		-	*753*	*27a*
8.2	155. Interim dividend (-)	-1,400	-1,400	-1,400	
9	160. Share premium reserve	28,053	28,053	28,053	1
10	170. Share capital	10,369	10,369	10,369	1
10.1	*of which: ordinary shares*	*10,369*	*10,369*	*10,369*	*1*
11	180. Treasury shares (-)	*-124*	*-124*	*-1,869*	16
12	190. Minority interests (+/-)	166	135	-	5, 34, 48
12.1	*of which CET1 compliant*		-	-	*5*
12.2	*of which AT1 compliant*		-	-	*34*
12.3	*of which T2 compliant*		-	-	*48*
13	200. Net income (loss) for the period (+/-)	4,354	4,354	1,189	5a
13.1	*of which net income (loss) for the period, net of the dividend in distribution on the net income (loss) for the period*			*1,189*	*5a*
	OTHER COMPONENTS OF OWN FUNDS, OF WHICH:			**-800**	
14	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities			-15	14, 27a
15	Value adjustments due to the requirements for prudent valuation			-201	7
16	Exposures to securitisations deducted rather than risk weighted at 1250%			-62	20a, 20c
17	IRB shortfall of credit risk adjustments to expected losses			-240	12
18	IRB Excess of provisions over expected losses eligible			73	50
19	Filter on unrealised capital gains on real properties			-	27a
20	Direct and indirect holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment			-	55
21	Indirect investments and irrevocable payment commitments			-355	25b, 27a
	Total own funds as at 31 December 2022			**56,360**	

Section 4 - Capital Requirements

Qualitative disclosure

Assessment of the adequacy of the Bank's internal capital

The management of capital adequacy consists of a series of policies that determine the size and optimal combination of the various capitalisation instruments, in order to ensure that the levels of capital of the Group and its banking subsidiaries are consistent with the risk profile assumed and meet the supervisory requirements.
The concept of capital at risk differs according to the basis for its measurement, and different target levels of capitalisation are established:

- Regulatory capital covering Pillar 1 risks;
- Overall Economic Capital for Pillar 2 risks (ICAAP).

The Regulatory Capital and the overall Economic Capital differ in terms of their definition and the coverage of risk categories. The former derives from the formats laid down by the supervisory provisions and the latter from the identification of the significant risks for the Intesa Sanpaolo Group and the consequent use of internal models for the exposure assumed.
Capital Management essentially involves the control of capital adequacy through the careful monitoring of both the regulatory constraints (Basel 3 Pillar 1) and current and prospective operational constraints (Pillar 2) in order to anticipate any critical situations within a reasonable period of time and identify possible corrective measures for the generation or recovery of capital.
Accordingly, the capital adequacy assessment process is based on a “twin track” approach: Regulatory Capital for compliance with the Pillar 1 requirements and overall Economic Capital for the Pillar 2 ICAAP.

The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, also to run its operations. In this regard, the allocation of capital to the different Business Units is established on the basis of their specific capacity to contribute to the creation of value, taking into account the level of return expected by the shareholders. To this end, internal systems are used to measure performance (EVA) on the basis of both the Regulatory Capital and the Economic Capital.
Verification of compliance with supervisory requirements and consequent capital adequacy is continuous and depends upon the objectives set out in the Business Plan.
First verification occurs as part of the process of defining budget targets: based on the growth trends expected for loans, other assets and income statement aggregates, the risks are measured and their compatibility with compulsory capital ratios for individual banks and for the Group as a whole is assessed.
Compliance with capital adequacy is obtained via various levers, such as the payout policy, the definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of the loan policy on the basis of counterparty risk.
This dynamic management approach is aimed at identifying the most suitable capital instruments for the achievement of the objectives.
Compliance with the target levels of capitalisation is monitored during the year and on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheet aggregates.
A further step in the preventive analysis and control of the Group's capital adequacy takes place whenever extraordinary operations (such as acquisitions, disposals, joint ventures etc.) are resolved upon. In this case, on the basis of the information on the operation to be conducted, its impact on capital ratios is estimated and any necessary actions to ensure compliance with the requirement set forth by Supervisory Authorities are planned.

As already mentioned, the Intesa Sanpaolo Group attaches great importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk.

The Economic Capital, defined as the maximum “unexpected” loss that the Group may incur over a period of one year, at a specific confidence interval, is a key measure for determining the Group's financial structure and risk tolerance and for guiding its operations, ensuring the balance between risks assumed and shareholder return.
The level of absorption of Economic Capital is estimated on the basis of the current situation and also at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the expected economic scenario.

The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.

The following graphs illustrate the breakdown of the Group's Economic Capital by Business Unit and by type of risk.

Absorption of Economic Capital by type of risk and Business Unit

The following is an illustration of the breakdown of the Group's Economic Capital by type of risk and Business Unit.

The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.
The majority of risk is concentrated in the "IMI Corporate & Investment Banking" Business Unit (34.0% of the total Economic Capital): this is attributable to the type of customers served (Corporate and Financial Institutions) and Capital Market activities. This Business Unit is assigned a significant share of credit risk and trading book risk. The "Banca dei Territori" Business Unit (19.7% of the total Economic Capital) is a significant source of absorption of Internal Capital, in line with its role as core business of the Group, serving Retail, Private and Small/Middle Corporate customers. It is assigned a sizeable portion of credit risk and operational risk. Most of the insurance risk is assigned to the "Insurance" Business Unit (16.1% of the total Economic Capital). The "International Subsidiary Banks" Business Unit is assigned 7.4% of the total risk, predominantly credit risk. In addition to credit risk, the "Corporate Centre" is attributed with the risks typical of this Business Unit, namely those resulting from investments, the risks pertaining to the exposures in default, the Banking Book interest rate and exchange rate risk, as well as the risks arising from the management of the Parent Company's FVOCI portfolio (19.2% of the overall Economic Capital).
Absorption of Economic Capital by the "Private Banking" and "Asset Management" Business Units is marginal (2.7% and 0.9%, respectively) due to the nature of their business, which is predominantly aimed at asset management activities.

In accordance with the capital adequacy rules, the Group completed the activities aimed at meeting the Pillar 2 requirements, preparing and sending the ICAAP Reports for the previous year on a consolidated basis to the Supervisory Authority, after approval by the Corporate Bodies. The Group has also substantially completed the ICAAP Report on the figures as at 31 December 2022 and the forecasts over a four-year period, and the final document is due to be sent to the Supervisor by 31 March 2023. The results of the ICAAP process confirm the Group's capital adequacy: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.

Quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's total own funds must amount to at least 13.12% of total risk-weighted assets (total capital ratio, of which 8.84% in terms of Common Equity Tier 1 ratio[8]) arising from the risks typically associated with banking and financial activity (credit, counterparty, market and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risks following insurance coverage. The competent authorities, as part of the Supervisory Review and Evaluation Process (SREP), may require higher capital requirements compared to those resulting from the application of the regulatory provisions.

As already illustrated in the Section on "Own Funds", the total regulatory capital is made up of the algebraic sum of the elements specified below:

- Tier 1 Capital (capable of absorbing losses under going concern conditions). This capital is divided into Common Equity Tier 1 Capital and Additional Tier 1 Capital;
- Tier 2 Capital (capable of absorbing losses in the event of a crisis).

The elements indicated above are subject to the following limits:

- Common Equity Tier 1 must at all times be equal to at least 4.5% of risk-weighted assets;
- Tier 1 Capital must at all times be equal to at least 6% of risk-weighted assets;
- Own Funds (i.e. the total regulatory capital), equal to Tier 1 plus Tier 2 Capital, must at all times be equal to at least 8.0% of risk-weighted assets.

Following the Supervisory Review and Evaluation Process (SREP), the ECB annually makes a final decision on the capital requirement that Intesa Sanpaolo must comply with at consolidated level.
On 3 February 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 March 2022.
Fully loaded, the overall requirement to be met in terms of Common Equity Tier 1 ratio is 8.95%.
This is the result of:

- the SREP requirement in terms of Total Capital ratio of 9.79% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.79%, of which 1.01% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[9];
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - A Capital Conservation Buffer of 2.5%;
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%;
  - a Countercyclical Capital Buffer of 0.19%[10].

On 15 December 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2023.
The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.91%.
This is the result of:

- the SREP requirement in terms of Total Capital ratio of 9.72% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.72%, of which 0.97% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020;
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - A Capital Conservation Buffer of 2.5%;
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%;
  - a Countercyclical Capital Buffer of 0.19%[11].

With regard to credit risks, the ECB's authorisation to use the new Retail models for regulatory purposes was implemented starting from September 2022.
With regard to counterparty risk, it is noted that, starting from the second quarter of 2022, the eligibility rules for securities used as collateral in SFTs were revised, in light of the provisions of art. 271.2 CRR. In order to maintain a suitable level of control over the materiality of transactions previously considered at full risk, a concentration limit was introduced on guarantees that have low levels of liquidity or creditworthiness. A new assessment process was also defined for guarantees comprised of senior securitisation tranches, to make them eligible to mitigate exposures deriving from SFTs.
Starting from the fourth quarter of 2022, in response to the request from the ECB, a process was activated to exclude from the internal counterparty risk model those transactions whose valuation does not comply with the consistency thresholds between the risk and front office systems.
There were no changes in the scope of application of the internal models for operational risk compared to 31 December 2021.

[8] This requirement is determined by: the minimum Pillar 1 capital requirement of 8% (of which 4.5% is CET1), the additional Pillar 2 capital requirement of 1.79% (of which 1.01% is CET1) and the Combined Buffer of 3.3% (the institution-specific countercyclical capital buffer was 0.08% in the fourth quarter of 2022).

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

[10] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2022 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2024, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2022 and for the first quarter of 2023).

[11] See the previous note.

Overview of total risk exposure amounts (EU OV1 Reg. 2021/637)

(millions of euro)

		Total risk exposure amounts (TREA)		Total own funds requirements
		31.12.2022	30.09.2022	31.12.2022
1	**Credit risk (excluding CCR)**	**244,091**	**270,455**	**19,527**
2	*Of which the standardised approach*	*81,465*	*87,859*	*6,517*
3	*Of which the Foundation IRB (F-IRB) approach*	*1,382*	*1,312*	*111*
4	*Of which slotting approach*	*1,022*	*1,059*	*82*
EU 4a	*Of which equities under the simple riskweighted approach*	*23,206*	*25,714*	*1,856*
5	*Of which the Advanced IRB (A-IRB) approach*	*131,446*	*148,907*	*10,516*
6	**Counterparty credit risk - CCR**	**4,936**	**6,336**	**395**
7	*Of which the standardised approach*	*480*	*832*	*38*
8	*Of which internal model method (IMM)*	*2,858*	*3,967*	*229*
EU 8a	*Of which exposures to a CCP*	*287*	*278*	*23*
EU 8b	*Of which credit valuation adjustment - CVA*	*900*	*726*	*72*
9	*Of which other CCR*	*411*	*533*	*33*
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap) (*)**	**10,592**	**8,989**	**847**
17	*Of which SEC-IRBA approach*	*6,040*	*4,409*	*483*
18	*Of which SEC-ERBA (including IAA)*	*105*	*109*	*8*
19	*Of which SEC-SA approach*	*4,447*	*4,471*	*356*
EU 19a	*Of which 1250%*	*-*	*-*	*-*
20	**Position, foreign exchange and commodities risks (Market risk)**	**10,338**	**12,249**	**827**
21	*Of which the standardised approach*	*2,887*	*3,882*	*231*
22	*Of which IMA*	*7,451*	*8,367*	*596*
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**25,486**	**26,335**	**2,039**
EU 23a	*Of which basic indicator approach*	*894*	*598*	*72*
EU 23b	*Of which standardised approach*	*2,593*	*2,661*	*207*
EU 23c	*Of which advanced measurement approach*	*21,999*	*23,076*	*1,760*
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (**)	10,797	10,562	864
29	**TOTAL**	**295,443**	**324,364**	**23,635**

(*) Memo item: deducted securitisations equivalent to 751 million euro of RWEAs and 60 million euro of requirement.

(**) The amount is shown for information purposes only, as these exposures are already included in row 1 (Credit risk) and related "of which".

The total amount of risk-weighted exposures recorded as at 31 December 2022 was 295.4 billion euro, a decrease of around 28.9 billion euro compared to September 2022. In particular, please note the following:

– credit risk (-26.4 billion euro compared to the previous quarter, excluding counterparty risk): the decrease is mainly attributable to the strategies of de-risking and optimisation of profitability pursued by the Group. Specifically, the following is noted: the reduction in exposures to corporate customers and banks; the finalisation of securitisations, as illustrated below; the disposal of exposures to several Russian counterparties; and the disinvestment in the HTC and HTCS portfolios and funds, along with the disposal of a non-strategic equity investment;
– counterparty risk (-1.4 billion euro compared to the previous quarter): the decrease was almost entirely attributable to the default risk component, due to both market trends in the derivatives segment and portfolio changes in the SFT segment;
– securitisation exposures in the non-trading book (+1.6 billion euro compared to the previous quarter): the change was mainly due to the completion of two new synthetic securitisations and a new traditional securitisation regarding the sale of a portfolio of performing lease receivables. This increase was matched by a more than proportional reduction in RWAs on credit risk as a result of the benefit provided by these transactions;
– market risk (-1.9 billion euro compared to the previous quarter): the decrease was due to both the lower exposure to spread risk within the scope of the internal model (decrease in the IRC and Stressed VaR components) and the reduction in securitisations held in the trading book, with the resulting benefit on the standardised requirement;
– operational risk (-0.8 billion euro compared to the previous quarter): the change was mainly attributable to the decrease in both components (historical and forward-looking) of the internal AMA model.

For details of the RWEA changes with the IRB, IMM and IMA approaches, see the qualitative comments at the bottom of the flow statements below (EU CR8, EU CCR7 and EU MR2-B). As required by the regulations (Commission Implementing Regulation (EU) 2021/637 of 15 March 2021), these tables show the RWEA flows during the last quarter.

Key metrics template (EU KM1 Reg. 2021/637)

In accordance with the requirements of Article 447 CRR II (Disclosure of key metrics), the table below reports the key capital and risk measures for the Intesa Sanpaolo Group.

(millions of euro)

		31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	40,772	40,995	41,321	45,629	47,247
2	Tier 1 capital	47,979	48,202	48,528	52,877	53,511
3	Total capital	56,360	56,682	56,845	61,336	62,452
	Risk-weighted exposure amounts					
4	Total risk exposure amount	295,443	324,364	325,341	330,514	326,903
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.80%	12.64%	12.70%	13.81%	14.45%
6	Tier 1 ratio (%)	16.24%	14.86%	14.92%	16.00%	16.37%
7	Total capital ratio (%)	19.08%	17.47%	17.47%	18.56%	19.10%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.79%	1.79%	1.79%	1.79%	1.50%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.01%*	*1.01%*	*1.01%*	*1.01%*	*0.84%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.34%*	*1.34%*	*1.34%*	*1.34%*	*1.13%*
EU 7d	Total SREP own funds requirements (%)	9.79%	9.79%	9.79%	9.79%	9.50%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.08%	0.05%	0.04%	0.04%	0.04%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.75%	0.75%	0.75%	0.75%	0.75%
11	Combined buffer requirement (%)	3.33%	3.30%	3.29%	3.29%	3.29%
EU 11a	Overall capital requirements (%)	13.12%	13.09%	13.08%	13.08%	12.79%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.29%	7.13%	7.19%	8.30%	9.11%
	Leverage ratio					
13	Total exposure measure	855,282	915,574	916,977	825,225	805,561
14	Leverage ratio (%)	5.61%	5.26%	5.29%	6.41%	6.64%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.09%	3.09%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.09%	3.09%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	165,790	169,140	172,053	169,964	163,182
EU 16a	Cash outflows - Total weighted value	116,767	117,322	115,001	113,752	114,097
EU 16b	Cash inflows - Total weighted value	25,608	25,705	25,163	24,751	25,491
16	Total net cash outflows (adjusted value)	91,159	91,617	89,838	89,001	88,606
17	Liquidity coverage ratio (%)	181.9%	184.7%	191.7%	191.1%	184.5%
	Net Stable Funding Ratio					
18	Total available stable funding	544,274	568,560	580,303	614,602	628,694
19	Total required stable funding	431,802	447,127	457,086	479,155	493,679
20	NSFR ratio (%)	126.0%	127.2%	127.0%	128.3%	127.3%

With regard to the above table, see: i) the comments at the bottom of the table EU OV1 (in this section) for more details on the change in risk-weighted exposure (RWEA); ii) the section on Own Funds for more details on the movements in those funds; iii) the section on liquidity risk for more details on the LCR and NSFR; and iv) the section on the leverage ratio for the description of the factors that had an impact on the leverage ratio during the period.

RWEA flow statements of credit risk exposures under the IRB approach in the fourth quarter (EU CR8 Reg. 2021/637)

(millions of euro)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at 30 September 2022**	**182,596**
2	Asset size (+/-)	-14,003
3	Asset quality (+/-)	440
4	Model updates (+/-)	1,312
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	-1,852
8	Other (+/-)	-5,867
9	**Risk weighted exposure amount as at 31 December 2022**	**162,626**

As at 31 December 2022, the RWEA amount relating to IRB models was 162,626 million euro and was attributable to the Foundation IRB approach for 1,382 million euro (Row 3 EU OV1), to the slotting criteria approach for 1,022 million euro (Row 4 EU OV1), to the Advanced IRB approach for 131,446 million euro (Row 5 EU OV1), to equity instruments measured using the simple risk weight approach for 23,206 million euro (Row 4a EU OV1), to amounts below the thresholds for deduction for 1,702 million euro (Row 24 EU OV1), and to capital instruments measured at PD/LGD for 3,868 million euro.

As at December 2022, the aggregate of the RWAs relating to the exposures subject to credit risk measured using advanced approaches[12] amounted to 162,626 million euro, a net decrease of 19,970 million euro on September 2022, when the aggregate amounted to 182,596 million euro. The change during the quarter was attributable to the following:

- -14,003 million euro as a result of the decrease in volumes of operations on the Corporate, Banks and Equity portfolios, as part of activities by the Bank to reduce risk-weighted assets, optimising the profitability to absorbed capital ratio;
- +440 million euro deriving from a recomposition of the Corporate portfolio, partially offset by an improvement in the risk profile of the Banks portfolio;
- +1,312 million euro as a result of the authorisation from the Regulator to use internal models for estimating the PD-LGD-EAD parameters on the Other Retail portfolio of the subsidiary Všeobecná úverová banka;
- -1,852 million euro due to changes in foreign currency exposures, reflecting exchange rate fluctuations, driven in particular by the depreciation of the US dollar (USD) over the currency of the European Union (EUR);
- -5,867 million euro attributable to the completion during the quarter of several synthetic securitisations and the sale of a portfolio of non-performing loans.

[12] The risk-weighted exposures have been calculated in accordance with the instructions of the CRR, Part Three, Title II, Chapter 3, and the capital requirement has been calculated in accordance with Article 92(3)(a).

RWEA flow statements of CCR exposures under the IMM in the fourth quarter (EU CCR7 Reg. 2021/637)

(millions of euro)

		RWEA amounts
1	**RWEAs as at 30 September 2022**	**3,967**
2	Asset size	-1,229
3	Credit quality of counterparties	137
4	Model updates (IMM only)	-
5	Methodology and policy (IMM only)	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	-18
8	Other	1
9	**RWEAs as at 31 December 2022**	**2,858**

As required by Reg. 2021/637, the table does not include exposures to central counterparties (CCPs).

With regard to the changes in RWEAs related to CCR exposures (derivatives and SFTs, determined based on the IMM, in accordance with part three, title II, chapter 6 of the CRR) the value of the aggregate decreased in the quarter: 3,967 million euro at the end of September 2022 and 2,858 million euro at the end of December 2022. The decrease of -1,109 million euro was mainly attributable to the following components:

- -1,229 million euro due to the reduction in exposures in the portfolio, mainly within the Corporate and Banks scope;
- +137 million euro due to a recomposition of the Corporate and Banks portfolio;
- -18 million euro due to foreign currency exposures, as a result of exchange rate fluctuations.

RWEA flow statements of market risk exposures under the IMA in the fourth quarter (EU MR2-B Reg. 2021/637)

(millions of euro)

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1	**RWEAs as at 30 September 2022**	**2,051**	**3,904**	**2,222**	**-**	**190**	**8,367**	**669**
1a	*Regulatory adjustment*	*1,243*	*2,755*	*240*	-	*13*	*4,251*	*340*
1b	*RWEAs at the previous quarter-end (end of the day)*	*808*	*1,149*	*1,982*	-	*177*	*4,116*	*329*
2	Movement in risk levels	-203	-136	-591	-	-33	-963	-77
3	Model updates/changes	-	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWEAs at the end of the disclosure period (end of the day)*	*605*	*1,013*	*1,391*	-	*144*	*3,153*	*252*
8b	*Regulatory adjustment*	*1,616*	*2,644*	*34*	-	*4*	*4,298*	*344*
8	**RWEAs as at 31 December 2022**	**2,221**	**3,657**	**1,425**	**-**	**148**	**7,451**	**596**

The RWEAs as at 31 December 2022 are down from the previous quarter.
The slight increase in the amount of VaR, caused by higher volatility on the financial markets, is offset by the reduction in the Stressed VaR and IRC metrics. The reduction for both measures is mainly obtained through lower exposure to the corporate, financial and sovereign spread risk.

Institution-specific Countercyclical Capital Buffer

Below is the information relating to the “Countercyclical capital buffer”, prepared based on the ratios applicable as at 31 December 2022 and Implementing Regulation (EU) 2021/637 of the Commission of 15 March 2021 (repealing Delegated Regulation (EU) 2015/1555) which supplements regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440 of the same CRR. As established by Article 140, paragraph 1, of directive 2013/36/EU (so-called CRD IV), the institution-specific countercyclical capital buffer is the weighted average of the countercyclical ratios which are applied in the countries where the relevant credit exposures of the institutions are located.
CRD IV established the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer (CCyB) starting from 1 January 2016.
The ratio is subject to review on a quarterly basis. The European regulation was implemented in Italy with Bank of Italy circular 285, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the Bank of Italy decided to set the countercyclical buffer rate (for exposures towards Italian counterparties) at 0% also for the first quarter of 2023.
The relevant credit exposures include all the classes of exposure other than those under Article 112, letters from a) to f), of regulation (EU) 575/2013. The following portfolios are excluded: exposures to central administrations or central banks; exposures to regional administrations or local authorities; exposures to public-sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

In reference to 31 December 2022:

- the countercyclical capital ratios at individual country level were set, with the methods summarised above, generally equal to 0%, with the exception of the following countries: Slovakia (1.00%), Hong Kong (1.00%), Norway (2.00%, from 1.50% as at 30 September 2022), Czech Republic (1.50%, from 1.00% as at 30 September 2022), Bulgaria (1.00%, from 0.50% as at 30 September 2022), Luxembourg (0.50%), Denmark (2.00%, from 1.00% as at 30 September 2022), Iceland (2.00%), Sweden (1.00%), Estonia (1.00% introduced as at 31 December 2022), United Kingdom (1.00% introduced as at 31 December 2022) and Romania (0.50% introduced as at 31 December 2022);
- at consolidated level, Intesa Sanpaolo’s specific countercyclical ratio amounts to 0.08%.

Amount of the Institution-specific countercyclical capital buffer (EU CCyB2 Reg. 2021/637)

(millions of euro)

Total risk exposure amount	295,443
Institution specific countercyclical capital buffer rate	0.08%
Institution specific countercyclical capital buffer requirement	236

The table below shows the geographic distribution of the relevant credit exposures for the purpose of calculating the institution-specific countercyclical capital buffer as at 31 December 2022.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1 Reg. 2021/637) *(Table 1 of 3)*

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER - CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
ITALY	38,579	309,730	282	187	41,906	390,684	11,085	70	790	11,945	149,250	69.41	-
ALBANIA	557	7	-	-	-	564	45	-	-	45	560	0.26	-
ALGERIA	1	-	-	-	-	1	-	-	-	-	1	0.00	-
ANDORRA	2	-	-	-	-	2	-	-	-	-	1	0.00	-
SAUDI ARABIA	1	567	-	1	-	569	8	-	-	8	107	0.05	-
ARGENTINA	4	3	-	-	-	7	-	-	-	-	5	0.00	-
AUSTRALIA	154	1,586	-	2	-	1,742	52	1	-	53	657	0.31	-
AUSTRIA	61	503	-	1	-	565	39	-	-	39	495	0.23	-
AZERBAIJAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
BAILIWICK OF GUERNSEY	24	41	-	-	-	65	3	-	-	3	35	0.02	-
BAILIWICK OF JERSEY	10	20	-	-	-	30	2	-	-	2	23	0.01	-
BAHAMAS ISLANDS	-	96	-	-	-	96	4	-	-	4	46	0.02	-
BAHREIN	1	1	-	-	-	2	-	-	-	-	1	0.00	-
BANGLADESH	2	-	-	-	-	2	-	-	-	-	-	0.00	-
BELGIUM	139	1,794	2	5	-	1,940	69	1	-	70	881	0.41	-
BELIZE	1	-	-	-	-	1	-	-	-	-	1	0.00	-
BERMUDA	-	68	-	-	-	68	2	-	-	2	20	0.01	-
BELARUS	-	1	-	-	-	1	-	-	-	-	-	0.00	-
BOSNIA AND HERZEGOVINA	875	13	-	-	-	888	70	-	-	70	877	0.41	-
BRAZIL	515	608	-	1	-	1,124	58	1	-	59	729	0.34	-
BULGARIA	7	5	-	-	-	12	1	-	-	1	9	0.00	1.00
BURUNDI	7	-	-	-	-	7	-	-	-	-	5	0.00	-
CURACAO	1	-	-	-	-	1	-	-	-	-	1	0.00	-
CANADA	712	124	-	1	-	837	19	-	-	19	242	0.11	-
CAYMAN ISLANDS	115	661	-	9	22	807	20	1	1	22	272	0.13	-
CZECH REPUBLIC	383	1,345	-	-	-	1,728	93	1	-	94	1,170	0.54	1.50
CHILE	1	262	-	-	-	263	11	-	-	11	135	0.06	-
CHINA	570	885	-	-	-	1,455	184	-	-	184	2,298	1.07	-
CYPRUS	5	13	-	-	-	18	-	-	-	-	6	0.00	-
COLOMBIA	-	16	-	-	-	16	-	-	-	-	6	0.00	-
CONGO	1	-	-	-	-	1	-	-	-	-	1	0.00	-
SOUTH KOREA	41	33	-	-	-	74	2	-	-	2	27	0.01	-
IVORY COAST	33	-	-	-	-	33	4	-	-	4	50	0.02	-
COSTARICA	1	-	-	-	-	1	-	-	-	-	1	0.00	-
CROATIA	8,717	37	-	-	-	8,754	485	-	-	485	6,069	2.82	-
CUBA	80	-	-	-	-	80	-	-	-	-	4	0.00	-
DENMARK	48	70	-	3	-	121	8	-	-	8	102	0.05	2.00
DOMINICAN REPUBLIC	-	6	-	-	-	6	-	-	-	-	4	0.00	-
ECUADOR	1	-	-	-	-	1	-	-	-	-	-	0.00	-
EGYPT	1,914	94	-	-	-	2,008	121	-	-	121	1,515	0.70	-
UNITED ARAB EMIRATES	116	1,768	-	-	-	1,884	46	-	-	46	573	0.27	-
ESTONIA	22	2	-	-	-	24	-	-	-	-	4	0.00	1.00
ETHIOPIA	114	-	-	-	-	114	-	-	-	-	2	0.00	-
PHILIPPINES	-	12	-	-	-	12	1	-	-	1	7	0.00	-
FINLAND	48	242	1	3	-	294	12	-	-	12	155	0.07	-
FRANCE	864	3,520	160	1	585	5,130	177	13	8	198	2,473	1.15	-
GEORGIA	4	1	-	-	-	5	-	-	-	-	3	0.00	-
GERMANY	319	3,987	35	54	182	4,577	161	7	4	172	2,148	1.00	-
GHANA	-	1	-	-	-	1	-	-	-	-	-	0.00	-
JAPAN	190	318	-	60	-	568	18	5	-	23	288	0.13	-

Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1 Reg. 2021/637) *(Table 2 of 3)*

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER - CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
JORDAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
GREECE	1	74	-	-	-	75	2	-	-	2	27	0.01	-
HONG KONG	12	374	-	5	39	430	10	-	-	10	136	0.06	1.00
INDIA	2	1,438	-	-	-	1,440	60	-	-	60	756	0.35	-
INDONESIA	15	126	-	-	-	141	5	-	-	5	68	0.03	-
IRELAND	331	123	195	-	660	1,309	27	5	10	42	530	0.25	-
ICELAND	-	25	-	-	-	25	1	-	-	1	11	0.01	2.00
ISLE OF MAN	3	-	-	-	-	3	-	-	-	-	3	0.00	-
BRITISH VIRGIN ISLANDS	12	113	-	-	-	125	3	-	-	3	42	0.02	-
ISRAEL	4	43	-	-	-	47	4	-	-	4	44	0.02	-
KAZAKHSTAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
KENYA	133	1	-	-	-	134	1	-	-	1	17	0.01	-
KUWAIT	-	40	-	-	-	40	1	-	-	1	8	0.00	-
LEBANON	1	-	-	-	-	1	-	-	-	-	-	0.00	-
LIECHTENSTEIN	1	1	-	-	-	2	-	-	-	-	1	0.00	-
LITHUANIA	7	-	-	-	-	7	-	-	-	-	2	0.00	-
LUXEMBOURG	1,736	5,382	-	19	8	7,145	304	3	-	307	3,838	1.78	0.50
MACEDONIA	1	1	-	-	-	2	-	-	-	-	1	0.00	-
MALAYSIA	-	5	-	-	-	5	1	-	-	1	7	0.00	-
MALTA	10	18	-	-	-	28	1	-	-	1	15	0.01	-
MOROCCO	5	-	-	-	-	5	-	-	-	-	4	0.00	-
MARSHALL ISLANDS	19	145	-	-	-	164	10	-	-	10	121	0.06	-
MAURITIUS ISLANDS	1	670	-	-	-	671	37	-	-	37	464	0.22	-
MEXICO	17	547	-	84	3	651	21	1	-	22	271	0.13	-
MOLDOVA	132	2	-	-	-	134	6	-	-	6	75	0.03	-
MONGOLIA	-	119	-	-	-	119	14	-	-	14	179	0.08	-
MONTENEGRO	10	-	-	-	-	10	1	-	-	1	9	0.00	-
NIGERIA	-	10	-	-	-	10	1	-	-	1	8	0.00	-
NORWAY	175	327	-	-	-	502	18	-	-	18	229	0.11	2.00
NEW ZELAND	1	7	-	-	-	8	1	-	-	1	7	0.00	-
OMAN	-	57	-	-	-	57	2	-	-	2	21	0.01	-
NETHERLANDS	619	2,805	99	8	233	3,764	183	13	3	199	2,485	1.15	-
PANAMA	18	157	-	-	-	175	9	-	-	9	110	0.05	-
PERU	17	62	-	-	-	79	2	-	-	2	28	0.01	-
POLAND	375	1,503	-	-	-	1,878	67	-	-	67	844	0.39	-
PUERTO RICO	-	7	-	-	-	7	-	-	-	-	3	0.00	-
PORTUGAL	17	286	27	8	13	351	10	2	-	12	147	0.07	-
PRINCIPALITY OF MONACO	32	14	-	-	-	46	3	-	-	3	37	0.02	-
QATAR	2	112	-	-	-	114	3	-	-	3	37	0.02	-
UNITED KINGDOM	862	5,526	13	93	442	6,936	321	8	3	332	4,149	1.93	1.00
ROMANIA	850	38	-	-	-	888	54	-	-	54	681	0.32	0.50
RUSSIA	483	2,272	-	-	-	2,755	229	-	-	229	2,863	1.33	-
SAN MARINO	4	91	-	-	-	95	4	-	-	4	52	0.02	-
SERBIA	4,947	173	16	-	-	5,136	289	1	-	290	3,630	1.69	-
SINGAPORE	18	891	-	-	-	909	24	-	-	24	306	0.14	-
SLOVAKIA	1,395	15,987	-	-	-	17,382	549	-	-	549	6,857	3.19	1.00
SLOVENIA	1,448	1,178	-	-	-	2,626	136	-	-	136	1,704	0.79	-
SPAIN	412	5,121	8	44	483	6,068	213	1	24	238	2,984	1.39	-
UNITED STATES OF AMERICA	613	10,021	44	77	215	10,970	394	7	4	405	5,053	2.35	-

Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (EU CCyB1 Reg. 2021/637) *(Table 3 of 3)*

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER - CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	**Total**			
SOUTH AFRICAN REPUBLIC	1	154	-	-	-	155	9	-	-	9	110	0.05	-
SWEDEN	161	571	-	6	-	738	29	1	-	30	372	0.17	1.00
SWITZERLAND	549	1,072	-	37	-	1,658	66	3	-	69	859	0.40	-
THAILAND	3	26	-	-	-	29	2	-	-	2	19	0.01	-
TANZANIA	2	-	-	-	-	2	-	-	-	-	-	0.00	-
TUNISIA	-	3	-	-	-	3	-	-	-	-	1	0.00	-
TURKEY	53	744	-	-	-	797	75	-	-	75	937	0.44	-
UKRAINE	21	112	-	-	-	133	4	-	-	4	45	0.02	-
HUNGARY	4,038	225	-	-	-	4,263	205	-	-	205	2,563	1.19	-
URUGUAY	1	138	-	-	-	139	3	-	-	3	38	0.02	-
UZBEKISTAN	-	173	-	-	-	173	7	-	-	7	91	0.04	-
VENEZUELA	1	3	-	-	-	4	-	-	-	-	3	0.00	-
VIETNAM	-	2	-	-	-	2	-	-	-	-	2	0.00	-
ZAMBIA	2	-	-	-	-	2	-	-	-	-	-	0.00	-
ZIMBABWE	-	1	-	-	-	1	-	-	-	-	-	0.00	-
TOTAL	**74,813**	**387,559**	**882**	**709**	**44,791**	**508,754**	**16,221**	**145**	**847**	**17,213**	**215,163**	**100.00**	**-**

(*) The values shown in the columns are calculated on amounts not rounded to the nearest million.

The Group's countercyclical buffer of 0.08% is calculated only for exposures to countries that adopt a non-zero buffer rate, which, moreover, have a marginal impact on the Group's overall portfolio.

Insurance participations (EU INS1 Reg. 2021/637)

(millions of euro)

	Exposure value	Risk exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	5,266	19,484

As a "financial conglomerate" with a Parent Company of a banking group, Intesa Sanpaolo S.p.A., which controls the Intesa Sanpaolo Vita Insurance Group, on 9 September 2019 the Intesa Sanpaolo Group received permission from the ECB to calculate the Group's consolidated capital ratios, from the report as at 30 September 2019, using the Danish Compromise set out in Article 49 of Regulation (EU) 575/2013 (CRR), which allows banks that hold own funds instruments in insurance companies, subject to authorisation from their competent authorities, not to deduct those significant investments from Common Equity Tier 1 Capital (CET1) and weight them at 370% among RWA.
Between June and December 2022, there was a decrease of 0.6 billion euro in terms of RWAs, due to the reduction in the value of insurance equity investments during the half year (amounting to around 0.2 billion euro), mainly as a result of the dividend distribution.
In addition, based on specific instructions received from the ECB, the subordinated instruments issued by the Group's insurance companies and held by the Parent Company (271 million euro as at 31 December 2022) have been weighted, resulting in additional RWAs of around 1 billion euro. These latter figures are not included in the EU INS1 table figures.

THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services through wholly-owned insurance subsidiaries:

- Intesa Sanpaolo Vita;
- Intesa Sanpaolo Life;
- Intesa Sanpaolo Assicura;
- Fideuram Vita;
- Intesa Sanpaolo RBM Salute;
- Intesa Sanpaolo Insurance Agency.

In compliance with Article 438(g) of the CRR, the disclosure is provided below of the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate, calculated in accordance with the current provisions[13].

Financial conglomerates information on own funds and capital adequacy ratio (EU INS2 Reg. 2021/637)

(millions of euro)

	31.12.2022
Supplementary own fund requirements of the financial conglomerate (amount)	41,242
Capital adequacy ratio of the financial conglomerate (%)	140.69%

As at 31 December 2022, the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by 16,780 million euro. For the purpose of calculating the capital requirements of the banks, a Total Capital Ratio of 13.23% was considered, as taken from the outcomes of the Supervisory Review and Evaluation Process (SREP) for 2022.

The Solvency II framework of prudential supervision regulations, applicable to the entire European insurance segment, came into force on 1 January 2016. The new regulatory framework completely revised the calculation method for synthetic indicators to measure the solvency of insurance companies.

For 2022, the Group's insurance companies implemented all the new obligations required in that regard by the calendar for sending data reports to the Supervisory Authority (IVASS). The main data included in these reports concerned Eligible Own Funds, the Solvency Capital Requirement (SCR) and the Solvency Ratio. Intesa Sanpaolo Vita calculates the aggregate Solvency Ratio for the insurance companies as the Parent Company of the Insurance Group within the Intesa Sanpaolo Banking Group.
Based on Art. 96 of Legislative Decree 209/2005 (the Insurers' Code), Intesa Sanpaolo Vita is also required to prepare the "consolidated aggregate" financial statements of the Insurance Group that includes Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Intesa Sanpaolo Insurance Agency, as they are 100% controlled and Intesa Sanpaolo RBM Salute controlled at 73.8%, in addition to Fideuram Vita, because it is subject to unitary management in accordance with the insurers' code.

The Parent Company Intesa Sanpaolo Vita S.p.A. decided to rationalise, continuing the process launched in 2021, the scope of the insurance group for insurance companies operating in the non-life business, implementing the merger by incorporation of Cargeas Assicurazioni S.p.A. into Intesa Sanpaolo Assicura S.p.A. on 1 October 2022.

As at 31 December 2022, the Intesa Sanpaolo Vita Group had a regulatory Solvency Ratio of 202%, understood as the ratio of Group eligible own funds to the solvency capital requirement, both calculated according to Solvency II.

In addition, in 2022 the Ordinary Shareholders' Meeting of Intesa Sanpaolo Vita approved two distributions of part of the other shareholders' equity reserves to the Parent Company for a total of 1,107.6 million euro. In particular:

a) 904.1 million euro was approved and paid on 21 March 2022;
b) a further 203.5 million euro was approved and paid on 21 December 2022.

[13] Article 49(5) CRR establishes that "where an institution applies method 1, 2 or 3 of Annex I to Directive 2002/87/EC, the institution shall disclose the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate as calculated in accordance with Article 6 of and Annex I to that Directive".

Comparison of own funds, capital ratios and leverage ratio with and without the application of transitional provisions for IFRS 9 (EU IFRS 9-FL LG EBA 2020/12)

(millions of euro)

	Available capital (amounts)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
1	Common Equity Tier 1 capital (CET1)	40,772	40,995	41,321	45,629	47,247
2	Common Equity Tier 1 capital (CET1) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	40,019	40,241	40,566	44,874	45,735
3	Tier 1 capital	47,979	48,202	48,528	52,877	53,511
4	Tier 1 capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,226	47,448	47,773	52,122	51,999
5	Total capital	56,360	56,682	56,845	61,336	62,452
6	Total capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	56,353	56,675	56,837	61,328	61,856
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	295,443	324,364	325,341	330,514	326,903
8	Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	295,839	324,733	325,736	330,942	327,834
	Capital ratios					
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	13.8%	12.6%	12.7%	13.8%	14.5%
10	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.5%	12.4%	12.5%	13.6%	14.0%
11	Tier 1 capital (as a percentage of the risk exposure amount)	16.2%	14.9%	14.9%	16.0%	16.4%
12	Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.0%	14.6%	14.7%	15.7%	15.9%
13	Total capital (as a percentage of the risk exposure amount)	19.1%	17.5%	17.5%	18.6%	19.1%
14	Total capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.0%	17.5%	17.4%	18.5%	18.9%
	Leverage ratio					
15	Leverage ratio total exposure measure	855,282	915,574	916,977	825,225	805,561
16	Leverage ratio	5.6%	5.3%	5.3%	6.4%	6.6%
17	Leverage ratio if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.5%	5.2%	5.2%	6.3%	6.5%

As described in the chapter “Own Funds”, the first-time adoption of IFRS 9 and the adoption of the “static” approach during the transitional period (2018-2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios as at 31 December 2022 (with and without applying the transitional provisions for IFRS 9) shown in the table above due to the following:

– the reduction in CET1, due to the first-time adoption of IFRS 9 (FTA), after eliminating the shortfall existing as at 31 December 2017 on IRB exposures;
– the increase in CET1 due to the re-inclusion of the gradually decreasing transitional component as a result of the adoption of the adjustment introduced by the afore-mentioned Regulation, aimed at mitigating the impact of FTA;
– a positive impact on CET1 resulting from the change in the classification of the financial assets in the new categories established by IFRS 9 and the consequent change in measurement metrics;
– a reduction in the CET1 ratio as a result of the increase in DTAs that rely on future profitability limited to the complementary portion of the phase-in percentages envisaged for the transitional period, as established by the related Q&As (2018_3784 and 2018_4113);
– the increase in the excess reserve, based on the provisions of the above-mentioned Regulation, may be added to the Tier 2 Capital, up to the amount of 0.6% of IRB RWA, solely for the part in excess of the amount re-included in CET1 as a result of the adoption of said transitional adjustment;
– the reduction of the risk-weighted assets (RWA) on standard exposures which, as a result of the increase in the provisions linked to the first-time adoption of IFRS 9, reduced the risk exposure (EAD);
– the increase in risk-weighted assets (RWA) on standard exposures due to the application, under said provisions, of the scaling factor set out in Regulation (EU) 2017/2395.

From 30 September 2019, the deduction of DTAs and investments in companies in the financial sector described in the section on Own Funds ceased to be applied following the application of the Danish Compromise. As a consequence, the difference between the amount of the 250% risk-weighted DTAs in the IFRS 9 transitional approach and those re-determined on the assumption IFRS 9 had not been applied (fully-loaded IFRS 9), as described in detail in the above-mentioned section, results in an increase in risk-weighted exposures for the latter, which will cease after the end of the transitional period (last reporting date: 31 December 2022).

Section 5 - Liquidity Risk

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

Intesa Sanpaolo's internal control and management system for liquidity risk is implemented within the Group Risk Appetite Framework and in compliance with the tolerance thresholds for liquidity risk approved in the system, which establish that the Group must maintain an adequate liquidity position in order to cope with periods of strain, including prolonged periods, on the various funding supply markets, also by establishing adequate liquidity reserves consisting of marketable securities and refinancing at Central Banks. To this end, a balance needs to be maintained between incoming and outgoing funds, both in the short and medium-long term. This goal is implemented by the Group Liquidity Risk Management Guidelines approved by the Corporate Bodies of Intesa Sanpaolo, in implementation of the applicable regulatory provisions.

The provisions on liquidity introduced by the European Union in June 2013 and subsequently updated establish that banks must comply with: (i) the short-term liquidity coverage ratio (LCR > 100%) and (ii) the net stable funding ratio (NSFR >100%), as set out in Directive 2019/878/EU, Regulation (EU) No 575/2013, Regulation (EU) No 2019/876 and Delegated Regulation (EU) No 2015/61, as supplemented and amended. The regulatory framework is completed by the "Implementing Technical Standards" developed by the European Banking Authority (EBA) and ECB Guidelines designed to increase regulatory harmonisation of the Union within the framework of the Single Supervisory Mechanism (SSM), which in the area of liquidity also establishes an Internal Liquidity Adequacy Assessment Process (ILAAP), to be conducted with annual frequency for the purposes of the Supervisory Review and Evaluation Process (SREP).

The "Group Liquidity Risk Management Guidelines" of the Intesa Sanpaolo Group – in addition to referring to the Bank of Italy's indications regarding liquidity risk contained in the "Supervisory regulations for banks" – have gradually incorporated all the above regulatory provisions, in implementation of the applicable regulatory provisions.
In this framework, the Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo's Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

The key principles guiding the internal control and management system for liquidity risk defined by those Guidelines are as follows:
- the existence of a liquidity management policy approved by senior management and clearly disseminated throughout the Bank;
- the existence of an operating structure that works within set limits and attention thresholds and of a control structure that is independent from the operating structure;
- the constant availability of adequate liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions;
- liquidity management in crisis situations that takes into account the guidelines on the governance of crisis management processes within the Recovery Plan and the Resolution Plan.

The Group Liquidity Risk Management Guidelines set out the task assigned to the Corporate Bodies and allocate several important responsibilities to senior management, including approving measurement indicators, defining the main assumptions underlying the stress scenarios and composing the early warning thresholds used to activate emergency plans.

In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed. In order to maximise the coordination and integrated control of liquidity risk, the Group Liquidity Risk Management Guidelines identify the following scopes of companies: (i) the "Eurozone sub-consolidation scope", which comprises the Parent Company with its international branches and all the other Italian and international banks of the Group in the Eurozone for which the transfer of liquidity is not blocked or limited by regulatory constraints and which therefore contribute to the stability of the integrated management in the Eurozone, for which the Central Treasury function is directly responsible, subject to compliance with the limits set for each individual legal entity; and (ii) the "Other Banks/Group Companies" scope, which includes the Group's international subsidiaries, whose liquidity management is carried out by the Treasury/ALM functions of each subsidiary, under the guidance and monitoring of the competent structures of the Parent Company.

The corporate functions of the Parent Company responsible for ensuring the correct application of the Guidelines and the adequacy of the Group's liquidity position are the Group Treasury and Finance Head Office Department and the Planning and Control Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management Head Office Department, which is directly responsible, within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.

The Group's liquidity is managed by the aforesaid structures of the CFO area through thorough monitoring of cash flows and continuous liaison with the Business Units, within the framework of the relevant business plans drawn up in accordance with the following guidelines:

- constant attention to the level of customer loyalty, aimed at maintaining a high stock of stable deposits;
- monitoring of the deposit-lending gap of the Business Units, with respect to plan and budget targets;
- balanced use of the institutional market, with particular attention to diversification of segments and instruments;
- selective use of refinancing operations by Central Banks.

The Market and Financial Risk Management Head Office Department is directly responsible for level two controls and, as an active member of the Managerial Committees, it performs a primary role in the management and dissemination of information on liquidity risk, helping improve the Group's overall awareness of the existing position. In particular, it ensures the measurement of the Group's current and future exposure to liquidity risks under normal and stressed conditions, verifying compliance with the limits and, if those limits are exceeded, implementing the reporting to the competent Corporate Bodies and monitoring the agreed correction actions in the event of any excesses.

The Chief Audit Officer assesses the functioning of the overall structure of the control system monitoring the process for measuring, managing and controlling the Group's exposure to liquidity risk and verifies the adequacy and compliance of the process with the requirements established by the regulations. The results of the controls carried out are submitted to the Corporate Bodies, at least once a year.

The liquidity risk measurement metrics and mitigation tools are formalised by the aforementioned Group Liquidity Risk Management Guidelines which establish the methodology used for both the short-term and structural liquidity indicators.

The short-term liquidity is aimed at providing an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, while ensuring a sufficient liquidity buffer, available for use as the main mitigation tool for liquidity risk. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of specific short-term indicators, both of a regulatory nature with a holding a period of one month (Liquidity Coverage Ratio - LCR) and internally defined (Survival Period indicators).

The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high-quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in an acute liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by Delegated Regulation (EU) 2015/61 and its supplements/amendments.

The Survival Period is an internal indicator designed to measure the first day on which the net liquidity position (calculated as the difference between available liquidity reserves and net outflows) becomes negative, i.e. when additional liquidity is no longer available to cover simulated net outflows. To this end, two different scenario hypotheses are considered, baseline and stressed, designed to measure, respectively: (i) the Group's independence from interbank funding on the financial markets and (ii) the survival period in the event of further tensions of a market and idiosyncratic nature, of medium-high severity, managed without envisaging restrictions on credit activity involving customers. For the Survival Period indicator, in stress conditions it is established that a minimum survival period must be maintained with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.

The Intesa Sanpaolo Group's structural Liquidity Policy has adopted the structural requirement provided for by the regulatory provisions - the Net Stable Funding Ratio (NSFR). This indicator 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. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. In addition, the internal policy on structural liquidity also includes early warning indicators for maturities of more than 1 year, with particular attention to long-term gaps (> 5 years).

The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing business continuity under conditions of extreme liquidity emergency, the Contingency Liquidity Plan (CLP) ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning

indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Market and Financial Risk Management Head Office Department. Within this framework, the Group Treasury and Finance Head Office Department was officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term.
The CLP is part of the more general plan of Crisis Management (i.e. it is the first step of the escalation process envisaged in the management of liquidity emergencies) and the instruments envisaged in it represent a selection of recovery actions that are considered to be implementable in the short term and before other more radical measures, which are more extraordinary in nature or extent. To this end, intervention strategies and tools are defined according to the type, duration and intensity of the liquidity emergency, as well as the context in which the emergency is expected to occur.

Group liquidity position

The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained within the risk limits set out in the current Group Liquidity Policy for all of 2022.
Both regulatory indicators, LCR and NSFR, were above the regulatory requirements. In 2022, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[14] of 181.9% (184.5% in 2021). The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, further increased during the year, as well as by adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 31 December 2022, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 126% (127.3% at the end of 2021); this indicator remains well above 100%, even excluding the positive contribution of TLTRO funding.
The surpluses of both regulatory indicators, LCR and NSFR, are mainly originated within the Eurozone sub-consolidation scope. For the purposes of the LCR indicator, individual surpluses recorded at some international subsidiaries are also sterilised on consolidation due to constraints on the circulation of liquidity at those subsidiaries.
At the end of December 2022, the exact value of total unencumbered HQLA reserves at the various Treasury Departments of the Group totalled 172.5 billion euro (187.1 billion euro at the end of 2021), approximately 64% of which consisted of cash as a result of temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Adding the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group's unencumbered liquidity reserves amounted to a total of 177.7 billion euro (192.4 billion euro at the end of 2021).

(millions of euro)

	Unencumbered (net of haircut)	
	31.12.2022	31.12.2021
HQLA Liquidity Reserves	**172,527**	**187,066**
Cash and Deposits held with Central Banks (HQLA)	109,792	135,061
Highly liquid securities (HQLA)	62,735	52,005
Other eligible and/or marketable reserves	**5,222**	**5,306**
Total Group's Liquidity Buffer	**177,749**	**192,372**

Regular stress tests are carried out to assess the impact of negative events on the company liquidity position and on the adequacy of liquidity reserves, in relation to the current and prospective situation of the Group, the Bank and the market, to enable the Corporate Bodies to promptly recognise any unexpected vulnerability and to direct the activation of consequent corrective measures.

Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), the stress tests, in a combined scenario of market and specific crises (with significant loss in customer deposits), yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo's main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) short-term funding on wholesale markets, largely consisting of repurchase agreements and CD/CP funding, and (iii) medium/long-term funding, mainly composed of own issues (covered bonds/ABS and other senior debt securities in the euro and US markets, in addition to subordinated securities) and refinancing operations with the Eurosystem (TLTRO).
The Group Liquidity Risk Management Guidelines require the regular monitoring of the concentration analyses for the funding (by counterparty/product) and for the liquidity reserves (by issuer/counterparty).

Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the risk factors. This report includes an assessment of the liquidity risk exposure, also determined based on the adverse scenarios. The Board of Directors of Intesa Sanpaolo is regularly involved in defining the strategy for maintaining an adequate liquidity position at the level of the entire Group.

[14] The figure shown refers to the simple average of the last 12 months of monthly observations, as per Regulation (EU) 2021/637.

The corporate assessment on the adequacy of Intesa Sanpaolo's position is reported in the ILAAP (Internal Liquidity Adequacy Assessment Process), which also includes the Group's Funding Plan. Within the annual approval process for this report by the Corporate Bodies of Intesa Sanpaolo, the Liquidity Adequacy Statement (LAS) approved by the Board of Directors, which also presents the main findings from the self-assessment of the adequacy of the liquidity position, taking into account the results and values shown by the main indicators, confirms that the management of the liquidity position is considered to be adequate and deeply rooted in the Group's culture and business processes. It also notes, including from a prospective standpoint, that the current system of rules and procedures appears adequate to ensure a prompt and effective reaction should the risks and challenges actually materialise in severe and adverse stress scenarios.

Impacts from the COVID-19 pandemic

All the necessary preventive management and control measures implemented from the outset of the COVID-19 emergency remain in place to detect any signs of potential exacerbation of liquidity conditions.

Impacts of the Russia-Ukraine conflict

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

The table below contains the quantitative information on the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured in accordance with the EU regulations and subject to periodic reporting to the competent Supervisory Authority. The figures shown refer to the simple average of the last 12 monthly observations.

Quantitative information on LCR (Liquidity Coverage Ratio) (EU LIQ1 Reg. 2021/637)

(millions of euro)

SCOPE OF CONSOLIDATION		TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
EU1a	Quarter ending on	31-dec-22	30-sep-22	30-jun-22	31-mar-22	31-dec-22	30-sep-22	30-jun-22	31-mar-22
EU1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA) (a)**					**165,790**	**169,140**	**172,053**	**169,964**
CASH-OUTFLOWS									
2	**Retail deposits and deposits from small business customers, of which:**	**297,499**	**295,906**	**292,159**	**287,585**	**21,459**	**21,335**	**21,007**	**20,584**
3	*Stable deposits*	*209,804*	*208,481*	*206,475*	*204,326*	*10,490*	*10,424*	*10,324*	*10,216*
4	*Less stable deposits*	*87,695*	*87,425*	*85,684*	*83,259*	*10,969*	*10,911*	*10,683*	*10,368*
5	**Unsecured wholesale funding**	**149,608**	**151,842**	**149,064**	**145,896**	**63,739**	**64,740**	**63,812**	**62,892**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*51,490*	*51,717*	*49,838*	*48,256*	*12,870*	*12,926*	*12,456*	*12,061*
7	*Non operational deposits (all counterparties)*	*95,417*	*97,702*	*97,050*	*95,553*	*48,168*	*49,391*	*49,180*	*48,744*
8	*Unsecured debt*	*2,701*	*2,423*	*2,176*	*2,087*	*2,701*	*2,423*	*2,176*	*2,087*
9	**Secured wholesale funding**					**2,150**	**2,006**	**1,705**	**1,639**
10	**Additional requirements**	**80,972**	**79,277**	**76,358**	**74,560**	**19,562**	**18,834**	**17,910**	**17,795**
11	*Outflows related to derivative exposure and other collateral requirements*	*4,527*	*4,214*	*4,050*	*4,540*	*4,527*	*4,187*	*3,969*	*4,420*
12	*Outflos related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*76,445*	*75,063*	*72,308*	*70,020*	*15,035*	*14,647*	*13,941*	*13,375*
14	**Other contractual funding obligations**	**7,505**	**7,147**	**5,731**	**5,367**	**4,085**	**4,725**	**5,022**	**5,359**
15	**Other contingent funding obligations**	**118,719**	**116,991**	**114,361**	**113,022**	**5,772**	**5,682**	**5,545**	**5,483**
16	**TOTAL CASH OUTFLOWS**					**116,767**	**117,322**	**115,001**	**113,752**
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	22,003	22,834	22,007	20,019	470	697	945	1,027
18	Inflows from fully performing exposures	22,472	22,849	22,279	22,173	14,541	14,936	14,836	14,928
19	Other cash inflows	27,687	26,476	25,126	24,027	10,597	10,072	9,382	8,796
EU19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**72,162**	**72,159**	**69,412**	**66,219**	**25,608**	**25,705**	**25,163**	**24,751**
EU20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU20c	*Inflows subject to 75% cap*	*72,162*	*72,159*	*69,412*	*66,219*	*25,608*	*25,705*	*25,163*	*24,751*
TOTAL ADJUSTED VALUE									
EU21	**LIQUIDITY BUFFER**					**165,790**	**169,140**	**172,053**	**169,964**
22	**TOTAL NET CASH OUTFLOWS**					**91,159**	**91,617**	**89,838**	**89,001**
23	**LIQUIDITY COVERAGE RATIO**					**181.9%**	**184.7%**	**191.7%**	**191.1%**

(a) Liquidity reserves held by subsidiaries based in a third country subject to restrictions to assets transferability are recognised only for the portion intended to cover net cash outflows in that third country. All excess amounts are therefore excluded from the Group's consolidated LCR.

The table below provides the quantitative information relating to the Net Stable Funding Ratio, in accordance with Regulation (EU) 2021/637, for the quarters ending 31 December 2022, 30 September 2022, 30 June 2022 and 31 March 2022.

Net Stable Funding Ratio (NSFR) as at 31 December 2022 (EU LIQ2 Reg. 2021/637)

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**58,090**	**-**	**-**	**8,308**	**66,397**
2	Own funds	58,090	-	-	8,308	66,397
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**301,604**	**1,950**	**22,191**	**306,093**
5	Stable deposits		213,641	430	132	203,499
6	Less stable deposits		87,963	1,520	22,059	102,594
7	**Wholesale funding:**		**220,128**	**7,013**	**101,622**	**165,780**
8	Operational deposits		48,495	-	-	24,248
9	Other wholesale funding		171,633	7,013	101,622	141,532
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**17**	**12,952**	**995**	**5,506**	**6,004**
12	NSFR derivative liabilities	17				
13	All other liabilities and capital instruments not included in the above categories		12,952	995	5,506	6,004
14	**Total available stable funding (ASF)**					**544,274**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**3,869**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**405**	**417**	**18,148**	**16,124**
16	**Deposits held at other financial institutions for operational purposes**		**785**	**12**	**-**	**398**
17	**Performing loans and securities:**		**101,973**	**36,745**	**315,755**	**324,720**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		8,889	38	7,327	7,472
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,442	4,139	14,104	17,273
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		56,219	23,566	165,837	192,130
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*289*	*443*	*3,974*	*2,961*
22	Performing residential mortgages, of which:		3,358	3,584	100,785	75,373
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,044*	*3,145*	*91,478*	*66,950*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		22,065	5,418	27,702	32,472
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**27,112**	**19,066**	**61,082**	**75,093**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		8	-	5,508	4,689
29	NSFR derivative assets		79	-	-	79
30	NSFR derivative liabilities before deduction of variation margin posted		15,469	-	-	773
31	All other assets not included in the above categories		11,556	19,066	55,574	69,552
32	**Off-balance sheet items**		**2,994**	**-**	**192,146**	**11,598**
33	**Total RSF**					**431,802**
34	**Net Stable Funding Ratio (%)**					**126.0%**

Net Stable Funding Ratio (NSFR) as at 30 September 2022 (EU LIQ2 Reg. 2021/637)

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**58,408**	**-**	**-**	**8,295**	**66,703**
2	Own funds	58,408	-	-	8,295	66,703
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**301,328**	**1,482**	**18,648**	**301,733**
5	Stable deposits		210,880	242	100	200,666
6	Less stable deposits		90,448	1,240	18,548	101,067
7	**Wholesale funding:**		**205,302**	**53,827**	**103,746**	**194,462**
8	Operational deposits		51,911	-	-	25,956
9	Other wholesale funding		153,391	53,827	103,746	168,506
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**1,625**	**22,602**	**1,045**	**5,140**	**5,663**
12	NSFR derivative liabilities	1,625				
13	All other liabilities and capital instruments not included in the above categories		22,602	1,045	5,140	5,663
14	**Total available stable funding (ASF)**					**568,561**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**11,026**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**405**	**414**	**18,152**	**16,126**
16	**Deposits held at other financial institutions for operational purposes**		**1,114**	**38**	**-**	**576**
17	**Performing loans and securities:**		**124,545**	**33,820**	**324,699**	**337,127**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		16,683	8	7,115	7,514
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		16,987	3,941	13,148	16,779
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		66,098	23,118	177,512	203,531
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*215*	*296*	*3,766*	*2,714*
22	Performing residential mortgages, of which:		3,685	3,486	99,480	78,339
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,238*	*3,161*	*90,881*	*70,428*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		21,092	3,267	27,444	30,964
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**34,975**	**17,782**	**54,308**	**70,170**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4	-	5,747	4,889
29	NSFR derivative assets		73	-	-	73
30	NSFR derivative liabilities before deduction of variation margin posted		18,750	-	-	937
31	All other assets not included in the above categories		16,148	17,782	48,561	64,271
32	**Off-balance sheet items**		**2,584**	**-**	**199,463**	**12,101**
33	**Total RSF**					**447,126**
34	**Net Stable Funding Ratio (%)**					**127.2%**

Net Stable Funding Ratio (NSFR) as at 30 June 2022 (EU LIQ2 Reg. 2021/637)

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**58,718**	**-**	**-**	**8,416**	**67,134**
2	Own funds	58,718	-	-	8,416	67,134
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**297,838**	**1,789**	**17,676**	**297,839**
5	Stable deposits		209,691	276	158	199,627
6	Less stable deposits		88,147	1,513	17,518	98,212
7	**Wholesale funding:**		**181,089**	**73,506**	**107,186**	**209,532**
8	Operational deposits		53,719	-	-	26,859
9	Other wholesale funding		127,370	73,506	107,186	182,673
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**300**	**40,609**	**940**	**5,328**	**5,798**
12	NSFR derivative liabilities	300				
13	All other liabilities and capital instruments not included in the above categories		40,609	940	5,328	5,798
14	**Total available stable funding (ASF)**					**580,303**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**17,573**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**408**	**417**	**18,279**	**16,239**
16	**Deposits held at other financial institutions for operational purposes**		**556**	**5**	**-**	**281**
17	**Performing loans and securities:**		**115,320**	**37,266**	**329,271**	**341,595**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		15,978	512	7,791	9,458
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,252	4,960	9,350	12,922
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		64,313	23,794	186,850	211,264
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*321*	*272*	*3,424*	*2,534*
22	Performing residential mortgages, of which:		3,401	3,679	97,618	76,271
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,107*	*3,265*	*90,074*	*69,334*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		20,376	4,321	27,662	31,680
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**34,787**	**14,693**	**52,920**	**69,757**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		3	3	4,905	4,174
29	NSFR derivative assets		195	-	-	195
30	NSFR derivative liabilities before deduction of variation margin posted		15,918	-	-	796
31	All other assets not included in the above categories		18,671	14,690	48,015	64,592
32	**Off-balance sheet items**		**2,553**	**-**	**192,315**	**11,641**
33	**Total RSF**					**457,086**
34	**Net Stable Funding Ratio (%)**					**127.0%**

Net Stable Funding Ratio (NSFR) as at 31 March 2022 (EU LIQ2 Reg. 2021/637)

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**62,271**	**-**	**-**	**8,502**	**70,773**
2	Own funds	62,271	-	-	8,502	70,773
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**297,076**	**1,867**	**14,031**	**293,693**
5	Stable deposits		211,953	324	196	201,859
6	Less stable deposits		85,123	1,543	13,835	91,834
7	**Wholesale funding:**		**195,561**	**45,288**	**154,637**	**243,491**
8	Operational deposits		50,269	-	-	25,135
9	Other wholesale funding		145,292	45,288	154,637	218,356
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**237**	**42,491**	**1,132**	**6,079**	**6,645**
12	NSFR derivative liabilities	237				
13	All other liabilities and capital instruments not included in the above categories		42,491	1,132	6,079	6,645
14	**Total available stable funding (ASF)**					**614,602**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**21,652**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**317**	**330**	**13,940**	**12,398**
16	**Deposits held at other financial institutions for operational purposes**		**419**	**4**	**-**	**212**
17	**Performing loans and securities:**		**118,505**	**38,134**	**329,688**	**360,406**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		21,860	594	7,199	8,927
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		13,578	5,695	7,733	12,082
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		61,999	23,468	187,143	212,157
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*199*	*207*	*3,227*	*2,350*
22	Performing residential mortgages, of which:		3,614	3,715	100,136	94,907
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,249*	*3,309*	*93,324*	*88,429*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		17,454	4,662	27,477	32,333
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**40,977**	**10,643**	**53,790**	**73,200**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4	6	5,152	4,388
29	NSFR derivative assets		2,112	-	-	2,112
30	NSFR derivative liabilities before deduction of variation margin posted		15,069	-	-	753
31	All other assets not included in the above categories		23,792	10,637	48,638	65,947
32	**Off-balance sheet items**		**2,502**	**100**	**186,481**	**11,287**
33	**Total RSF**					**479,155**
34	**Net Stable Funding Ratio (%)**					**128.3%**

Group liquidity management model and interaction between affiliates

Integrated management is a key factor in the successful governance of liquidity risk. The existence of integrated liquidity management models is also recognised by the current European legislation, which provides the possibility of being exempted from individual compliance with the LCR requirement.
In this context, and in view of the centralised liquidity management models adopted by the Intesa Sanpaolo Group, the ECB has accepted the application for exemption from the individual compliance with the LCR requirement and the related reporting obligations (see Part 6, CRR) for the Group's main Italian subsidiaries.
All the international subsidiary banks of the Group comply with the individual LCR requirements, as they were well above the minimum regulatory amounts required throughout 2022. To this end, and based on the particular characteristics of each international jurisdiction, adequate liquid reserves are maintained that are readily available at local level. For affiliates resident in a third country subject to restrictions on the free transferability of funds, the calculation of the Group LCR can only include the reserves held there to meet liquidity outflows in that third country (accordingly, all surplus amounts are excluded from the consolidation).

Currency mismatch in the Liquidity Coverage Ratio

The Intesa Sanpaolo Group operates primarily in euro. The EU regulations require the monitoring and reporting of the "LCR in foreign currency" when the aggregate liabilities held in a foreign currency are "material", i.e. equal to or greater than 5% of the total liabilities held by the institution.
As at 31 December 2022, the US dollar (USD) was confirmed as material currency at consolidated level for the Group. Intesa Sanpaolo has an LCR position in USD of over 100% and has ample reserves of extremely high quality liquid assets (EHQLA) in US dollars, mainly consisting of unrestricted deposits held at the Federal Reserve.

Concentration of funding

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo's main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) short-term funding on wholesale markets, largely consisting of repurchase agreements and CD/CP funding, and (iii) medium/long-term funding, mainly composed of own issues (covered bonds/ABS and other senior debt securities in the euro and US markets, in addition to subordinated securities) and refinancing operations with the Eurosystem (TLTRO). The Group Liquidity Risk Management Guidelines require the regular monitoring of the concentration analyses for the funding (by counterparty/product) and for the liquidity reserves (by issuer/counterparty).

Derivatives transactions and potential collateral calls

Intesa Sanpaolo enters into derivatives contracts with central counterparties and third parties (OTC) covering various risk factors, arising, for example, from changes in interest rates, exchange rates, securities prices, commodity prices, etc. As market conditions change, these risk factors generate an impact on the Group's liquidity, affecting potential future exposures in derivatives, for which the provision of collateral in the form of cash or other liquid collateral is typically required. The quantification of the potential liquidity absorption, generated by the need for additional collateral in the event of adverse market movements, is measured both through historical analysis of the net collateral paid (Historical Look Back Approach), and by using advanced internal counterparty risk models. These figures are calculated from the potential outflows of the various liquidity indicators, contributing to the determination of the minimum Liquidity Buffer to be held to cover the estimated outflows.

Other liquidity risks not captured in the LCR calculation, but relevant to the Group's liquidity profile

Participation in payment, settlement and clearing systems requires the development of appropriate strategies and procedures for the control of intraday liquidity risk.
Intraday liquidity risk is the risk of not having sufficient funds to meet payment obligations by the deadlines set, within the business day, in the various systems referred to above (with potentially significant negative consequences also at a systemic level).
Intesa Sanpaolo actively manages its intraday liquidity positions to ensure that its settlement obligations are met in a timely manner, thereby contributing to the smooth operation of the payment circuits across the entire system. Intraday liquidity management necessarily involves careful and continuous monitoring of intraday cash flows exchanged at the various settlement systems used by the Group. To cover intraday liquidity risk, at the Parent Company and at the other Group Banks/Companies that participate directly in the payment systems, a minimum portfolio of eligible assets is held in a central bank as an immediately available reserve (in euro or in foreign currency). The control functions also monitor specific indicators of the availability of reserves at the start of the day and their ability to cover any unexpected peaks in collateral, also in relation to specific cases of stress. In particular, the Intraday liquidity usage ratio, which measures the relationship between the maximum cumulative net outflows and the amount of available reserves at the ECB at the start of the day (see BCBS - "Monitoring tools for intraday liquidity management", April 2013), is still extremely low, confirming the careful management of intraday liquidity risk.

Section 6 - Credit risk: general disclosure

Qualitative disclosure

Risk management strategies and processes

The Group's strategies, Risk Appetite Framework, and Powers and Rules for credit granting and management are aimed at:
- achieving a sustainable goal consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing the quality of its lending operations;
- diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency and mitigating potentially associated losses;
- given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
- constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
It should also be noted that the 2022-2025 Business Plan includes specific initiatives aimed at massive NPL stock reduction and continuous pre-emption through a modular strategy.
The transactions carried out during the year included several extraordinary de-risking initiatives for a total of 9.5 billion euro in terms of GBV, in addition to around 0.8 billion euro in GBV classified as assets held for sale for which the disposal is envisaged in 2023.
For more details, see the paragraph "The 2022-2025 Business Plan" of the Report on operations of the 2022 Consolidated financial statements.

Structure and organisation of the associated risk management function

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the corporate bodies, which, to the extent of their respective competences, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.
The coverage and governance of credit ensured by the corporate bodies is reflected in the current organisational structure, which identifies areas of central responsibility attributable to:
- Chief Lending Officer Governance Area;
- Chief Risk Officer Governance Area;
- Chief Financial Officer Governance Area.

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation, in addition to the establishment of the supporting processes and applications.

The Chief Lending Officer Governance Area, with the aid of its structures (BdT Underwriting Head Office Department, CIB Underwriting Head Office Department, ISB Credit Head Office Department, Credit Governance Head Office Department, Credit Value Preservation Head Office Department and NPE Head Office Department):
- makes material credit decisions, directly or submitting them to the relevant bodies, in relation to the assumption and management of the Group's credit risks, authorising them directly if falling within its prerogatives, including by way of advisory opinions;
- ensures the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- ensures, for its area of responsibility, the proactive management of credit and guarantees the management and the monitoring of the Group's non-performing and bad loans kept within the Group's internal management;
- designs and manages transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performs monitoring and control on outsourced activities, including the monitoring of the performance KPIs of outsourcers, directly making decisions, or submitting them to the Competent Bodies, regarding proposals exceeding the powers delegated to the Outsourcers;
- contributes to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and to their definition in relation to the relevant credit management variables, without prejudice to the Chief Financial Officer Governance Area's ultimate responsibility for their finalisation;
- coordinates the implementation of Credit Management Guidance by the relevant Group business units, also in the various corporate contexts;
- analyses the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;

- assigns and validates the ratings to the relevant positions, also providing support in the definition of the rating assignment processes and tools;
- defines the relevant regulations on credit matters, the requirements for the development of credit tools and contributes to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the Chief Risk Officer Governance Area's ultimate responsibility for their finalisation;
- promotes initiatives aimed at disseminating and developing a credit culture;
- ensures, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Management Guidance, the first level systematic supervision of the relevant loan portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

The Chief Risk Officer Governance Area is responsible for adapting the Risk Appetite Framework for the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures. Specifically, the Chief Risk Officer Governance Area:
- establishes the metrics for the measurement of credit risk - also with regard to the collective measurement of performing loans and the measurement of non-performing loans on a statistical basis;
- provides risk-adjusted pricing models and ensures the measurement of portfolio risk in relation to Expected Loss, Economic Capital (ECAP) and RWAs;
- monitors the absorption of capital relating to credit risk, supporting the Chief Financial Officer Governance Area in the active management of capital;
- makes proposals for the assignment of Credit Powers;
- validates internal risk measurement systems;
- oversees model risk;
- performs level II controls for credit risk.

The activities are performed directly by the Chief Risk Officer Governance Area for both the Parent Company and the main subsidiaries, according to a service contract.

With regard to the credit risk management policies, the Chief Financial Officer Governance Area:
- assists the Corporate Bodies in defining, in accordance with the Group corporate strategies and objectives, the guidelines and policies on administration and tax, planning and management control, treasury and finance, studies and research, active management of the loan portfolio, relations with investors and rating agencies, and social and environmental responsibility;
- oversees Credit Portfolio Management at Group level, supporting the Divisions in the active management of credit risk, with the aim of improving the risk-return profile of the loan portfolio in order to create value for shareholders;
- establishes the Credit Strategies for the Divisions with the aim of incentivising new disbursements, through pricing adjustments, to the most attractive economic sectors and customer clusters in terms of risk/return profile, monitors the loan portfolio with a view to creating value within the risk-adjusted pricing macro-process and carries out credit risk transfer transactions on the capital market in line with the target portfolio;
- oversees and coordinates the "Group NPL Plan Control Room", a managerial body with consulting, monitoring and guidance functions, established to ensure that the strategic objectives of the Group's NPL Plan are achieved while in compliance with the performance targets, solidity of the capital ratios and creation of value for the Group.

The Chief IT, Digital and Innovation Officer establishes the model and oversees the Group's Data Governance and Data Quality system, ensuring its dissemination and implementation and coordinating the activities of the parties involved.

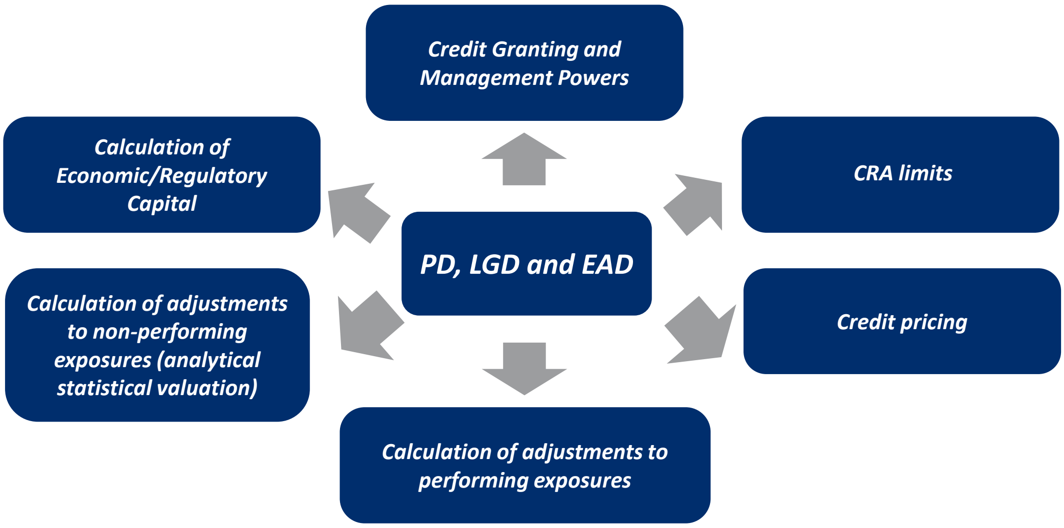
Lastly, as is the case for all the risk areas and above all for credit risk, the Chief Audit Officer performs internal audits aimed at identifying breaches of the procedures and regulations and periodically assessing the completeness, adequacy, functioning (in terms of efficiency and effectiveness) and reliability of the internal control system and the ICT system (ICT audit), at preset intervals according to the nature and extent of the risks.

Scope of application and characteristics of the risk measurement and reporting system

Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentration of exposures, limit potential losses in adverse scenarios, and maintain credit quality in line with the objectives of capital and financial stability.

Expected Loss and Risk Weighted Assets are fundamental elements for the management, measurement and control of credit risk. These measures incorporate the effects of the exposure size (Exposure at Default - EAD), the relative riskiness of the customer (Probability of Default - PD), the loss estimate where insolvency conditions exist - taking into account the guarantees that mitigate the assumption of risk related to the loan (Loss Given Default - LGD) - and the duration of the exposure (maturity), as detailed in the next paragraph.

The components that contribute to the determination of the Risk Weighted Assets are the key elements for the determination of the levels of the Credit Granting Powers, the limits of the Credit Risk Appetite (CRA), the credit pricing, the calculation of the adjustments on performing exposures and the analytical-statistical adjustments on non-performing exposures, as well as the calculation of the economic and regulatory capital.



The Credit Risk Appetite is aimed at optimising the risk/return profile of the assets. The “Rules on Credit Risk Appetite” define the methods for applying the CRA and the methods for calculating the CRA colour class, with associated exposure limits, in order to pursue a growth in lending consistent with the risk appetite defined for the Group.
The objective of the calculation of the pricing of transactions is to define the suitability of the economic conditions based on the value generation with respect to the expressed riskiness and all the components that contribute to the calculation of the value, also including the costs allocated to the structures.
The capital at risk is defined as the maximum “unexpected” loss that the Group may incur over a period of one year with particular confidence levels. The calculation is made with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macroeconomic scenario and on stress scenarios. Risk capital is a fundamental element in the assessment of the Group’s capital adequacy and is calculated within the ICAAP process from both a regulatory and a management perspective.

The levels of Powers set in terms of RWA delimit the decision-making power in the granting phase, specifying the authorised professional profiles and the decision-making procedures for the loans for the individual counterparties. In particular, where the granting of loans by the Group’s subsidiaries exceeds certain thresholds, a request for a “Compliance Opinion” is made to the competent bodies of the Parent Company.
The credit granting phase is also regulated by metrics that are complementary to the RWAs, which define coordination mechanisms and support tools for the ongoing exercise of guidance, coordination and control responsibilities, in implementation of the corporate governance provisions. In particular, the company rules include the Granting Rules, which specify the methods for taking on credit risk with customers, and the Rules on Credit Strategies, which are designed to direct the development and composition of the loan portfolio towards a risk/return profile that is recognised as optimal over the medium/long-term, also taking into account the sustainability of the portfolio from an ESG perspective over the same time horizon.

The credit risk management processes also envisage the periodic review of the credit positions by the relevant centralised or decentralised structures and the assessment of customers not only at origination, but also on a continuous basis, by means of a periodic monitoring process that interacts with credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. An Early Warning System is in place for the Corporate, Retail SME, Retail and Institutions portfolios, with adaptations introduced alongside the updates to the internal rating models. The system used was developed on the basis of the indicators identified in the Asset Quality Review and consists of a statistical component and a qualitative component, plus manual triggers by event. The indicators are updated on a daily basis and, when they confirm a potential anomaly in the management of the relationship, the related positions are detected and reported in specific management processes. As mentioned above, further developments were made to the EWS engine from the second half of 2021 for a forthcoming addition of new models to the credit process. More generally, the Group continued to develop its own management models to support the credit granting, monitoring and management processes (e.g. affordability, automatic granting engines, and forecasting). In more detail, the development was completed of the Retail and Retail SME affordability models. In the Retail SME sector, the model went into operation on 18 November 2022 to serve the APC/ATP product feeding a new automatic decision-making engine developed using machine learning techniques. In the Retail sector, the model is expected to be in operation in March 2023 to serve the personal loan process and in May 2023 to serve the mortgage loan product. Sector-specific forecasting models were also developed in 2022 in support of numerous company processes including the RAF, credit strategies, and credit granting and monitoring activities/instruments.

The valuation of the adjustments to the performing and non-performing exposures is based on methods consistent with IFRS 9, described in detail in the following Section 7 – Credit risk: credit quality of this document, in particular in the paragraph “Description of the methods adopted to calculate the adjustments”. The following paragraph “*Methods for measuring expected losses*” details the main application profile as at 31 December 2022.

Country risk is an additional component of an individual borrower’s insolvency risk, measured by credit risk control systems.

This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.
The country risk component is used in the granting of credit to non-resident entities in order to obtain a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. These limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, set on an annual basis in the Group Risk Appetite Framework. It should also be noted that, as a result of the exceptional situation caused by the outbreak of the Russia/Ukraine conflict, the estimated transfer risk of the Russian Federation was taken as a reference for the establishment of the management overlay of the LGD of the cross-border counterparties as described in paragraph "1.1 The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine" of 2022 Consolidated financial statements.

Counterparty risk is a particular kind of credit risk associated with derivatives and SFTs (Securities Financing Transactions, namely repurchase agreements and securities lending transactions), that refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
With regard to counterparty risk, the Banking Group has an internal model for measuring this risk both for regulatory (only for the Parent Company) and managerial purposes.
Potential Future Exposure (mean effective PFE 95%) has been adopted by the entire Banking Group for the measurement of the utilisation rate of credit limits for derivatives and SFTs exposures. The Market, Financial and C&IB Risks Coordination Area produces daily risk measurement estimates for counterparty risk, for the measurement of the utilisation rate of credit lines for derivatives and SFTs for the Parent Company and Fideuram - Intesa Sanpaolo Private Banking. The other Banks of the Group also use an internal model measurement approach, in simplified form, through internally estimated add-ons.
In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives and SFTs with margining agreements (CSA, GMRA and similar);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk;
- definition and periodic calculation of back-testing analyses to monitor the predictive performance over time of the model with respect to the movements of the risk factors underlying the transactions in the portfolio.

The concentration risk arises from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:
- aimed at defining exposure limits for specific geographical areas and sets of counterparties (e.g.: the top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large exposures" and to credit lines subject to country risk;
- aimed at ex-post correction of the risk profile, through the secondary loan market, through specific judgement metrics based on the maximisation of overall portfolio value.

The Internal Validation and Controls Head Office Department within the Chief Risk Officer Governance Area, carries out specific Level II controls on credit and data quality.
The purpose of the credit controls is to verify the proper classification and the adequacy of the management process for individual exposures (so-called single names).
In general, the development of control activities, as well as of guidance and coordination, includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.
It also assesses the compliance of the internal risk measurement and management systems over time as regards determination of the capital requirements with the regulatory provisions, company needs and changes in the relative market.

The Group's lending activity is focused on Italian customers (over 80% of the total) and is primarily aimed at households and small and medium enterprises.
The exchange of basic information flows between different Group entities is assured by the Group's Central Credit Register (exposure monitoring and control system) and by the "Posizione Complessiva di Rischio" (global risk position), which highlight and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.
From the September 2018 monthly report – following the preparation of the input and generation architecture for the Anacredit reporting, aimed at supporting the "collection of granular credit and credit risk data" as defined by Regulation (EU) 2016/867 of 18 May 2016 – a new reporting system has been in place in compliance with the regulatory provisions established by the ECB and implemented by the related Central National Banks.

Methods for measuring expected losses

The expected loss is the product of exposure at default, probability of default and Loss Given Default.

In Intesa Sanpaolo, probability of default is measured by means of different rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a 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.

A number of rating models are used for the Corporate segment, which use all available information sources and incorporate the opinions of credit analysts and relationship managers. In particular:

- models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
- specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for leveraged buy-out/acquisition-finance and asset-finance transactions.

The Corporate model is also used to calculate the resulting RWAs for the Equity portfolio of the Banking Book.

The models applied to the Retail portfolio are as follows:

- for the Retail SME segment, since May 2021, a new automated rating model has been in use that enables the calculation of the rating in real time;
- for the Retail segment, a counterparty rating model consisting of the Retail Mortgages segment and the Other Retail segment has been in use since September 2018. The model was updated in August 2022, following the receipt of the Authorisation Letter, with effects for reporting purposes from September 2022.

With regard to the Institutions portfolio:

- the models for banks (banks in mature economies and banks in emerging countries) are composed of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, and a country rating component that, based on the bank/country connection, assesses any negative effect of the country on the counterparty credit risk or, vice versa, the support capacity in the event of difficulties of the bank being assessed;
- the models used for Municipalities and Provinces are default models, whereas shadow rating models based on agency ratings are used for the Regions. An approach to extend the rating (with the application of a downgrading) for the regulatory Entity (e.g.: Region) has been adopted for local healthcare authorities and other sector entities. For the Sovereign portfolio, the structure of the rating model includes a quantitative module that takes into account the structural rating assigned by the main international agencies, the implicit risk in the market prices of sovereign debt, the macroeconomic assessment estimated with an econometric model, and a qualitative opinion component, which supplements the quantitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of the individual sovereign countries. The Sovereign rating model is used solely for management purposes.

For the international subsidiary banks of the Group, PD models are used, which may be:

- developed by the international subsidiary banks in order to capture the specific features of the risk of the local counterparties;
- extended by the Parent Company;
- borrowed from the Parent Company and adapted to local situations.

Some of these models are used for reporting purposes and others only for management purposes, as set out in the table below.

The Loss Given Default (LGD) models are based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group, and consists, in brief, of the following elements:

- estimate of a Bad Loan LGD Model: starting from the LGD observed on the portfolio, namely "Workout LGD", determined on the basis of the recoveries and costs, a regression econometric model of the LGD is estimated on variables considered to be significant for the determination of the loss associated to the Default event;
- application of the Danger Rate, a multiplying correction factor, used to recalibrate the Bad Loan LGD with the information available on the other default statuses, in order to calculate an LGD representative of all the possible default statuses and their evolution;
- application of an additional correction factor, known as "Final Settlement Component": this component is used as an add-on to the estimate recalibrated for the Danger Rate in order to consider the loss rates associated with positions not evolved to the Bad Loan status (Unlikely to pay or Past Due positions).

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Factoring, Leasing, Public Entities and Banks). As in the case of the PD, the models that have been adopted for the LGD of the International Subsidiary Banks of the Group were developed by the banks themselves, extended by the Parent Company, using local parameters where necessary or changed by the Parent Company, with adaptations to each international subsidiary bank.

For the banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models, and a recalibration of the observed LGD levels on the bank's internal defaults.

Sovereign LGD is estimated by analysing historical recovery rates on sovereign defaults, split into five categories according to income levels and other specific characteristics the individual countries.

The LGD Sovereign model is used solely for management purposes.

The calculation of the Exposure at Default (EAD) uses differentiated models, specialised by operating segment (Corporate, Retail SME and Retail). Specifically, the methodology is based on data from the 12 months prior to the default event and differs according to whether or not there is a margin available at the observation date. In any case, corrective factors are applied in compliance with the regulatory requirements and in order to introduce a margin of conservatism on the estimates. Regulatory parameters are currently used for the low default segments of the Banks and Public Entities and for the Leasing and Factoring products of the Corporate Portfolio.

For the Group companies included in the roll out plan, the internal rating models (PD) and the EAD and LGD models are subject to a level two control by the Validation function and a level three control by the Internal Audit Department. The control functions produce annual reports for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also includes a verification on the deviations of the ex-ante estimates and the effective ex-post values. These reports, approved by the Board of Directors of Intesa Sanpaolo, confirm the compliance to the regulatory requirements.

The methodology for the estimation of the Expected Credit Loss (ECL), adopted for the determination of the impairment on the credit exposures in accordance with IFRS 9, is implemented at individual transaction or securities tranche level, based on the IRB modelling of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate adjustments are made to ensure compliance with the requirements of the standard. With a view to achieving convergence between the accounting and regulatory rules, while respecting their specific purposes, adjustments have been made to the estimation model for accounting LGD, incorporating the provisions progressively introduced and applied in the prudential models.
A detailed description of the methods adopted by the Group is provided in the following Section 7 – Credit risk: credit quality of this document, as well as, in relation to the specifics of the current pandemic situation, in the Section "*Risks, uncertainties and impacts of the Russian/Ukrainian crisis*" in Part A - Section 5 - Other Aspects of the 2022 Consolidated financial statements.
More specifically, the measurement of the financial assets reflects the best estimate of the effects of future conditions and in particular the economic conditions that affect the forward-looking PDs and LGDs. IFRS 9, also based on the guidance from the international regulators, gives particular importance to information on future macroeconomic scenarios in which the Bank may find itself and which clearly influence the situation of the debtors, with regard both to the "risk" of migration of exposures to lower quality classes (and therefore concerning the staging) and to the recoverable amounts (and therefore concerning the determination of the expected loss on the exposures). In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the "Most likely scenario+Add-on" approach. According to this approach, the macroeconomic conditioning of PD and LGD is carried out through a baseline scenario ("Most Likely", in line with the approach used for other business purposes such as, for example, the budget and business plans) and then corrected with an Add-On to include any differences compared to downside and upside scenarios. If the overall impact of the Add-On on the risk parameters is positive, the decision has been made to neutralise the effect for both staging and ECL calculation purposes.
Upon the periodic update of the time series incorporated into the models for the forward-looking conditioning of the parameters underlying the determination of the ECL, a refinement of the models was introduced to handle the discontinuity generated in the relationship between the trends in default rates and the macro-economic variables, as a consequence of extraordinary circumstances like those generated by the COVID-19 pandemic. Moreover, it is noted that, in re-estimating the econometric relationships underlying the satellite models, in order to adequately consider the effects deriving from the energy crisis, additional explanatory variables relating to energy prices were introduced and tested.
The effectiveness of the IFRS 9 models is monitored by the Validation function once a year through specific backtesting of the risk parameters (staging criteria, PD, LGD and EAD models, and haircuts). In addition, in the event of significant updates, the Validation function performs prior checks also in terms of model design. The results of the checks by the Validation function are submitted to the competent managerial committees and model owner functions and are presented in the annual report on the internal models used for management purposes, which is also sent to the Supervisor.

Policies for hedging and mitigating risk

During the credit granting and managing process, the acquisition of mitigating factors is encouraged for counterparties with non-investment grade ratings or for certain types of medium/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges on non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of the individual collateral and guarantees, identifying the structure responsible as well as the methods for their correct completion, for archiving the documentation and for the complete and timely recording of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:

- all the requirements for the validity and effectiveness of credit protection are satisfied;
- a standard contractual framework is defined for guarantees and collateral of general and current use, accompanied by full instructions for its use;
- the methods for approving collateral and guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

The guidelines for the management of collateral and guarantees are the same for the entire Group. The management of collateral and guarantees received for the Parent Company and the Italian subsidiaries is carried out on a single platform, which is integrated with the register of assets and the portal that manages the immovable property valuations.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the valuation of the asset, the acquisition of the collateral and the control of its value. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, focused mainly on the borrower's ability to meet the obligations assumed, irrespective of the associated collateral.

The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed on a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts differentiated according to the intended use of the property.
Assets are appraised by internal and external appraisers. The external appraisers are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialised companies. The work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks carried out centrally.
The appraisers are required to produce estimates on the basis of standardised appraisal reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the "Rules on immovable property valuations for credit purposes" drawn up by the Bank. The internal rules are consistent with the "Guidelines for the valuation of real estate properties securing credit exposures" promoted by the Italian Banking Association and with the European Valuation Standards.
Immovable property valuations are managed through a specific integrated platform covering the entire appraisal phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding immovable properties are recorded.
The market value of the immovable property collateral is periodically recalculated through various statistical valuation methods, that make use of prices/coefficients provided by an external supplier with proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
Asset value is constantly monitored. The appraisers carry out inspections and verify the work progress for properties under construction. The valuation is duly updated in the event of restriction or splitting mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, according to the due dates established for significant exposures, or when there are immovable properties securing non-performing loans.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for immovable property collateral, the obligation of insurance cover against fire damage and the presence of adequate monitoring of the property's value. There is also an "umbrella" insurance policy that, with limited exceptions, covers damages on the entire portfolio of properties mortgaged as collateral for the loans granted. Collateral and guarantees are subject to accurate, regular control using a specific application, the CRM engine, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.
The support application verifies whether the collateral and guarantees received are eligible with regard to the methods permitted by the regulations in relation to the various categories of collateral and guarantees for calculating capital requirements (Standardised and Internal Rating Based). Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.
The Bank uses two integrated asset and guarantee management systems (PGA - Active Guarantees Portal and ABS - System Assets Archive) in order to improve the efficiency of collateral management. This has been accompanied by the development of a specific system for managing bad loans, to track the main legal actions and particularly those relating to the enforcement of immovable property collateral (EPC - Ex Parte Creditoris).

In order to mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (Securities Financing Transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting arrangements that allow the netting of claims and obligations if a counterparty defaults.
This is achieved by entering into International Swap Derivatives Association (ISDA) and International Securities Market Association/Public Securities Association (ISMA/PSA) agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
In addition, the Group has collateral exchange arrangements in place, mainly with daily frequency, to hedge OTC derivatives transactions (Credit Support Annexes), also due to the margin requirements for non-centrally cleared derivatives, established by the EMIR; also for SFTs, the Bank implements daily margining arrangements (GMRAs - Global Master Repurchase Agreements and GMSLAs - Global Master Securities Lending Agreements).
To mitigate the exposure to counterparties, mainly corporate customers, and the volatility arising from credit adjustments to derivative valuations (CVAs), the Bank also buys protection through credit default swaps, both on individual companies and credit indices.

In 2022, the Parent Company continued its activities relating to the "GARC" (Active Credit Risk Management) Project, involving a platform for monitoring credit risk of performing portfolios. The initiative involves the systematic acquisition of both personal guarantees and collateral to support lending to companies.
The guarantees obtained provide hedging of default risk (past due, unlikely to pay and bad loan) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (including Regulation (EU) 575/2013 and Bank of Italy Circular 285/2013).
During the year – again as part of the GARC Project – with regard to operations with the Guarantee Fund for SMEs, the ramp-up was completed of four tranched cover transactions on the junior risk of portfolios of newly disbursed loans in support of businesses adversely affected by the COVID-19 emergency.
For details of the transactions carried out in 2022 under the GARC Project, see the description provided in Section 12 - Securitisations of this document.
In order to optimise capital absorption, transactions to hedge the risk of expropriation of the compulsory and unrestricted reserves of the ISP Group banks operating in Serbia, Egypt and Moldova were also renewed and the hedging for the bank operating in Albania was increased.

During the year, with the aim of improving the overall risk/return profile of the loan portfolios, also in terms of capital optimisation, Intesa Sanpaolo carried out a securitisation on a portfolio of performing loans originating from leases, with significant risk transfer, for a total gross amount of around 3.7 billion euro.

Impacts of the military conflict between Russia and Ukraine

With reference to the impacts of the military conflict between Russia and Ukraine, reference is made to that described below Table EU CQ4 (Section 7 of this document), which details the exposures outstanding as at 31 December 2022 to counterparties resident in Russia and Ukraine. Moreover, in Part A of the 2022 Consolidated financial statements (Section 5: Other aspects) the Group's general approach to the risks, uncertainties and impacts associated with the conflict between Russia and Ukraine is described. In Part E (paragraph 1.1 Credit risk), details are provided of the qualitative and quantitative aspects relating to credit exposures to counterparties resident in the countries in conflict, held in the portfolio of the two subsidiaries resident in Russia and Ukraine, Banca Intesa Russia and Pravex Bank (Ukrainian bank), or credit disbursed by other entities of the Group (cross-border exposures), with particular regard to their valuation.

Impacts from the COVID-19 pandemic

Since the beginning of the pandemic all the Bank's functions have been involved in an extensive and complex set of actions aimed at supporting the various types of Group customers. This was provided through both the offer of government support related initiatives and through initiatives implemented autonomously by the Group.
The pandemic caused a significant threat to the resilience of the companies in the Group's loan portfolio. On the other hand, a series of unprecedented government measures were implemented to support the economy, which must be considered in assessing risk. The speed of change in the economic and social context has increased the level of uncertainty of economic forecasts used as the basis for the estimates of risk appetite. This phase thus requires a greater capacity to adapt and attention to the various challenges laid down by the current credit risk assessment models. As a result, in line with the approach adopted in 2020 after the beginning of the pandemic, it was decided to calibrate the risk appetite, to avoid pro-cyclical conduct while supporting the economy, maintaining a solid financial and equity position.

At the beginning of February 2022, the Board of Directors approved the update of the Credit Risk Appetite Framework, within the overall Risk Appetite Framework, which, in line with the approach adopted in 2020 and 2021, included the forward-looking information needed to reflect the specific impacts of the COVID-19 crisis within the risk and resilience factors on the Corporate Domestic, Large Corporate (Italy component), Corporate Real Estate and International Corporate scope and a vulnerability indicator for the Corporate Domestic and Corporate Real Estate scope. The vulnerability indicator, introduced in 2020, is based on the company's liquidity profile and its resulting ability to service existing debt and contracted debt in the face of the COVID-19 emergency. The assessment of debt sustainability is measured against the post-pandemic return to normality by using the pre-COVID-19 EBITDA of the companies as a benchmark. The methodological decision to consider a post-crisis time horizon was due to the need to sterilise the transitional effects of the crisis, such as the exceptional institutional measures (e.g. moratoria, grace period for new secured transactions) and the volatility of net working capital, as well as to assess the medium/long-term sustainability in order to reduce the pro-cyclical effects. This indicator can therefore contribute to providing an initial – though partial – response to the expectation of reducing to the minimum any cliff-edge effects upon expiry of the moratoria.
For the Retail SME segment, the choice was made to continue applying the resilience factor on the economic outlooks, implemented at micro-sector level.

With regard to the actions in support of customers, the process of gradual restoration of fully ordinary credit processes, with one-to-one assessments, already initiated in 2021 with the gradual phase out of the EBA Guidelines on general payment moratoria, was completed in full on 1 April 2022, following the termination of the state of emergency, with full return also of the solutions offered by the Bank's ordinary product catalogue.
As at 31 December 2022, the option ended, which had been set up in April 2022 and provided for by the "Mille Proroghe Decree" for loans of "30 thousand euro" pursuant to letters m) and m-bis) of Article 13, paragraph 1 of Law Decree no. 23 of 8 April 2020, converted, with amendments, by Law no. 40 of 5 June 2020, to be requested by the borrower, through agreement between the parties, to defer for a maximum of 6 months the grace period of the loan, whose initial deadline for payment of principal was scheduled in 2022.
However, the possibility of extending the duration within the maximum limit of 15 years remains for loans of up to 30 thousand euro guaranteed in accordance with Article 13, paragraph 1, letter m) of the Liquidity Law Decree.
With specific reference to credit portfolio management, in addition to the standard early warning indicators and proactive credit management processes, a further quantitative assessment layer was added, which combines sector-based forecasts with additional risk indicators. Specifically, government and bank financial support measures in 2020 and 2021 safeguarded many companies that faced a liquidity shortfall due to the COVID-19 situation. Otherwise, there would have been a worsening of the risk, which would have been reflected in a deterioration of the customers' ratings and an increase in the default rate. In this context, at the beginning of 2021, with a view to anticipating potential financial issues related to the expiry of the government support measures, the Chief Risk Officer Area conducted specific assessments to identify companies/sectors that continue to experience operational difficulties in terms of cash flow generation, despite being financially supported by those measures. The methodology was subsequently further developed, strengthened, supplemented and reported to the corporate bodies in line with the accompanying development of the Early Warning models, which was completed in December 2021 and for which the process of parallel running and embedding into the credit management processes continues.
With regard to actions linked to proactive credit management, in 2021 specific diagnostics were launched on the moratoria portfolio, which continued for the entire year in the area of the Credit Action Plan, with the goal of reducing impairment, by activating actions on critical positions. In the second quarter of 2022, new diagnostics were launched on the moratoria expired or expiring in the first half of 2022, which presented certain elements of risk, with outcomes that did not identify any significant critical issues or need for monitoring with any planned actions in the third quarter for almost all the positions (96%).

Similar diagnostics were then repeated in the third and fourth quarters, with outcomes in line with those reported in the first half.
At domestic level, the amount of outstanding moratoria as at 31 December 2022 was small, both in absolute terms (around 80 million euro) and in comparison to the situation at the end of 2021 (4.8 billion euro). The amount of terminated moratoria that will reach the term for the resumption of payments in subsequent months was also very small, at around 40 million euro, compared to 6.7 billion euro at the end of 2021. The expired moratoria that had already met the conditions for the resumption of payments as at 31 December 2022 amounted to 35.9 billion euro. The rate of total defaults on the portfolio as at that date was around 4.5% (2.7% at the end of 2021). The rate of total defaults, when compared to the total exposures with moratoria originally granted, was less than 3%.
At consolidated level, the exposure value of the outstanding moratoria as at 31 December 2022 was 80 million euro (4.9 billion euro as at December 2021), substantially attributable to the domestic perimeter, against expired moratoria of 39.6 billion euro (around 47 billion euro at the end of 2021). Like at domestic level, also at consolidated level the outstanding moratoria qualifying as such under the EBA Guidelines amounted to 412 thousand euro (1.1 billion euro at the end of 2021).
With regard to the assessment of the forborne designation of the moratoria, in 2020/2021 Intesa Sanpaolo operated in compliance with the "EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" and the applicable government regulations, reinstating the ordinary valuation processes already from the second half of 2021 and then fully confirming them in 2022.
During 2022, the systematic monitoring continued of the risk profiles of the exposures that had already reached or had not yet reached the terms for resumption of payments (all occurring within the year). Specifically, as a result of the steady decrease in exposures due to resumptions and payments, as mentioned above, there were no particularly negative trends in 2022 in relation to the emergence of signs of distress or deterioration. For the Financial Statements as at 31 December 2021, management overlays on performing loans had been maintained (adjustments to the results of the IFRS 9 models in use incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) to prudently take account of the potential emergence of vulnerabilities on the exposures subject to moratorium measures. During the year, these were gradually reassessed, while still maintaining reasonable prudence up to the third quarter and completing their release in the fourth quarter, in light of the results of the abovementioned monitoring.
Moreover, it should be recalled that the general rules adopted by the Bank for the identification of the Significant Increase in Credit Risk and the classification to Stage 2 also apply to this portfolio on an ordinary basis, including the presence of a payment past due more than 30 days and the granting of forbearance measures. It should also be noted that the specificity of the portfolio that was subject to moratoria and related extensions in the 2020/2021 two-year period is becoming less and less distinctive or directly correlated to the cessation of the benefit granted at the time. In addition, in response to the evolution of the geopolitical crisis triggered by the Russia/Ukraine conflict, starting from the first quarter of 2022, prudent choices have been made on the portfolios of households, small economic operators and companies operating in certain sectors (including, when covered by the rules adopted, counterparties that were granted moratoria during the pandemic) due to the emergence – within the Group's geographical scope – of indirect repercussions and new vulnerabilities arising from the effects of persistent inflationary pressures and increases in energy costs. Further details are provided in paragraph "Methods for measuring expected losses" of this Section.

With regard to 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.

Macroeconomic scenario for forward-looking conditioning

For the purposes of forward-looking conditioning of the parameters for estimating the ECL – in accordance with the approach described in the paragraph "Description of the methods adopted to calculate the adjustments*"* of Section 7 – Credit risk: credit quality - Intesa Sanpaolo's policy involves the use of the macroeconomic scenario defined and updated by the Research Department.

The table shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the "Most-Likely scenario + Add-on" model described above.

		Baseline				Mild				Severe			
		2022	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**
Euro Area	Real GDP EUR (annual change)	3.3%	0.1%	1.6%	1.8%	3.3%	0.7%	2.0%	2.3%	3.3%	-0.9%	-0.4%	1.9%
	CPI EUR (annual change)	8.5%	7.7%	2.7%	1.9%	8.5%	8.0%	3.6%	2.2%	8.0%	8.7%	5.1%	1.5%
	EurIRS 10Y	1.92	2.82	3.11	3.28	1.93	2.86	3.51	3.98	1.93	2.61	3.19	3.73
	EUR/USD	1.05	1.07	1.11	1.13	1.05	0.99	1.05	1.09	1.05	0.99	1.04	1.09
Italy	Real GDP Italy (annual change)	3.8%	0.6%	1.8%	1.2%	3.6%	0.9%	2.2%	1.8%	3.6%	-1.0%	-1.1%	0.4%
	CPI Italy (annual change)	8.2%	6.8%	2.4%	1.3%	8.1%	7.2%	3.4%	2.2%	8.1%	13.3%	4.9%	2.3%
	Residential Property Italy (annual change)	5.1%	1.5%	1.5%	1.5%	5.1%	1.9%	1.6%	1.9%	5.1%	-1.2%	-3.1%	-1.7%
	6-month BOT yield	0.5	2.7	2.9	2.6	0.5	2.7	3.4	3.5	0.5	2.4	2.9	3.0
	10Y BTP yield	3.0	4.1	4.6	4.9	3.0	4.1	5.0	5.6	3.0	4.2	5.1	5.9
	BTP-Bund Spread 10Y (basis points)	187	201	190	179	187	200	184	173	187	242	232	230
	Italian Unemployment (%)	8.2	8.5	8.2	8.1	8.2	8.5	8.1	7.9	8.2	8.8	9.4	10.0
Commodities	Natural gas price (€/MWh)	134	145	107	79	135	157	116	83	135	246	201	127
	Oil price (BRENT)	100.8	93.0	87.0	82.0	100.8	93.0	90.5	84.2	100.8	92.3	83.4	79.4
USA	Real GDP US (annual change)	2.0%	0.3%	1.1%	2.4%	2.0%	1.1%	2.1%	2.4%	2.0%	-0.6%	0.9%	2.2%
	US Unemployment (%)	3.7	4.5	4.5	3.9	3.7	4.3	4.0	3.5	3.7	4.7	4.7	4.2

Scenarios produced in December 2022 by the Research Department. Forecast data (estimates for 2022).

The main assumptions underlying the baseline forecast are founded on the assumption of a widespread slowdown in real growth, due to factors such as rising energy costs in Europe, economic developments in China, and the impacts of monetary tightening. Inflation is expected to fall in the advanced economies in 2023. However, core inflation may continue to rise until the first quarter of 2023 and then slowly decline. High inflation and uncertainty in relation to energy supplies are expected to cause a reduction in the GDP growth envisaged for the euro area in 2023, which will go into recession over the winter, returning to positive growth from spring 2023 onwards. However, the recovery will be held back by monetary tightening and a slowdown in the global economy throughout 2023, settling at an annual rate of 0.1%. With regard to interest rates, the peak of the cycle may be reached by mid-2023. However, there is a significant risk that more monetary tightening, with negative effects on the 2024-25 growth, will be necessary. Oil and energy (natural gas) prices are expected to remain high in 2023, due to limited storage capacity and high uncertainty fuelled by persistent political and geopolitical risks, despite the likely recession in North America and Europe and the slowdown in China.

For Italy, inflation may have peaked at the end of 2022, but the fall could be slow and the annual average will remain very high even in 2023. Inflation may return to just above 2% only from the end of 2024, with a true "normalisation" of the inflation scenario only expected from 2025.

GDP growth is expected to slow significantly in 2023, to 0.6%, after an estimated 3.8% in 2022. The slowdown in the economic scenario forecast for 2023 is mainly attributable to the inflationary surge following the energy crisis and the monetary tightening decided by the major central banks at global level in response to the shock. The effects of these factors do not yet appear to have fully worked their way through the economy, which is why it will be difficult to avoid a contraction of GDP in early 2023. However, the recent fall from the spikes in the wholesale prices of energy commodities will make the effects on household income and business margins less dramatic, enabling the assumption of a recovery in economic activity from next spring, albeit at a moderate pace. A stronger re-acceleration of 1.8% is expected in 2024.

The component of domestic demand that is expected to be most affected by the effects of the inflation shock will be consumption of goods (durable and non-durable), which is predicted to be essentially stagnant on average for 2023, while expenditure on services may maintain positive growth due to the residual effect of the normalisation of lifestyles following the restrictions imposed during the pandemic. Investment is also expected to slow down in 2023, in the wake of the effects of rising commodity prices on company profit margins, the tightening of financial conditions, the gradual fading of the impetus from incentives for building renovations, and the continued high uncertainty surrounding the scenario. The hardest hit component will be investment in construction, due to the gradual phasing out of tax incentives, as well as the effects of higher production costs on supply and the expected rise in mortgage rates on demand.

The effects of the NRRP should be felt from 2023 onwards: the impact on the GDP growth rate is expected to be 0.5% for each year until the end of the period (2023-26).

As a result of the continuing excess of demand for labour over supply, unemployment is expected to remain within moderate levels, despite an economic slowdown.

For real estate, the rise in prices is being driven by the forecast of higher inflation, which is compensating for the unfavourable trend in financial conditions and real income. The levels of the BTP-Bund spread are also reflected in the estimation horizon starting from the fall seen at the close of 2022.

As described in Part A - Accounting Policies of Consolidated Financial Statements, and in particular in the section "Impairment of assets", the methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).

The highest GDP growth forecasts in the Consensus Economics survey published in December 2022 for several advanced economies were identified for the favourable scenario, and all the private consumption and fixed investment trends of the baseline scenario were adjusted to provide an annual average GDP growth profile identical to those forecasts, and the other variables were recalculated accordingly. These assumptions yield a scenario characterised by higher real growth rates, higher inflation, a lower unemployment rate and more robust growth in stock indices and real estate prices compared to the baseline scenario, under the assumption that central banks will adopt a more aggressive monetary policy in response to economic signals indicating a lower than expected slowdown in order to contain inflationary pressures. In any event, the forecast outcomes yielded by the favourable scenario on the performance of the most representative variables are not significantly different from those of the baseline forecasts.

The "adverse" scenario adopted by the Group was, initially, constructed according to the methodology envisaged by the internal policy, and therefore based on the lowest GDP growth forecasts in the Consensus Economics survey published in December 2022 for the main advanced economies. The private consumption and fixed investment trends of the baseline scenario were adjusted to yield GDP growth in line with those forecasts, and a negative shock was also applied to the performance of stock market indices and real estate prices. Based on these results, in the construction of the worst-case scenario, the Group also took the decision to take into account the more conservative assumptions considered in the downside scenario included in the "Macroeconomic projections for the euro area" published by the ECB on 15 December 2022. The uncertainty characterising the experts' projections is still high and a significant risk for the outlook for the euro area – according to the ECB – relates to the possibility of more severe disruptions in European energy supplies, leading to further spikes in energy prices and production cuts. In the assumptions adopted by the ECB, the downside scenario reflects this risk and points to higher inflation rates than in the baseline scenario in 2023 and 2024, as energy prices spike, with these only later dropping below the baseline scenario, when supply shocks unwind and the lagged impact of adverse demand shocks predominates.

To take this more drastic assumption into account, a shock to the European natural gas market, calibrated to that predicted in the Eurosystem's adverse scenario for this variable, was added to the adverse forecast prepared by the Group, through a very significant increase in gas prices compared to the baseline scenario forecasts in both 2023 and 2024. The effects on growth were aggravated to capture possible rationing. These assumptions result in a much more aggressive inflation trend than in the baseline scenario and severe impacts on Italian and euro area GDP, with two years of fall in GDP. Indeed, Italy's GDP growth shows a negative deviation between the baseline and worst-case scenarios, increasing until 2024 and becoming smaller in 2025. The cumulative difference for the period 2022-2025 is -5.5%. The decline in real growth is reflected in the unemployment rate, which is 1.9 percentage points above the baseline scenario in the final year. It is assumed that, in the event of critical inflationary pressures, the ECB would prioritise price stability, accepting the prospect of a period of even intense GDP decline. The deviation of ECB rates from the baseline scenario reflects excessive inflation, which dominates over the separate reduction in growth. The BTP-Bund spread is higher than the baseline scenario over the entire forecast period.

With regard to the impact of adopting the above scenario in the estimate of the ECL for the measurement of performing loans, you are reminded that, starting from the Interim Statement as at 31 March, following the outbreak of the Russia/Ukraine conflict, the Group – in order to take proper account of the gradually observed and expected effects of the macroeconomic situation – has incorporated systematic updates (on a quarterly basis) of the baseline forecasts and alternative scenarios on the "Core" scope, namely the Parent Company and the other Italian entities, as well as Intesa Sanpaolo Luxembourg and Intesa Sanpaolo Ireland. As at 31 December 2022, impacts were mainly generated by the updated forecasts for the adverse scenario.

At the end of the year, the banks of the International Subsidiary Banks Division also updated their estimates on the basis of the forecast scenarios for their geographical scope.

The overall impact of the macro-economic scenario on the ECL of performing loans during the year was around 300 million euro (of which around 140 million euro in the fourth quarter, and, for the latter, it was estimated that around half of this impact resulted from the prudent decision to adjust the adverse scenario assumptions to those adopted by the ECB).

ECL sensitivity analysis

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios in accordance with the ESMA Recommendations ("Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses – ECL" of 15 December 2021).

That analysis was conducted on a performing loan portfolio (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the Parent Company and the Banks in the IMI C&IB Division that represent around 90% of the Group's total exposure).

You are reminded that, according to the approach adopted by the Group to estimate the ECL, the parameters for calculating it are determined on the basis of the Most-Likely scenario and an Add-on calculated based on the distance between the baseline scenario and alternative scenarios. The sensitivity analysis is determined using the assumptions adopted for the alternative scenarios (best-case and worst-case), produced internally by the Research Department, each weighted at 100%. This result is then compared with the ECL calculated with the Most-Likely plus Add-On scenario.

As highlighted in the paragraphs above, there is a big distance between the worst-case and best-case scenarios, while the latter is very close to the baseline forecast. As a result, the sensitivity of the portfolio to the worst-case scenario is already essentially factored into the ECL as at 31 December 2022 in the model used, as described above, in addition to the overlays illustrated in the paragraph below. Therefore, the application of the worst-case scenario would result in the sliding into Stage 2 of 1.5 billion euro of exposures, a slight increase in the ECL and a substantially unchanged coverage ratio. On the other hand, the sensitivity of the portfolio to the best-case scenario would see a decrease of 240 million euro in the ECL, with a return to Stage 1 of 4.9 billion euro of exposures. The coverage ratio for performing exposures would decrease by 5 bps.

Management overlays

During 2022, the Group, in applying the estimation methods for the calculation of the ECL, in compliance with IFRS 9, added several more prudent factors in consideration of the situation of high uncertainty generated by the continuation of the Russia/Ukraine conflict. Examples include the systematic updating of macroeconomic forecasts, the actions described in the paragraph on the “adverse” scenario, and the updating of the explanatory macroeconomic variables used by the satellite models for the estimates of the future default rates – in which the choice of energy cost variables was favoured on the basis of a judgement sensitivity influenced by the current situation. That said, the ECL estimates are based on forward-looking models that use historical observations of the relationships between macroeconomic variables and default rates. The “rare” scenarios, particularly those not previously seen, are very difficult to capture in the modelling process and it is essentially impossible to produce forecasts for specific portfolio risks in such circumstances.

In this context, the Bank – as also reiterated by the standard setters in the context of the pandemic crisis – must take into account the fact that, as a result of the uncertainties presented by the forecast scenarios and the estimation characteristics adopted, which are strongly anchored to the long-term observed relationships, the methodologies used may not be fully adequate in the current situation. The main area of uncertainty underlying the most recent forecast scenarios is the occurrence of major supply shocks in the gas market, triggered by a worsening of the geopolitical crisis, and the ability to accurately forecast their effects on the economic and financial systems in the presence of unprecedented conditions (strong dependence of the European economy on this energy source).

These considerations supported the Bank’s decision to adopt post-model adjustments, increasing the ECL on a managerial basis, in order to incorporate a suitable estimate of the uncertainties relating to the measurement of performing loans. This choice was introduced during the year and was reinforced in the fourth quarter in order to adequately account for potential vulnerabilities not captured by the models used, from a forward-looking perspective, given the current situation of increased uncertainty and the limited availability of reasonable and supportable forward-looking information. At the same time, as already stated in paragraph “*Impacts from the COVID-19 pandemic*”, the conditions were also fulfilled for considering that the management overlays on the portfolios subject to moratoria during the pandemic were no longer necessary. For the purposes of the decisions regarding updates and changes and additions to the results of the models, as in the period of the pandemic, the Group has adopted enhanced governance through the decisions of the Credit Risk and Pillar 2 Internal Models Committee and also taken into account the references to the relevant guidance issued by the standard setters and regulators[15].

Details are provided below of the main choices adopted by the Group in 2022 in relation to the above, while details of the credit risk aspects more closely related to the Russia/Ukraine crisis are provided at the bottom of Table EU CQ4 (Section 7 in this document), as well as in the Group’s Consolidated financial statements (Part E 1.1 – Credit risk).

As already stated, in 2022, as the country emerged from the health emergency and health restrictions were relaxed, the uncertainties specifically related to the pandemic eased and there was no noticeable increase in credit risk on exposures that had been subject to moratoria. The latter have now all returned to resumption of payments, for a considerable portion already some time ago, and continue to record reductions in the exposures and full repayments.

The elements of vulnerability of the exposures subject to moratorium measures considered for the purposes of the Financial Statements as at 31 December 2021 (represented by both overlays incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) had already been re-estimated starting from March, still maintaining suitable prudence, but considering both the substantial normalisation of forbearance measures and the positive evidence from the set of exposures with resumption of payments that has already begun. During the next two quarters, although the observations regarding the evolution of the credit risk parameters remained satisfactory, it was decided to continue the observation until the end of 2022 and to keep the overlay incorporated into the satellite model unchanged, while returns to Stage 1 were recorded in relation to the increasingly residual portfolios that had gradually resumed payments (subject to the extraordinary trigger for sliding into Stage 2). In light of the additional observations, which are described in paragraph “*Impacts from the COVID-19 pandemic*”, the remaining management overlays were released in the fourth quarter.

At the same time, since the Russia/Ukraine geopolitical crisis, uncertainties about the economic outlook have gradually increased, as also discussed with regard to the macroeconomic scenario. In particular, a specific risk factor has emerged (the energy crisis brought about in the context of the ongoing geopolitical crisis) accompanied by the prospects of the effects of rising inflation, rising costs for businesses and rising interest rates. In the fourth quarter, economic activity weakened, both due to the slackening of the recovery of added value for services, which had already returned to pre-pandemic values in the summer, and due to the decline in industrial production and the slowdown in household spending, despite measures implemented to support disposable income in a situation of high inflation.

From the first quarter of 2022, management overlays were added in order to introduce increased adjustments of performing loans related to the effects of the higher sector-specific vulnerability companies were exposed to. In the third quarter, with the greater availability of more specific forecast scenarios, also at the micro-sector level, the Bank considered that the increases already recognised were still appropriate. At the same time, the allocation was redefined for the previously applied management overlays by sector-specific vulnerability. Specifically, the analyses by the CRO Area led to the adoption of a post-model adjustment, i.e. an increase in the ECL, which was applied in a more targeted manner to all counterparties belonging to micro-sectors with negative sector performance or particularly exposed to energy cost risk, as defined by the sector risk management framework developed by the CRO and CLO Areas and by the Research Department with the support of the business divisions and recently adopted by the Bank for the granting, management and monitoring of credit. This framework duly takes into account the micro-sector forecasts and their outlooks, which are also systematically monitored and calibrated based on the experience of the Bank’s business and credit risk governance structures.

[15] See for example: ECB letter of 4 December 2020 “Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic”, IASB document “IFRS 9 and COVID-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic” of 27 March 2020 and ECB Speech “An evolving supervisory response to the pandemic” of 1 October 2020.

The post-model adjustment adopted replaced the previous method of application, which, although timely in terms of adoption, was mainly based on an increase in the estimate of future default rates derived from the IFRS 9 models for macro-aggregates potentially more exposed to the effects of persistent inflationary pressures on energy products and commodities, but without being able to introduce particular differentiations within them (in particular, the Manufacturing and Transport macro-aggregates had been considered for companies). In order to introduce a more targeted and granular level of intervention, in the subsequent quarters extraordinary triggers for sliding into Stage 2 were introduced for counterparties not already classified as such by the staging allocation methods, when they belong to certain micro-sectors identified with negative sector performance and with medium/high risk profiles.

In the fourth quarter, in light of the macroeconomic situation described above and the uncertainties associated with it, it was decided to reinforce the adjustments of the ECL estimates compared to those already made in the previous quarters. In particular, an additional ECL value that expresses this uncertainty was initially quantified at the overall portfolio level. To this end, a simulation was conducted assuming the "adverse" scenario – instead of the baseline scenario – and on that basis quantifying the difference in adjustments generated by the performing portfolio identifiable up to the end of 2023. This exercise resulted in a theoretical impact that was taken as reference for the determination of the total amount of the post-model adjustments to be applied to the ECL of the Core scope as at 31 December.

The post-model adjustment is applied to the modelling result to estimate the ECL through a percentage increase in its size without any effect on the staging allocation. Therefore, when applied to Stage 2 or higher risk positions, it has a larger effect on the ECL in absolute terms. This approach adds prudential elements to those already factored in with the application of the macroeconomic scenario for the purposes of forward-looking conditioning, as described above.

With regard to the application of the post-model adjustments in the 2022 Financial Statements, the following is noted:

- for business sectors particularly exposed to risks arising from the macroeconomic outlook (sectors with negative performance or energy-intensive sectors), the adjustments have been revised with respect to the third quarter in order to take into account the outcomes of the most recent Sector Working Group, as well as refinements to make the identification of the scope more consistent with the taxonomies used in credit management and reporting. It was also decided to limit the scope of application to Corporate/SME counterparties of the BdT Division, as these are portfolios for which it is considered that the expected economic slowdown may lead to lower resilience and greater difficulties than for Large Corporate counterparties. The scope of application of this overlay has also been defined, taking into account not only the sector-specific vulnerability but also the risk level of the counterparties, measured through their rating;
- a post-model adjustment has been introduced in the Commercial Real Estate scope in order to add a prudent margin to the assessment of the counterparties operating in the sector and with high risk;
- a post-model adjustment has also been introduced in the Retail and Retail SME segments, which are predominantly composed of consumer households and SMEs. This was aimed at capturing the potential negative effects on their future risk levels due to rising interest rates and lower disposable income as a result of high inflation. Consequently, the scope of application – which is within the BdT Division – has been defined for counterparties at medium or higher risk.

The overall portfolio subject to management overlay amounts to around 70 billion euro.

The banks of the International Subsidiary Banks Division, in a large number of cases, have also adopted prudent margins, through management overlays, based on specific assessments of the current and future situation and the characteristics of their portfolios.

Overall, the adjustment allowances for performing exposures as at 31 December included prudential elements amounting to 785 million euro, in addition to the impact of around 70 million euro described in the paragraph above on the macroeconomic scenario, due to the consideration of assumptions in line with the ECB for the "adverse" scenario.

Section 7 - Credit risk: credit quality

Qualitative disclosure

Definitions of "non-performing" loans

Intesa Sanpaolo Group adopts a "per borrower" approach in identifying non-performing exposures. Accordingly, the entire counterparty with credit relationship is assessed and subsequently classified, rather than the individual credit lines granted to that counterparty.

Based on the regulatory framework, according to the rules of the Bank of Italy, in line with IAS/IFRS and European Supervisory Regulations, supplemented by internal implementing rules, non-performing financial assets are classified into one of the three below mentioned categories, based on their level of severity:

- non-performing past due exposures: this category includes on-balance sheet exposures, other than those classified as bad loans or unlikely to pay that, as at the reporting date, are past due or overdrawn by over 90 days on a continuous basis. The total exposure to a debtor must be recognised as Past Due if, at the reference reporting date, the amount of the principal, interest and/or fees not paid when due exceeds both of the following thresholds (hereinafter, collectively, the "Relevance Thresholds"):
  - the absolute limit of 100 euro for retail exposures and of 500 euro for non-retail exposures (the "Absolute Threshold"), to be compared with the total amount past due from the borrower;
  - the relative limit of 1%, to be compared with the ratio of the total amount past due to the total amount of all on-balance sheet exposures to the same borrower (the "Relative Threshold");
- unlikely to pay: exposures for which – according to the judgement of the creditor bank – full repayment is deemed unlikely (in terms of capital or interest), without considering recourse to actions such as enforcement of collateral/guarantees. This assessment is conducted regardless of the presence of any amounts (or instalments) due and unpaid. As the assessment of unlikelihood of repayment is at the discretion of the Bank, it is not necessary to await an explicit symptom of anomaly (non-repayment), when there are elements that imply a risk of non-compliance by the borrower (for example, a crisis in the industrial sector in which the borrower operates). The overall on- and off-balance sheet exposures toward the same borrower in said situation is therefore classified under the category "Unlikely To Pay" (unless the conditions for classification of the borrower among bad loans exist). Loans classified as "Unlikely To Pay" should include exposures to issuers who have not regularly honoured their repayment obligations (in terms of capital or interest) relating to listed debt securities, unless they meet the conditions for classification as bad loans. To this end the "grace period" established by the contract is recognised or, in its absence, the period recognised by the market listing the security.
  The Intesa Sanpaolo Group Rules have also provided for a further classification within "unlikely to pay" exposures, identified as "forborne unlikely to pay", which may include counterparties that have at least one exposure subject to forbearance measures that are regularly respected or remain in the state of risk pending the start of the normally imposed cure period (minimum of 12 months);
- bad loans: on- and off-balance sheet exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the Bank. This is irrespective, therefore, of whether any collateral or guarantees have been established to cover the exposures. Exposures whose anomalous situation may be attributed to Country risk are excluded from this category.

The type "exposures subject to concessions – forbearance" has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures).

Non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are a sub-set of the above categories of non-performing assets.

Non-performing assets are subject to an assessment process resulting in the calculation of the expected loss for uniform categories (identified based on the risk status, duration of risk status and significance of the underlying exposure) and the allocation of the impairment adjustment for each position.

Non-performing loans are measured using two methods:

- analytical-statistical measurement: for exposures equal to or lower than certain thresholds, and for all non-performing past-due exposures, based on the use of specific LGD grids;
- specific analytical measurement: for exposures above certain thresholds based on write-down estimates defined by the relationship manager, following analyses and valuations based on pre-established criteria.

In addition to the assessment component determined through statistical valuation models or through individual expert evaluation, a component is calculated to take into account the evolution of the current operational variables, the future macroeconomic scenarios, the incremental risk of the counterparty as long as it remains in the specific risk status for unlikely-to-pay exposures (vintage), as well as the sales prospects if present.

The assessment of non-performing positions classified as assets held for sale was carried out based on the expected sales prices, less their costs to sell, supported by fairness opinions.

The assessment methods for non-performing loans are described in detail below in this Section and in particular in the paragraph "Impairment of non-performing financial assets".

The assessments are carried out upon classification of the exposures as non-performing and are reviewed periodically.

The assessment of the loans is also reviewed whenever a new event occurs that could affect the prospects for recovery (e.g. change in the value of collateral, developments in ongoing litigation, etc.).
In order to timely identify such events, the information set relative to borrowers and guarantors is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly monitored.
The management of the Group's non-performing loans may be directly carried out by the internal organisational structures or by/with external partners granted appropriate mandates (outsourcers), for which the CLO Area performs a supervisory role in the management of stocks and flows outsourced and acts as an interface for the approvals beyond the limits of the powers delegated to them and for administrative, technical and operational activities envisaged in the processes of interaction with the outsourcers. The internal organisational structures are identified, on the basis of pre-determined relevance thresholds, as the local organisational units (at regional level) that perform specialist activities, or within the Head Office Departments, which are also responsible for the overall management and coordination of these matters.
The classification of positions to non-performing is performed on proposal of both territorial structures, owners of the commercial relationship, or of specialised central and local territorial structures in charge of the monitoring and recovery of non-performing loans. Classification may also be performed through automatic mechanisms when predefined objective default conditions arise. This refers, for example, to past-due loans continuously above certain thresholds for certain periods and forborne performing positions (performing forborne positions originating from non-performing forborne positions) that have not yet completed their 24-month probation period, if they meet the conditions envisaged by the applicable regulations for their reallocation to non-performing loans, based on the verification of objective parameters and, specifically, for transactions already designated as forborne, so-called reiteration (i.e. the granting of a further forbearance measure) and/or continuously over 30 days past due above certain thresholds, and transactions subject to distressed restructuring with a loss exceeding 1%.
Furthermore, automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various entities are subject to the required uniform convergence of management decisions. Materiality is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.
Automatic mechanisms within the system also ensure that positions are allocated to the risk status most representative of their creditworthiness (bad loans excluded) as material default continues.
The return to performing status of non-performing exposures is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the Structures responsible for their management, upon verification that the critical conditions or state of default no longer exist.
Non-performing Past Due exposures and Unlikely To Pay exposures, not subject to forbearance measures must continue to be classified as such for at least 3 months after they cease to meet the requirements for being classified as such. During the probation period the counterparty's conduct must be assessed in light of its financial situation (in particular, by verifying the absence of amounts past due exceeding the Relevance Thresholds).
For counterparties classified as Forborne Unlikely-to-Pay, the application of the cure period of at least 12 months shall prevail. At the end of this period, the position may be reclassified as performing, provided that there are no past due exposures of the borrower and the borrower has repaid a significant amount of the principal and interest and, more generally, the criteria for the counterparties returning to performing status are met.
Exposures classified as Past Due return automatically to performing when the 90-day probation period has passed. The same mechanism is applied to exposures of moderate amounts previously automatically classified as Unlikely To Pay when automatic mechanisms detect that the conditions that triggered the classification no longer apply.
The Internal Validation and Controls Head Office Department of the Chief Risk Officer Governance Area carries out II level controls on single counterparties in the various statuses of non-performing loan, randomly selected mainly with risk-based criteria in order to verify their proper classification and provisioning, as well as the adequacy of the management and recovery processes.

Forborne exposures

Forbearance measures are concessions made to a borrower that is facing, or could face, situations of difficulty in meeting their contractual commitments that would prevent them from meeting their original payment obligations (troubled debt).
The term "forbearance measures" indicates contractual modifications granted to the borrower undergoing financial difficulties (modification), as well as the disbursement of a new loan in order to satisfy the pre-existing obligation (refinancing). "Forbearance measures" include the exercise of clauses, which may be freely requested by a borrower with regard to a contract already signed, but only if the lender deems that there are circumstances indicating that the borrower is in financial difficulty (the so-called "embedded forbearance clauses"). The concept of "forborne" therefore does not include renegotiations carried out due to commercial reasons/practices, which do not take into account the financial difficulties of the borrower.
In many cases, a situation of financial difficulty is accompanied by a situation of economic instability of the borrower, consisting of the inability of the core business to remunerate all the production factors that the company needs, through the usual sources of cash flow and at normal market conditions.
The identification of "forborne assets" or "forborne exposures", in line with the provisions of the EBA regulations and unlike the "per borrower" approach used by the Intesa Sanpaolo Group for the classification of non-performing exposures, necessarily takes place on a "per transaction" basis. The term "exposure" in this context refers to the renegotiated individual contract, rather than to all the exposures to the same borrower.
More generally, Intesa Sanpaolo Group's policy, based on the instructions provided by the Supervisory Authorities, envisages criteria for the identification of the financial difficulty (of the performing borrower) which, in the event of renegotiation/refinancing, entails the classification of one (or more) credit line(s) as forborne, if at least one of the following conditions applies:

- a significant deterioration in the debtor's rating identified in the previous three months;
- the presence of exposures past due by thirty days or more at the measurement date associated with a rating level in the highest-risk band;

– Early Warning System (EWS) colour “red”, associated with a rating in the highest risk band.

A state of financial difficulty is always assumed in the case where the borrower is classified as non-performing.

The definition of forborne exposure applies transversally to the classification macro-categories (performing and non-performing). Forborne assets may be included in Stage 2 (Performing) or Stage 3 (Non-Performing – forborne non-performing).

The forbearance measures granted are monitored for minimum predefined periods, differentiated based on the administrative status of the risk assigned to the counterparty. In detail:

– 24 months for performing positions (probation period);
– 36 months for positions classified as non-performing, represented by a cure period of 12 months and a probation period of an additional 24 months.

When a forbearance measure is granted to a performing counterparty, quantitative assessments (diminished financial obligation indicator set at 1%) and/or qualitative assessments are performed, as envisaged in the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) 575/2013, which could result in the possible classification to Non-Performing.

According to Intesa Sanpaolo Group’s interpretations, the identification of an exposure as forborne necessarily implies the existence of a “significant increase” in risk since the origination of the loan (and, therefore, implies also a classification in Stages 2 or 3 at the time of assignment of the forborne status).

Unlike the forbearance measures, which relate to loans to borrowers in financial difficulty, renegotiations for commercial reasons involve borrowers that are not in financial difficulty and include all transactions aimed at adjusting the cost of the debt to market conditions.

Transactions involving commercial renegotiations result in a change in the original conditions of the contract, usually requested by the borrower, which normally relate to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.

These operations, under certain conditions, are treated for accounting purposes as an early repayment of the original debt and the opening of a new loan.

Description of the methods adopted to calculate the adjustments

At each reporting date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment aimed at verifying whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for loan commitments and for guarantees given that must be tested for impairment under IFRS 9.

In preparation for the determination of the impairment losses, at each reporting date the financial instruments must be assigned to the following categories (Stage Assignment or Staging):

- Stage 1: comprising financial instruments for which, from their initial recognition up to the reporting date, there is no evidence of a significant increase in credit risk;
- Stage 2: it comprises financial assets that have had a significant increase in credit risk since initial recognition;
- Stage 3: if there is evidence of impairment, these financial assets – in line with any other assets pertaining to the same counterparty – are considered impaired and are therefore included in Stage 3.

  The impaired exposures consist of financial assets classified in the categories of bad loans, unlikely-to-pay (UTP) loans and exposures past due by more than ninety days, defined in Bank of Italy Circular 272/2008.

Impairment of performing financial assets

For financial assets for which there is no evidence of impairment (unimpaired financial instruments), it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- where these indicators exist, the financial asset is included in stage 2. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of value adjustments equal to the lifetime expected credit losses of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account – if the indicators of “significantly increased” credit risk are no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where these indicators do not exist, the financial asset is included in stage 1. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of the 12-month expected credit losses for the specific financial instrument. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account – if there are indicators that the credit risk has “significantly increased” – the change in the forecast period for the calculation of the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the “significant increase” in credit risk (a necessary and sufficient condition for the classification of the asset being measured as stage 2), the following factors constitute the key elements to be taken into account, in accordance with the standard and its operational implementation by the Intesa Sanpaolo Group:

- the variation (beyond set thresholds) of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a “relative” basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have “significantly increased” and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);

- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between "stages" where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

Focusing on the main trigger out of those referred to above (i.e. the change in the lifetime probability of default), the significant increase in credit risk ("SICR") is determined by comparing the relative change in the lifetime probability of default recorded between the initial recognition date of the relationship and the observation date (Lifetime PD Change) with predetermined significance thresholds. The assignment of a Lifetime PD to the individual relationships is carried out by allocating the ratings for each segment according to the masterscale at both the initial recognition date and the observation date. Ratings are determined based on internal models, where available, or on business models. If there are no ratings, the Benchmark PDs are assigned to the type of counterparty being assessed.
The significant deterioration is therefore based on the increase in the lifetime PD caused by downgrades of the position from its origination to the reporting (observation) date, as well as the change in the forecast of the future macroeconomic factors.

The above-mentioned "relative" change in lifetime PD is an indicator of the increase or decrease in credit risk during the reporting period. To establish whether, in accordance with IFRS 9, any increase in credit risk can be considered "significant" (and therefore entail a transition between stages), it is necessary to set specific thresholds. Increases in lifetime PD below these thresholds are not considered significant and, consequently, do not result in the transfer of individual credit lines/tranches of debt securities from stage 1 to stage 2. However, this transfer is required if there are relative increases in PD above these thresholds. The thresholds used have been estimated based on a process of simulations and optimisations of forecast performance, carried out using granular historical portfolio data. Specific thresholds are set for the Corporate, Retail, Large Corporate and Retail SME models and extended to the other models based on methodological affinity. The thresholds differ in terms of residual maturity, annual granularity and rating class.
The determination of the thresholds has been calibrated to find a suitable balance between the performance indicators relating to the ability of the thresholds to:
- detect stage 2 positions before their transition to default;
- identify positions for which a return to stage 1 is due to an actual improvement in credit rating.

Some specific considerations apply for the "staging" of the debt securities. Unlike loans, for this type of exposure, sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify methods to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, the use of the "first-in-first-out" or "FIFO" method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) was considered to help in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.

Once the allocation of the exposures to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, using the IRB/Business models, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate corrections are made to ensure compliance with the specific requirements of IFRS 9.
The following definitions apply for PD, LGD and EAD:
- PD (Probability of Default): likelihood of migrating from performing to non-performing status over the period of one year. In models consistent with supervisory provisions, the PD factor is typically quantified through the rating. In the Intesa Sanpaolo Group, the PD values are derived from internal rating models where available, supplemented by external ratings or segment/portfolio average figures;
- LGD (Loss Given Default): percentage loss in the event of default. In the models consistent with supervisory provisions, it is quantified through the historical experience of discounted recoveries on exposures that have become non-performing;
- EAD (Exposure At Default) or credit equivalent: amount of the exposure at the time of default.

As mentioned above, in order to comply with IFRS 9, specific adjustments had to be made to these factors, including in particular:
- adoption of a Point in Time (PIT) PD compared to the Through the Cycle (TTC) PD used for Basel purposes;
- removal of some additional components from the TTC LGD, such as indirect costs (non-recurring costs) and an additional margin of conservatism specifically introduced for the regulatory models, as well as the component linked to the economic downturn;
- the introduction of specific treatment in relation to the regulatory provisions, in order to estimate the accounting LGD, to include in the modelling (in line with the indications of IFRS 9 on using entity-specific information) the estimates of internal recoveries exceeding the regulatory threshold of the Maximum Recovery Period, i.e., the maximum time limit beyond which the Supervisory Authority assumes that nothing will be recovered;
- the use of PDs and, where necessary, multi-period LGDs, to determine the lifetime expected loss of the financial instrument (stages 2 and 3);
- the use of the effective interest rate of the individual transaction in the discounting of the expected future cash flows, unlike in the regulatory models, where the individual cash flows are discounted using the discounting rates determined in compliance with the prudential regulations.

In relation to the multi-period EAD, in line with IFRS 9 the Intesa Sanpaolo Group refers to the plans at amortised cost for both loans and debt securities, regardless of the measurement method used (amortised cost or fair value through other comprehensive income). For loan commitments (margins), on the other hand, the EAD is assumed to be equal to the nominal amount weighted according to a specific Credit Conversion Factor (CCF).

The measurement of the financial assets also reflects the best estimate of the effects of current and future conditions and in particular the economic conditions that affect the forward-looking PDs and LGDs. IFRS 9, also based on the guidance from the international regulators, gives particular importance to information on future macroeconomic scenarios in which the Bank may find itself and which clearly influence the situation of the debtors, with regard both to the "risk" of migration of exposures to lower quality classes (and therefore concerning the staging) and to the recoverable amounts (and therefore concerning the determination of the expected loss on the exposures). In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the "Most likely scenario+Add-on" approach. According to this approach, the macroeconomic conditioning of PD and LGD is carried out through a baseline scenario ("Most Likely", in line with the approach used for other business purposes such as, for example, the budget and business plans) and then corrected with an Add-On to include any differences compared to downside and upside scenarios. If the overall impact of the Add-On on the risk parameters is positive, the decision has been made to neutralise the effect for both staging and ECL calculation purposes.

The macroeconomic scenario is determined by the Bank's Research Department using forecasting models that are disclosed to the market to determine the consensus. Alternative upside and downside scenarios are determined through stress tests of the input variables of the forecasting models.

In particular, the most likely scenario and alternative scenarios are determined using a set of analytical and stand-alone forecasting instruments that determine the forecast path for several blocks of variables, namely:
- national accounts and inflation of the top 6 Eurozone countries, the United States and Japan;
- official rates (ECB, Fed, BoJ), EUR and USD swap rate curves, and several points of the government curves;
- exchange rates for EUR, USD, JPY and GBP;
- stock market indices (DJ Eurostoxx 50 and S&P 500);
- Brent price;
- some specific data for the Italian economy (industrial production, real estate prices, employment, public finance balances).

These forecasts are then processed using the Oxford Economics multi-country structural Global Economic Model, where they replace the forecast paths of the baseline scenario provided by the company with the periodic updating of the database. The model is then solved to derive a consistent global forecasting framework, including variables for which no specific models have been developed, and to obtain a simulation environment that can be used to generate alternative scenarios. This step may require some iterations, particularly if the forecasting framework generated internally is significantly different from the one provided by Oxford Economics. If this is the case, further fine-tuning may be needed for specific secondary variables that the analysts consider to be inconsistent with the forecast scenario or that have an unexplainable quarterly volatility.
The alternative paths are selected using external information. In particular:
- average annual GDP growth rates of several countries: this is the key driver for the simulation and the deviations are determined to replicate the dispersion of the growth estimates published by Consensus Economics in the most recent report available at the date of the simulation, considering the minimum and maximum forecasts (after applying a filter to identify and eliminate possible outliers). If there are outliers, these are discarded and the remaining maximum and minimum values are considered. Since consensus estimates are only available for the first two years of the simulation period, an extrapolation of the deviations identified for the first two years is used for the third year;
- stock market indices (DJ Eurostoxx 50, S&P 500) and US residential real estate prices: the minimum and maximum forecasts of the Thomson Reuters panel are used as a reference;
- Italian residential real estate prices: since no consensus estimates are currently available, the alternative paths are based on the distribution of the historical quarterly changes available from 1980 to the current quarter.

The percentile value identified is used, for the most likely scenario, to determine the variations corresponding to a probability gap, calculated through statistical analysis of the historical distribution of the observations. The two (positive and negative) changes with respect to the most-likely scenario are then used to calculate the level of the individual identified indices, reconstructing the two alternative paths (one positive and one negative) for each of them that represent the input for the determination of the Add-On. The probability gap used is identified based on the variability characteristics of the series, to obtain a significant deviation from the most-likely scenario.
In addition to defining the alternative paths, a map of possible additional factors is maintained, i.e., adverse idiosyncratic events or scenarios, not explicitly incorporated in the time series used for the construction of the most-likely scenario or in the alternative paths, which can generate further significant effects on expected losses.
The following is assessed for these events/scenarios:
- the possible time frame;
- the degree of inclusion in the most-likely scenario or the alternative paths;
- the potential impact, assessed in qualitative terms.

The map of additional factors also draws on the list of risk factors contained in the forecast reports of the IMF (World Economic Outlook) and the European Commission and may change over time.
Within the assessment of the time frame for the additional factors, note is made if the factor cannot be placed within a specific time period, which makes its incorporation into the most-likely scenario or alternative paths unfeasible.
The assessments made take account of the fact that the consensus estimates may include forecasts that already incorporate the total or partial realisation of one or more risk factors in their estimates, which means that the alternative paths may already incorporate these additional factors to some extent.
Where there is considerable uncertainty in the national and international macroeconomic forecasts, as well as significant deviations in terms of best-case forecasts with respect to the TTC scenario, prudential factors may be introduced in relation to the deviations in the minimum and maximum values of the variables based on the above-mentioned consensus or historical figures.
The above macroeconomic scenarios (most likely and alternative scenarios) are used in internal models to determine the point-in-time (PIT) parameters.

Specifically, the time series of default rates acquired from the Bank of Italy are differentiated over the main economic macro-sectors (e.g. consumer households, family businesses, construction) and, for each of these, specific satellite models establish the relationships with the macroeconomic variables in order to obtain the forecast default rates. In turn, these impact the TTC transition matrices between rating classes and thus provide the PIT transition matrices for each scenario (most likely and alternative scenarios). These give rise to the lifetime conditional PD.
In particular, the TTC matrices are calculated using internal default rates for the Corporate, Retail SME and Retail segments, whereas the Bank of Italy system rates are used for the Low Default segments, because the internal time series data for those segments is less extensive. The forward-looking point-in-time matrices, on the other hand, are calculated using the system default rates for all the segments.
A similar process is used to determine the PIT LGD grids.

Taking account of the repayment plans of the individual loans, their conditional PD and LGD, residual maturity and staging, the impairment of performing financial assets is determined.

Impairment of non-performing financial assets
Non-performing loans are represented by bad loans, unlikely to pay and past due positions by more than 90 days.
Non-performing loans classified as bad loans are subject to the following measurement methods:
- analytical-statistical measurement, which is used for exposures of less than 2 million euro and is based on the use of specific LGD grids, plus an Add-On to take account of information linked to the evolution of the current conditions related to management variables highly correlated with the loss performance and forward-looking information relating to the impact of expected future macroeconomic scenarios (as described in the previous paragraphs);
- analytical-specific measurement, which is used for customers with exposures exceeding 2 million euro and is based on the impairment percentages allocated by the manager, following specific analysis and measurements, also based on the evolution of the current conditions, plus an Add-On to take account of forward-looking information, and in particular information relating to the impact of future macroeconomic scenarios (except for bad loans backed by mortgage collateral or relating to property leases for which the impact of future scenarios is included through the method used to determine the haircuts to the value of the properties pledged as collateral).

The measurement of unlikely-to-pay loans (UTPs) is also performed based on different approaches:
- analytical-statistical measurement, for exposures of less than 2 million euro, based on the use of specific LGD grids, plus an Add-On to take account of the already mentioned information linked to the current conditions and the impacts of future macroeconomic scenarios, as well as continuation in the risk status, in order to penalise positions with greater vintage or which have no movements and/or recoveries for a particular period of time;
- analytical-specific measurement, for on-balance sheet exposures of more than 2 million euro, based on the impairment percentages allocated by the manager, following specific analyses and assessments also based on the evolution of the current conditions, plus an Add-On to take account, also in this case, of the impacts of future macroeconomic scenarios and of continuation in the risk status.

For Group companies, the threshold value for analytical-statistical measurement is set by the competent bodies of the individual companies, in coordination with the structures of Intesa Sanpaolo, at a level that is not, in any event, higher than that set by the Parent Company.

Regardless of the division of these exposures between those subject to analytical-statistical measurement and those subject to analytical-specific measurement (as identified above), the add-ons envisaged include the sales scenarios for the disposable non-performing loans if the business plan and the NPL reduction plan envisage sales and those sales do not lead to a reclassification pursuant to IFRS 5. The valuation of the disposable non-performing loans therefore considers the possibility of also realising these loans through their sale.

Non-performing loans classified in the past-due loans category, on the other hand, are subject to analytical measurement based on statistics, regardless of the amount of the exposure. However, also in this case, the adjustment determined based on the LGD statistical grids is supplemented to take account of the Add-On attributable to the effect of the evolution of the current conditions and the future macroeconomic scenarios.

Credit exposures must continue to be carried as non-performing for at least three months after they cease to meet the requirements for being classified as such (the "probation period"). Until the conditions are met for reclassification out of the non-performing category, such exposures are retained in their respective risk classes and measured according to an analytical-statistical or an analytical-specific approach taking account of their lower risk level.

A brief description is provided below of the methods used for the analytical-specific and analytical-statistical measurement:
- the analytical-specific measurement of bad loans and unlikely-to-pay loans above 2 million euro is a measurement performed by the managers of the individual positions based on a qualitative and quantitative analysis of the borrower's financial position, the riskiness of the credit relationship, the targets and strategies for reduction of the non-performing loans, and any mitigating factors (collateral), taking into account the financial impact of the estimated recovery time.

  For bad loans in particular, a series of elements are relevant, which differ according to the characteristics of the positions, and must be thoroughly and prudently assessed, including the following, listed merely as examples:
  - nature of the credit, whether preferential or unsecured;
  - net asset value of the borrowers/third party collateral providers;
  - complexity of existing or potential litigation and/or the underlying legal issues;
  - exposure of the borrowers to the banking system and other creditors;
  - last available financial statements;

- legal status of the borrowers and any pending insolvency and/or individual proceedings.

In order to determine the estimated realisable value of loans secured by real estate, and to take into account both the time series of recoveries and the forward-looking information in accordance with IFRS 9, an approach is applied focused on the valuation of real estate based on the expected average auction price and the related reduction in the observed price, with the calculation of average haircuts that differ according to the type of real estate collateral (residential, commercial, industrial and land). Accordingly, to avoid duplications, a macroeconomic Add-On is not used in the analytical-specific measurement for bad mortgage loans, because the forward-looking component is already taken into account through the haircut.

For real-estate bad loans arising from lease contracts, in view of the particular nature of the product (lack of auctions), the haircut is estimated as the depreciation of the asset with respect to the appraised value observed at the time of classification as non-performing and the actual price of sale.

In addition, for unlikely-to-pay loans, the measurement is based on a qualitative and quantitative analysis of the borrower's financial position and on precise assessment of the risk situation.

The calculation of the impairment loss involves the valuation of the future cash flows that the borrower is considered to be able to generate and that will also be used to service the financial debt. This estimate must be made based on two alternative approaches:

- the going concern approach: the operating cash flows of the borrower (or the beneficial owner) continue to be generated and are used to repay the financial debts contracted. The going concern assumption does not rule out the realisation of collateral, but only to the extent that this can take place without affecting the borrower's ability to generate future cash flows. The going concern approach is also used in cases where the recoverability of the exposure is based on the possible sale of assets by the borrower or on extraordinary transactions. Similarly to the case of bad loans, haircuts are also used in measuring real-estate collateral for unlikely-to-pay positions. For going-concern positions, these haircuts are determined on the basis of the haircuts applied in the liquidation process (gone-concern bad loan or UTP position), while applying a calibration factor equal to the probability of migration of the UTP positions to the bad loan category;
- the gone concern approach: applicable in cases when it is believed that the borrower's cash flows will cease. This is a scenario that can apply to positions that are expected to be classified as bad loans. In this context, assuming that shareholders' interventions and/or extraordinary operations to restructure debt in turnaround situations are not reasonably feasible, recovery of the credit is essentially based on the value of the collateral that secures the Bank's credit claim, net of the application of a haircut (determined as for bad loans) and, alternatively, on the realisable value of the assets, taking into account the liabilities and possible pre-emptive claims;

- the analytical-statistical measurement, performed for bad loans and unlikely-to-pay loans of less than 2 million euro and for past-due loans has specific features according to the type of exposure involved.

  With regard to bad loans, the analytical-statistical measurement is based on the Bad Loan LGD grids, where the LGD Defaulted Asset model is mainly characterised by the differentiation of the loss rates that, in addition to the regulatory segment, is based on the continuation in the risk status ("vintage") and the possible activation of legal recovery proceedings. The grids are also differentiated for the other significant analysis axes used in the model estimation (e.g. product type, type of guarantee, geographical area, exposure band, etc.). The recovery time grids are mainly broken down by regulatory segment and by additional significant analysis axes used in the modelling (e.g. recovery procedures, exposure band, product type).

  For unlikely-to-pay loans, the measurement is performed using statistical LGD grids estimated specifically for positions classified as unlikely-to-pay loans, in line with the estimated LGD grids for bad loans. The estimation model for the LGD grid for unlikely-to-pay loans is similar to the one described above for bad loans and calculates the expected loss rate of the relationship being valued according to its characteristics. The LGD for unlikely-to-pay loans is obtained by recalibrating the bad loan LGD using the Danger Rate module. The Danger Rate is a multiplying correction factor to apply to the bad loan LGD, in order to take into account the loss rates that can be recorded in the various default statuses (Unlikely-to-Pay and/or past due). The Danger Rate is estimated using the probability of migration to bad loans for positions already in default, the loss rates observed in the pre-bad loans phase for positions migrating to bad loans, and the loss rates observed in the pre-bad loans phase for positions that return to performing status or are extinguished.
  In addition, for the two subclasses of the "Unlikely-to-Pay Loans" risk status ("Non-Forborne Unlikely-to-Pay Loans" and "Forborne Unlikely-to-Pay Loans"), differentiated grids are estimated to take into account the characteristics of the Forborne loans, which, in addition to having lower average loss levels due to the effect of the Forbearance Measures, are also affected by the regulatory constraints that prevent their return to performing loan status before 12 months from the date of the renegotiation.

  For past-due loans, the methods used to determine the grids are the same as those described for the unlikely-to-pay loans (Framework Danger Rate). In this case, the vintage factor is captured by the introduction of a differentiation based on the duration of the past-due period (Past Due at 90 days/180 days) which produces a significant variation in the loss rates of the grids, which are also differentiated according to regulatory segment and additional analysis axes (e.g. product type, type of guarantee, geographical area, exposure band, etc.) common to the other non-performing loan categories.

  Also in the LGD estimation models used in the analytical-statistical measurement of non-performing exposures, several additional components specifically included for regulatory models are removed, similar to that illustrated for performing exposures.

With regard to the inclusion of current and forward looking information, it should be noted that, for non-performing exposures, a statistically estimated component (Add-On from macroeconomic scenario) linked to the most-likely and downside scenarios expected over the period of the next three years is also considered, according to the criteria already described.
In fact, as required by IFRS 9, the effects of the forward-looking scenario on LGD estimates must also be considered and the aforementioned component is aimed at capturing the non-linearity of the relationship between the macroeconomic variables and ECL measurement, by analysing the forecast uncertainty of the variables used for the preparation of the most-likely scenario. It is based on the methodological framework that is used for performing loans, but ignores the upside scenario from a prudential perspective and only considers the average downside and most-likely scenarios over the period of the next three years.
Furthermore, an additional factor is applied to the analytical/statistical measurement firmly based on internal management variables, in particular the level of past and prospective NPL ratio, which, on the basis of long-term observation, is statistically correlated with the loss performance. This factor makes the LGD estimate more sensitive to changes in the current and future economic/management context.
Also in terms of future scenarios, with regard to the unlikely to pay category, which includes positions that are still performing but show signs of difficulty, both for positions with analytical-specific measurement and those with analytical-statistical measurement, when there are no effective forbearance measures, an additional component shall be applied (in addition to the aforementioned add on from the macroeconomic scenario) to reduce the recoverable amount of the positions based on their vintage in the risk status and the absence of movements and/or recoveries in a specific period of time.

With regard to the alternative recovery scenarios, the Intesa Sanpaolo Group, in relation to the objectives of reducing the stock of outstanding non-performing loans, included in its business plans, and any commitments made to the Supervisory Authorities, with specific regard to the NPL Strategy, considers the sale of particular portfolios as the strategy that, in certain conditions, can maximise the cash flow recovery, also considering the recovery times.
Consequently, the "ordinary" scenario, which assumes a recovery strategy based on the collection of credit, typically through legal actions, mandates to credit recovery companies and the realisation of bank collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.
Where company plans and Group strategies identify disposal objectives and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.
In particular, where a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives is identified, the book value of said portfolio is determined by weighting the recoverable amount through operating activities with the amount recoverable through sale.
More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that adequately reflects the probability of sale of the portfolios whose disposal is considered highly probable. The "collection amount" was determined according to the already shown ordinary methods adopted by the Group for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.
However, where the positions to be sold are specifically identified, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.
As already mentioned, the purchased or originated credit-impaired (POCI) financial assets have specific features in terms of impairment. As a result, value adjustments equal to the lifetime ECL must be recognised on these instruments from their initial recognition date and for their entire lifetime. At each subsequent reporting date, the amount of the lifetime ECL must therefore be adjusted, with the recognition through profit or loss of the amount of any change in lifetime expected credit losses as a gain or an impairment loss. In view of the above, POCI financial assets are initially recognised in stage 3, subject to the possibility of being subsequently transferred to the performing loans stage, even if an expected loss equal to the lifetime ECL will continue to be recognised.

Lastly, with regard to non-performing loans, it is highlighted that the Intesa Sanpaolo Group uses the – full or partial – write-off/derecognition of unrecoverable accounting positions and, in the following cases, the consequent allocation to loss of the remainder that has not yet been adjusted:
- uncollectability of the debt, as a result of definite and precise elements (such as, for example, untraceability and indigence of the debtor, lack of recovery from realisation of securities and real estate, negative foreclosures, bankruptcy proceedings closed with no full compensation for the Bank, if there are no further guarantees that can be enforced etc.);
- disposal of the loan;
- waiver of the credit claim, due to the unilateral cancellation of the debt or residual amount as a result of settlement agreements;
- no waiver of the credit claim. With regard to the full or partial write-offs without waiver of the credit claim, in order to avoid maintaining loans on the balance sheet that have a very low possibility of recovery, despite continuing to be managed by the recovery structures, they are fully or partially written off due to uncollectability even if the legal proceedings have not been closed. The write-off can only involve the portion of the loan covered by provisions and, therefore, each loan can only be written off up to the amount of its net book value. Therefore, on a periodic basis, the Group identifies the bad loan portfolios to be subject to total or partial write-offs with the following macro-characteristics:
  - percentage cover of 100% and a vintage (understood as the period of time in "bad loan" status) of >1 year;
  - percentage cover of >95% and a vintage (understood as the period of time in "bad loan" status) of >5 years or >8 years, respectively, for non-mortgage and mortgage loans.

Portfolios to be written off can also be identified that have similar characteristics that are different from those indicated above, but that relate to exposures that have a marginal possibility of recovering the amount of the provision, where the minimum amount of the provision (calculated taking into account the accumulated write-offs on the position, according to the same rule established at prudential level by the calendar provisioning framework) is at least equal to the amount needed to bring the value of the exposures up to their fair value estimated based on the prices recorded in the latest sales of bad loans made by the Group.

Quantitative disclosure

The quantitative information on the credit quality of the exposures is provided below, as required by CRR Part Eight. For additional information see Part E of the Notes to the Consolidated Financial Statements.

Performing and non-performing exposures and related provisions as at 31 December 2022 (EU CR1 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		GROSS CARRYING VALUE OF PERFORMING AND NON-PERFORMING EXPOSURES					
		Performing exposures			Non-performing exposures		
		Total	*Of which stage 1*	*Of which stage 2*	**Total**	*Of which stage 2*	*Of which stage 3*
5	**Cash balances at central banks and other demand deposits**	**113,730**	***113,571***	***159***	**-**	**-**	**-**
10	**Loans and advances**	**467,418**	***419,653***	***46,708***	**11,032**	**-**	***10,597***
20	Central banks	4,294	*3,652*	*642*	-	-	-
30	General governments	15,604	*14,223*	*1,381*	400	-	*400*
40	Credit institutions	21,630	*21,249*	*352*	53	-	*53*
50	Other financial corporations	48,717	*41,783*	*6,762*	251	-	*248*
60	Non-financial corporations	197,457	*170,054*	*26,851*	6,888	-	*6,561*
70	*Of which: SMEs*	*79,608*	*68,457*	*10,979*	*4,315*	-	*4,105*
80	Households	179,716	*168,692*	*10,720*	3,440	-	*3,335*
90	**Debt securities**	**103,183**	***98,236***	***4,254***	**111**	**-**	***111***
100	Central banks	32	-	*32*	-	-	-
110	General governments	67,459	*65,259*	*2,199*	15	-	*15*
120	Credit institutions	7,122	*7,091*	*31*	-	-	-
130	Other financial corporations	22,886	*20,461*	*1,764*	62	-	*62*
140	Non-financial corporations	5,684	*5,425*	*228*	34	-	*34*
150	**Off-balance-sheet exposures**	**294,739**	***267,715***	***27,024***	**1,784**	**-**	***1,781***
160	Central banks	1,194	*1,146*	*48*	-	-	-
170	General governments	12,083	*9,704*	*2,379*	100	-	*100*
180	Credit institutions	35,830	*35,200*	*630*	12	-	*12*
190	Other financial corporations	30,174	*23,977*	*6,197*	24	-	*24*
200	Non-financial corporations	198,544	*181,490*	*17,054*	1,585	-	*1,582*
210	Households	16,914	*16,198*	*716*	63	-	*63*
220	**TOTAL**	**979,070**	***899,175***	***78,145***	**12,927**	**-**	***12,489***

Performing and non-performing exposures and related provisions as at 31 December 2022 (EU CR1 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS						ACCUMULATED PARTIAL WRITE-OFF	COLLATERALS AND FINANCIAL GUARANTEES RECEIVED	
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Total	*Of which stage 1*	*Of which stage 2*	Total	*Of which stage 2*	*Of which stage 3*		On performing exposures	On non-performing exposures
5	**Cash balances at central banks and other demand deposits**	**-2**	**-**	**-2**	**-**	**-**	**-**	**-**	**156**	**-**
10	**Loans and advances**	**-2,642**	***-689***	***-1,948***	**-5,312**	**-**	***-5,187***	**3,080**	**286,822**	**4,108**
20	Central banks	-9	*-5*	*-4*	-	-	-	-	544	-
30	General governments	-39	*-21*	*-18*	-186	-	*-186*	10	3,498	110
40	Credit institutions	-20	*-8*	*-12*	-17	-	*-17*	-	5,508	-
50	Other financial corporations	-92	*-42*	*-50*	-127	-	*-125*	18	20,223	103
60	Non-financial corporations	-1,587	*-356*	*-1,230*	-3,398	-	*-3,317*	2,807	103,611	2,523
70	*Of which: SMEs*	*-723*	*-181*	*-542*	*-2,028*	-	*-1,959*	*1,761*	*61,362*	*2,030*
80	Households	-895	*-257*	*-634*	-1,584	-	*-1,542*	245	153,438	1,372
90	**Debt securities**	**-137**	***-51***	***-86***	**-86**	**-**	***-86***	**-**	**2,518**	**-**
100	Central banks	-7	-	*-7*	-	-	-	-	-	-
110	General governments	-94	*-40*	*-54*	-2	-	*-2*	-	-	-
120	Credit institutions	-1	*-1*	-	-	-	-	-	-	-
130	Other financial corporations	-22	*-5*	*-17*	-62	-	*-62*	-	2,505	-
140	Non-financial corporations	-13	*-5*	*-8*	-22	-	*-22*	-	13	-
150	**Off-balance-sheet exposures**	**-308**	***-153***	***-155***	**-267**	**-**	***-267***		**44,051**	**397**
160	Central banks	-	-	-	-	-	-		-	-
170	General governments	-8	*-4*	*-4*	-8	-	*-8*		650	25
180	Credit institutions	-66	*-62*	*-4*	-	-	-		2,090	-
190	Other financial corporations	-26	*-20*	*-6*	-2	-	*-2*		5,132	2
200	Non-financial corporations	-186	*-56*	*-130*	-245	-	*-245*		30,644	359
210	Households	-22	*-11*	*-11*	-12	-	*-12*		5,535	11
220	**TOTAL**	**-3,089**	***-893***	***-2,191***	**-5,665**	**-**	***-5,540***	**3,080**	**333,547**	**4,505**

The exposures relating to “Loans and advances” and “Debt securities” also include exposures not subject to impairment, as well as purchased or originated credit impaired assets (POCIs).
With regard to the caption “Loans and advances”, there was a decrease totalling 26.4 billion euro in the gross value of the performing exposures compared to June 2022, attributable to exposures to Non-financial companies and Credit institutions, which decreased by 20.9 billion euro and 5.2 billion euro respectively, while exposures to Households increased by 0.9 billion euro. The changes led to the decrease in both Stage 1 (-17.2 billion euro) and Stage 2 (-9.1 billion euro). That change was more significant for commercial banking loans and also reflected actions to optimise the Group’s RWAs in view of the regulatory changes (EBA Guidelines) applicable from 1 January 2023. These transactions showed a decrease in lease receivables, which were assigned through a securitisation finalised in the fourth quarter, and in exposures to Russian counterparties (for information on the reduction in these exposures, refer to that illustrated below).
The total coverage of performing exposures stood at 0.57% as at 31 December 2022, a slight increase on 30 June 2022 (0.56%), involving Stage 2 loans in particular (from 3.68% to 4.17%, also as a result of the provisions made in the half year as a consequence of the Russian-Ukrainian conflict and the additional adjustments to capture the elements of risk inherent in the current scenario), while Stage 1 loans were substantially stable (0.16%).
For non-performing Loans and advances, there was a decrease in gross values of around 0.5 billion euro in the second half of 2022, as a result of further de-risking transactions. The coverage of non-performing positions was at 59.5% (taking into account partial write-offs, reported in the table above), up on June 2022, when it was at 56.6%.
Also with reference to Loans and advances, the amount of guarantees received decreased, reflecting the reduction in lease receivables and repurchase agreements.
For the caption “Debt securities”, there was a decrease of 9.5 billion euro in the total amount compared to June 2022. In detail, the main changes regarded a decrease of 9.2 billion euro in government securities and 1.2 billion euro from credit institutions, against an increase of 1.9 billion euro in securities issued by other financial companies.
Off-balance sheet exposures decreased by 2.7 billion euro compared to June 2022, due to the offsetting effect among the decreases attributable to other financial companies of 3.7 billion euro and credit institutions of 2.5 billion euro and the increase referring to non-financial companies of 2.5 billion euro.

Maturity of exposures (EU CR1-A Reg. 2021/637)

(millions of euro)

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	23,508	106,502	127,472	213,014	-	**470,496**
2	Debt securities	-	14,596	23,551	64,924	-	**103,071**
3	**Total**	**23,508**	**121,098**	**151,023**	**277,938**	**-**	**573,567**

This table reports the exposures as at 31 December 2022 for loans and advances and debt securities by maturity. It does not include assets held for trading, loans and advances classified as held for sale and cash balances at central banks and other on-demand deposits. As in June 2022, these exposures were mainly concentrated in the band with a maturity of more than 5 years.

Changes in the stock of non-performing loans and advances (EU CR2 Reg. 2021/637)

(millions of euro)

		Gross carrying amount
1	**Initial stock of non-performing loans and advances as at 31 December 2021**	**15,596**
2	Inflows to non-performing portfolios	4,549
3	Outflows from non-performing portfolios	-9,113
4	*Outflows due to write-offs*	*-639*
5	*Outflow due to other situations*	*-8,474*
6	**Final stock of non-performing loans and advances as at 31 December 2022**	**11,032**

The table above relates solely to loans and advances and does not include loans and advances classified as held for sale and debt securities.
Inflows to non-performing portfolios included new entries to non-performing status in the year totalling around 3.5 billion euro.
Outflows due to other situations included: (i) the disposal of gross non-performing loans for around 5.2 billion euro, mainly attributable to the de-risking carried out; (ii) returns to performing status during the year of around 0.9 billion euro; (iii) outflows due to partial or total redemption of 1.1 billion euro; and (iv) reclassifications to exposures held for sale of 0.7 billion euro.

Credit quality of performing and non-performing exposures by past-due days as at 31 December 2022 (EU CQ3 Reg. 2021/637)

This table reports the gross values of on- and off-balance sheet exposures by risk status.

(millions of euro)

		GROSS CARRYING VALUES											
		PERFORMING EXPOSURES			NON-PERFORMING EXPOSURES								
		Total	Not past due or Past due ≤ 30 days	Past due > 30 days ≤ 90 days	**Total**	Unlikely to pay that are not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	*Of which defaulted / impaired*
5	**Cash balances at central banks and other demand deposits**	**113,730**	**113,730**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***-***
10	**Loans and advances**	**467,418**	**466,276**	**1,142**	**11,032**	**3,989**	**864**	**1,305**	**1,197**	**1,700**	**545**	**1,432**	***11,032***
20	Central banks	4,294	4,294	-	-	-	-	-	-	-	-	-	*-*
30	General governments	15,604	15,377	227	400	153	-	24	2	4	1	216	*400*
40	Credit institutions	21,630	21,628	2	53	49	-	-	-	-	3	1	*53*
50	Other financial corporations	48,717	48,664	53	251	26	16	5	76	120	1	7	*251*
60	Non-financial corporations	197,457	197,092	365	6,888	2,589	684	907	631	1,051	327	699	*6,888*
70	*Of which: SMEs*	*79,608*	*79,364*	*244*	*4,315*	*1,404*	*228*	*689*	*548*	*738*	*199*	*509*	*4,315*
80	Households	179,716	179,221	495	3,440	1,172	164	369	488	525	213	509	*3,440*
90	**Debt securities**	**103,183**	**103,183**	**-**	**111**	**55**	**-**	**-**	**-**	**38**	**1**	**17**	***111***
100	Central banks	32	32	-	-	-	-	-	-	-	-	-	*-*
110	General governments	67,459	67,459	-	15	5	-	-	-	1	1	8	*15*
120	Credit institutions	7,122	7,122	-	-	-	-	-	-	-	-	-	*-*
130	Other financial corporations	22,886	22,886	-	62	47	-	-	-	15	-	-	*62*
140	Non-financial corporations	5,684	5,684	-	34	3	-	-	-	22	-	9	*34*
150	**Off-balance-sheet exposures**	**294,739**			**1,784**								***1,784***
160	Central banks	1,194			-								*-*
170	General governments	12,083			100								*100*
180	Credit institutions	35,830			12								*12*
190	Other financial corporations	30,174			24								*24*
200	Non-financial corporations	198,544			1,585								*1,585*
210	Households	16,914			63								*63*
220	**TOTAL**	**979,070**	**683,189**	**1,142**	**12,927**	**4,044**	**864**	**1,305**	**1,197**	**1,738**	**546**	**1,449**	***12,927***

With reference to on-balance sheet non-performing exposures, the table mainly shows, compared to June 2022, an increase in the band past due by less than 90 days (+6.7%) and a decrease in the band past due from 2 to 5 years (-5.9%).
For the changes in gross values, see the description provided in table EU CR1 above.
The gross NPE ratio as at 31 December 2022 was 2.31%, substantially stable on 30 June 2022 (2.28%). Even though the stock of non-performing loans decreased (-0.5 billion euro), the ratio was impacted by the reduction in gross loans and advances used as the denominator (-26.9 billion euro). This ratio is calculated, in accordance with Regulation (EU) 2021/637, as the ratio of the gross value of non-performing loans and advances to the gross value of total loans and advances.

Quality of non-performing exposures by geography as at 31 December 2022 (EU CQ4 Reg. 2021/637)

(millions of euro)

		GROSS CARRYING VALUE				ACCUMULATED IMPAIRMENT	PROVISIONS ON OFF-BALANCE-SHEET COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
		Total	*Of which non-performing*		*Of which subject to impairment*			
				Of which defaulted				
1	**ON-BALANCE-SHEET EXPOSURES**	**581,744**	***11,143***	***11,143***	***579,943***	**-8,160**		**-17**
2	Italy	392,051	*8,696*	*8,696*	*390,633*	-5,652		-17
3	U.S.A.	21,717	*26*	*26*	*21,685*	-41		-
4	France	16,104	*69*	*69*	*16,104*	-30		-
5	United Kingdom	13,875	*1*	*1*	*13,830*	-34		-
6	Slovakia	16,025	*324*	*324*	*16,025*	-340		-
7	Spain	11,831	-	-	*11,831*	-10		-
8	Luxembourg	10,273	-	-	*10,221*	-20		-
9	Ireland	6,006	-	-	*6,006*	-29		-
10	Germany	6,346	*42*	*42*	*6,345*	-44		-
11	Croatia	9,712	*387*	*387*	*9,712*	-315		-
12	Netherlands	3,798	*53*	*53*	*3,785*	-30		-
13	Serbia	6,090	*136*	*136*	*6,090*	-185		-
14	Hungary	5,539	*130*	*130*	*5,300*	-119		-
15	Egypt	5,064	*131*	*131*	*5,064*	-127		-
16	Belgium	4,087	-	-	*4,087*	-7		-
17	China	1,213	*31*	*31*	*1,213*	-31		-
18	Other Countries	52,013	*1,117*	*1,117*	*52,012*	-1,146		-
19	**OFF-BALANCE-SHEET EXPOSURES**	**296,523**	***1,784***	***1,784***			***-575***	
20	Italy	167,753	*1,494*	*1,494*			*-387*	
21	U.S.A.	20,760	*12*	*12*			*-6*	
22	France	11,459	*5*	*5*			*-2*	
23	United Kingdom	6,120	-	-			*-2*	
24	Slovakia	3,721	*21*	*21*			*-14*	
25	Spain	6,256	*1*	*1*			*-11*	
26	Luxembourg	5,513	-	-			*-37*	
27	Ireland	7,833	-	-			*-16*	
28	Germany	7,395	*2*	*2*			*-2*	
29	Croatia	2,650	*42*	*42*			*-27*	
30	Netherlands	6,669	-	-			*-1*	
31	Serbia	1,663	*7*	*7*			*-6*	
32	Hungary	1,623	*2*	*2*			*-4*	
33	Egypt	1,283	*3*	*3*			*-7*	
34	Belgium	2,076	-	-			*-1*	
35	China	4,772	*10*	*10*			-	
36	Other Countries	38,977	*185*	*185*			*-52*	
37	**TOTAL**	**878,267**	**12,927**	**12,927**	**579,943**	**-8,160**	**-575**	**-17**

This table shows, in descending order of overall exposure, only the countries towards which the Group has on- and off-balance sheet exposures that exceed the threshold of 6 billion euro (which represents around 90% of the total exposure).
The total on-balance sheet exposures amounting to 581,744 million euro include 1,801 million euro of exposures not subject to impairment and debt securities amounting to 103,294 million euro (of which 111 million euro non-performing). Compared to June 2022, the amount of exposures to Russian counterparties decreased, standing below the materiality threshold indicated and, therefore, Russia is no longer included in the table.
For a comprehensive picture of the Group's risk profile, following the military conflict between Russia and Ukraine that broke out on 24 February 2022, see the detailed description in the 2022 Consolidated financial statements of the Group, with particular reference to the Group's presence in the two countries mentioned above, through its two subsidiaries Joint-Stock Company Banca Intesa (Banca Intesa Russia) and Pravex Bank Joint-Stock Company.
The gross exposures referring to those two subsidiaries and those to counterparties resident in Russia and Ukraine as at 31 December 2022 amounted to 2.7 billion euro in on-balance sheet exposures (net of ECA guarantees of around 0.8 billion euro) and 0.6 billion euro in off-balance sheet exposures (net of ECA guarantees of around 0.5 billion euro).

Specifically, the Group took active steps to significantly reduce the credit risks associated with the Russian-Ukrainian conflict, and the gross on-balance sheet exposure to the total counterparties resident in Russia and Ukraine (customers, banks and securities) decreased by 2.2 billion euro in the third quarter and by 0.3 billion euro in the fourth quarter, also due to the final disposal of two major exposures.
Specifically, as at 31 December 2022, on-balance sheet exposures amounted, in terms of gross values, to 0.4 billion euro with reference to Banca Intesa Russia and 1.3 billion euro with reference to cross-border exposures to customers resident in Russia (net of ECA guarantees of around 0.8 billion euro). These were accompanied by exposures to banks and in securities totalling 0.8 billion euro. Exposures to customers resident in Ukraine amounted to 0.2 billion euro, of which 0.1 billion euro related to the subsidiary Pravex Bank. These were accompanied by exposures to banks and in securities totalling 0.06 billion euro.
Off-balance sheet exposures include: 0.1 billion euro to customers of Banca Intesa Russia and 0.07 billion euro to customers of Pravex, in addition to 0.2 billion euro in off-balance sheet cross-border exposures to customers resident in Russia (net of ECA guarantees of around 0.5 billion euro) and 0.03 billion euro to customers resident in Ukraine; in addition, there were 0.16 billion euro in cross-border exposures to banks resident in Russia and 0.02 billion euro in cross-border exposures to banks resident in Ukraine.

The most significant countries that are not specifically identified were:
1) Europe: Switzerland, Slovenia and Poland;
2) Americas: Brazil;
3) Asia: Qatar, Japan and Russia;
4) Oceania: Australia.

Credit quality of loans and advances to non-financial companies by industry as at 31 December 2022 (EU CQ5 Reg. 2021/637)

The table below shows the gross exposures and related accumulated impairment on loans and advances to non-financial companies by industry.

(millions of euro)

		GROSS CARRYING VALUE				ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
		Total	*Of which non-performing*		*Of which loans and advances subject to impairment*		
				Of which defaulted			
1	Agriculture, forestry and fishing	4,060	*178*	*178*	*4,060*	-141	-
2	Mining and quarrying	3,337	*243*	*243*	*3,337*	-290	-
3	Manufacturing	55,286	*1,592*	*1,592*	*55,048*	-1,043	-8
4	Electricity, gas, steam and air conditioning supply	11,644	*147*	*147*	*11,643*	-128	-
5	Water supply	2,452	*40*	*40*	*2,452*	-34	-
6	Construction	14,330	*1,257*	*1,257*	*14,308*	-796	-3
7	Wholesale and retail trade	32,843	*967*	*967*	*32,823*	-705	-
8	Transport and storage	14,076	*223*	*223*	*14,076*	-186	-
9	Accommodation and food service activities	6,698	*339*	*339*	*6,695*	-246	-
10	Information and communication	8,903	*178*	*178*	*8,896*	-101	-1
11	Financial and Insurance activities	10,503	*11*	*11*	*10,503*	-49	-
12	Real estate activities	16,014	*1,158*	*1,158*	*15,663*	-807	-5
13	Professional, scientific and technical activities	13,200	*213*	*213*	*13,178*	-136	-
14	Administrative and support service activities	4,722	*166*	*166*	*4,722*	-128	-
15	Public administration and defence, compulsory social security	1	-	-	*1*	-	-
16	Education	266	*7*	*7*	*266*	-5	-
17	Human health services and social work activities	2,534	*57*	*57*	*2,534*	-59	-
18	Arts, entertainment and recreation	945	*80*	*80*	*945*	-65	-
19	Other services	2,531	*32*	*32*	*2,531*	-49	-
20	**TOTAL**	**204,345**	***6,888***	***6,888***	***203,681***	**-4,968**	**-17**

The total exposures, amounting to 204,345 million euro, include 664 million euro of exposures not subject to impairment.
There were no significant changes in the breakdown by industry of loans and advances to non-financial companies compared to June 2022.

Credit quality of forborne exposures as at 31 December 2022 (EU CQ1 Reg. 2021/637)

(millions of euro)

		GROSS CARRYING VALUE OF FORBORNE EXPOSURES				ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS		COLLATERALS RECEIVED AND FINANCIAL GUARANTEES RECEIVED ON FORBORNE EXPOSURES	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	Total	*Of which collateral and financial guarantees received on non-performing exposures with forbearance measures*
			Total	*Of which defaulted*	*Of which impaired*				
5	**Cash balances at central banks and other demand deposits**	**-**	**-**	***-***	***-***	**-**	**-**	**-**	***-***
10	**Loans and advances**	**7,543**	**3,692**	***3,692***	***3,665***	**-553**	**-1,543**	**6,922**	***1,669***
20	Central banks	-	-	*-*	*-*	-	-	-	*-*
30	General governments	14	32	*32*	*32*	-	-10	2	*2*
40	Credit institutions	83	48	*48*	*48*	-	-12	78	*-*
50	Other financial corporations	144	77	*77*	*77*	-4	-58	148	*13*
60	Non-financial corporations	5,472	2,615	*2,615*	*2,588*	-437	-1,185	4,635	*1,119*
70	Households	1,830	920	*920*	*920*	-112	-278	2,059	*535*
80	**Debt Securities**	**-**	**1**	***1***	***1***	**-**	**-**	**-**	***-***
90	**Loan commitments given**	**209**	**88**	***88***	***88***	**-1**	**-4**	**65**	***30***
100	**Total**	**7,752**	**3,781**	***3,781***	***3,754***	**-554**	**-1,547**	**6,987**	***1,699***

The gross values for “Loans and advances” subject to forbearance measures as at 31 December 2022 were down overall (-1.4 billion euro) compared to 30 June 2022. This change was concentrated in performing loans and advances (1 billion euro), which stood at 7.5 billion euro compared to 8.5 billion euro in June 2022.
There were no significant changes in the exposures to “Debt securities” compared to 30 June 2022.
The “Loan commitments given” decreased by 0.1 billion euro.

Collateral obtained by taking possession and execution processes as at 31 December 2022 (EU CQ7 Reg. 2021/637)

(millions of euro)

		COLLATERAL OBTAINED BY TAKING POSSESSION	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	1	-
2	Other than PP&E	748	-268
3	*Residential immovable property*	*31*	*-1*
4	*Commercial immovable property*	*348*	*-74*
5	*Movable property (auto, shipping, etc.)*	*1*	*-1*
6	*Equity and debt instruments*	*368*	*-192*
7	*Other collateral*	*-*	*-*
8	**TOTAL**	**749**	**-268**

The equity and debt instruments include financial assets not previously provided by the borrower as security for pre-existing loans, but acquired under bilateral agreements with the borrower, following which the Group has derecognised the credit exposure.
There were no significant changes compared to 30 June 2022.

As already mentioned in the Introduction to this document, EBA GL 2020/07 requires institutions to disclose information, on a half-yearly basis starting from 30 June 2020, on exposures subject to the EBA Guidelines on legislative and non-legislative moratoria on loan payments applied as a result of the COVID-19 crisis and on new exposures subject to public guarantee schemes (EBA GL 2020/02). Below are the three tables based on the templates provided in Annex 3 of EBA GL 2020/07.

Information on loans and advances subject to legislative and non-legislative moratoria (Table 1 EBA GL 2020/07)

This table is not shown, as financial assets subject to moratoria that fall within the scope of application of the "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis", published by the EBA (EBA/GL/2020/02), as amended, came to less than 1 million euro as at 31 December 2022. Specifically, they came to 412 thousand euro compared to the 33 million euro reported in June 2022.

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Table 2 EBA GL 2020/07)

(millions of euro)

		NUMBER OF OBLIGORS	GROSS CARRYING AMOUNT							
			Total			Residual maturity of moratoria				
				Of which: legislative moratoria	*Of which: expired*	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	**Loans and advances for which moratorium was offered**	**591,211**	**38,127**							
2	**Loans and advances subject to moratorium (granted)**	**586,357**	**37,879**	***18,012***	***37,879***	**-**	**-**	**-**	**-**	**-**
3	of which: Households		**17,502**	*4,366*	*17,502*	-	-	-	-	-
4	*of which: Collateralised by residential immovable property*		***13,815***	*2,565*	*13,815*	-	-	-	-	-
5	of which: Non-financial corporations		**18,681**	*13,548*	*18,681*	-	-	-	-	-
6	*of which: Small and Medium-sized Enterprises*		***14,721***	*11,885*	*14,721*	-	-	-	-	-
7	*of which: Collateralised by commercial immovable property*		***11,496***	*8,297*	*11,496*	-	-	-	-	-

The gross values for "Loans and advances" subject to EBA compliant forbearance measures (both outstanding and expired) as at 31 December 2022 totalled 37.9 billion euro, down by around 6.6 billion euro on 30 June 2022.

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Table 3 EBA GL 2020/07)

(millions of euro)

		GROSS CARRYING AMOUNT		MAXIMUM AMOUNT OF THE GUARANTEE THAT CAN BE CONSIDERED	GROSS CARRYING AMOUNT
		Total	*Of which: forborne*	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**33,207**	***613***	**28,313**	**282**
2	of which: Households	3,146			35
3	*of which: Collateralised by residential immovable property*	-			-
4	of which: Non-financial corporations	29,981	598	25,287	247
5	*of which: Small and Medium-sized Enterprises*	*21,946*			*195*
6	*of which: Collateralised by commercial immovable property*	*87*			-

As at 31 December 2022, the value of exposures subject to loans backed by government guarantee schemes – for which the process has been completed for both the acquisition of the guarantees and the disbursement, which may also not be concluded at the same time – was 33.2 billion euro (35.3 billion euro in June 2022). The residual maturity of these loans was 70% from 2 to 5 years and 24% over 5 years.
The sectors most affected by these measures were: manufacturing, wholesale and retail trade, and construction. As at 31 December 2022, almost all the exposures were performing, with a very low level of forborne exposures (1.85%).

Section 8 - Credit risk: disclosures on portfolios subject to the standardised approach

Qualitative disclosure

External agencies used

For the purpose of determining the risk weights under the standardised approach, in compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used to determine its capital requirements; when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

List of the external Rating Agencies

Portfolio	ECA/ECAI			
Exposures to or secured by governments and central banks (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	DBRS Morningstar
Exposures to or secured by international organisations(*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	DBRS Morningstar
Exposures to or secured by multilateral development banks (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	DBRS Morningstar
Exposures to or secured by corporates and other entities (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	DBRS Morningstar
Exposures to CIU (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	DBRS Morningstar
Position on securitisations with short-term rating	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	
Position on securitisations different from those with short-term rating	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services	

(*) Ratings characteristics: solicited/unsolicited.

For the purposes of the requirements of Article 444 (d) CRR regarding the association of the external rating of each ECAI with the risk weights corresponding to the credit quality steps envisaged by the CRR, the Intesa Sanpaolo Group continues to adhere to the normal association published by the EBA.

Process of transfer of the issuer or issue credit ratings to comparable assets not included in the regulatory trading book

In compliance with Regulation (EU) 575/2013 (CRR), the following criteria have been defined regarding the use of issue and issuer ratings for the risk assessment of exposures and the mitigation of guarantees. The risk weighting assigned to the exposures has been determined, in general for all the regulatory portfolios, using the issue rating as the primary measure and then, when this is not available and the conditions established by the Regulation are met, through the use of the issuer rating. The same priority has been used in general for all the regulatory portfolios to determine the eligibility of the guarantees and the regulatory volatility adjustments to be allocated. For the unrated issues of supervised issuers, the extension of the eligibility is strictly subject to the conditions established by the regulations (listing in regulated markets, non-subordinated securities, and issues of the same rank associated with classes 1 to 3 of the credit quality rating scale).

Quantitative disclosure

In this Section, each regulatory portfolio provided for by regulations under the standardised approach is broken down as follows:

– amount of on-balance sheet and off-balance sheet exposures, "without" the Credit Risk Mitigation (CRM) effect, which does not take into account the decrease in exposure or portfolio transfer arising from application of collateral and personal guarantees and before the application of the Credit Conversion Factors (CCF) to off-balance sheet exposures;
– amount of the same exposures "with" the Credit Risk Mitigation effect and after the application of the Credit Conversion Factors. The portfolio transfer resulting from the application of risk mitigation in the case of personal guarantees may also take place from portfolios subject to IRB approaches due to the presence of guarantors subject to the Standardised Approach.

The above information is listed in the "with" and "without" credit risk mitigation tables and associated with the risk weightings defined by the current Prudential Supervisory regulations.

Standardised approach - Credit risk exposure and CRM effects as at 31 December 2022 (EU CR4 Reg. 2021/637)

(millions of euro)

	EXPOSURE CLASSES	EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAs AND RWAs DENSITY	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA density (*) (%)
1	Central government or central banks	215,461	12,442	270,368	6,378	22,641	8.18
2	Regional government or local authorities	1,058	198	1,213	161	379	27.55
3	Public sector entities	1,351	93	753	23	422	54.43
4	Multilateral development banks	940	51	1,383	8	-	-
5	International organisations	500	-	500	-	-	-
6	Institutions	11,255	7,528	10,603	2,127	6,046	47.49
7	Corporates	29,953	14,533	20,790	3,567	22,119	90.81
8	Retail	16,819	6,899	11,922	628	8,236	65.62
9	Secured by mortgages on immovable property	6,607	87	6,192	43	2,244	35.99
10	Exposures in default	944	218	740	54	888	111.88
11	Exposures associated with particularly high risk	146	91	141	64	305	149.24
12	Covered bonds	2,038	-	2,038	-	230	11.30
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	2,675	1,065	2,675	582	3,956	121.43
15	Equity	716	-	716	-	1,179	164.61
16	Other items	19,271	-	19,273	-	12,820	66.52
17	**TOTAL**	**309,734**	**43,205**	**349,307**	**13,635**	**81,465**	**22.45**
	TOTAL ON- AND OFF-BALANCE SHEET AMOUNTS	**352,939**		**362,942**			

(*) The percentage values of RWA density were calculated on amounts not rounded up or down to the nearest million.

The aggregate of exposures as at December 2022 was 353 billion euro, before taking into account Credit Risk Mitigation (CRM) factors and the application of the Credit Conversion Factors (CCF) required by the prudential regulations. These calculation criteria led to an increase in the value of the on-balance-sheet items in the prudential presentation (+39.6 billion euro) and a decrease in the value of the off-balance-sheet items (-29.6 billion euro), with a net positive balance of 10 billion euro in the period. In December, the total value of the aggregate for prudential purposes was identified as 363 billion euro, corresponding to a weighted value of RWAs of 81.5 billion euro, which decreased significantly in the half year compared to June (-5.9 billion euro of RWAs). In relation to the specific impact of the CCF/CRM factors for the various technical forms and exposure classes, the prudential calculation of the balance sheet aggregates, in line with the trend recorded in the first half, resulted in a sharply negative trend on the "Central Governments or Central Banks" portfolio (-11.1 billion euro), along with more limited decreases in the "Corporates" (-2.7 billion euro) and "Retail" (-2.2 billion euro) portfolios, which mainly reflect mere changes in classifications of exposures. The decrease in exposures to "Central Governments or Central Banks" derives from the reduction in the aggregate of deposits held with Central Banks and positions in Securities, only slightly offset by an increase in on-balance sheet loans to the Italian Treasury. The change in the "Corporates" portfolio was the result of the restatement of the segment assigned to several counterparties, as part of the continuous refinement of the accuracy of the calculation of the capital requirements and a decrease in volumes, whereas the change in the "Retail" portfolio reflects the adoption of the advanced measurement approach to measure the "Other Retail" portfolio of the subsidiary VUB in Slovakia, which involves translating the representation of the exposures previously accepted into the standard-method aggregate representation into an advanced approach. On the whole, the reconfiguration of the portfolios during the half year resulted in a slight decrease in the Group's risk profile, reflected in the change in RWA density, which came to 22.45% as at December 2022 compared to 23.07% as at June 2022.

Standardised approach – Exposures post CCF and CRM as at 31 December 2022 (EU CR5 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	257,134	-	-	-	1,557	-	2,518	-	-
2	Regional government or local authorities	125	-	-	-	1,085	-	-	-	-
3	Public sector entities	19	-	-	-	384	-	55	-	-
4	Multilateral development banks	1,391	-	-	-	-	-	-	-	-
5	International organisations	500	-	-	-	-	-	-	-	-
6	Institutions	-	153	-	-	6,723	-	2,386	-	-
7	Corporates	-	-	-	-	1,023	-	1,380	46	-
8	Retail exposures	-	-	-	-	-	2,070	-	-	10,480
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	5,206	1,029	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	1,773	265	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	500	-	-	-	-	-	2	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	4,615	-	-	-	2,315	-	-	-	-
17	**Total**	**264,284**	**153**	**-**	**1,773**	**13,352**	**7,276**	**7,370**	**46**	**10,480**

Standardised approach – Exposures post CCF and CRM as at 31 December 2022 (EU CR5 Reg. 2021/637)
(Table 2 of 2)

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT						TOTAL	OF WHICH UNRATED
		100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	11,121	1,086	3,330	-	-	-	276,746	6,332
2	Regional government or local authorities	164	-	-	-	-	-	1,374	861
3	Public sector entities	318	-	-	-	-	-	776	346
4	Multilateral development banks	-	-	-	-	-	-	1,391	15
5	International organisations	-	-	-	-	-	-	500	-
6	Institutions	3,369	99	-	-	-	-	12,730	7,995
7	Corporates	21,472	436	-	-	-	-	24,357	20,048
8	Retail exposures	-	-	-	-	-	-	12,550	12,550
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	6,235	6,231
10	Exposures in default	605	189	-	-	-	-	794	747
11	Exposures associated with particularly high risk	-	205	-	-	-	-	205	205
12	Covered bonds	-	-	-	-	-	-	2,038	522
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	1,158	41	-	37	19	1,500	3,257	3,225
15	Equity exposures	408	-	308	-	-	-	716	716
16	Other items	12,316	27	-	-	-	-	19,273	19,273
17	**Total**	**50,931**	**2,083**	**3,638**	**37**	**19**	**1,500**	**362,942**	**79,066**

The aggregate of the exposures included in the calculation under the standardised approach amounts to 363 billion euro, after the application of Credit Conversion Factors (CCFs) and prudential Credit Risk Mitigation (CRM) treatments.
The breakdown of exposures by class and risk weight shows a favourable decrease in the average RWA density (-0.62%), which came to 22.45% during the half-year, compared to the previous 23.07%, confirming the polarisation of exposures towards the zero-weighted classes (72.8% of the aggregate), despite the further decrease in the weight of the "Central Governments or Central Banks" class, according to that set out in Table CR4, to which reference is made.

Standardised approach - Exposures before CCF and CRM as at 31 December 2022 (EU CR5 bis) *(Table 1 of 2)*

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	207,019	-	-	-	1,437	-	1,691	-	-
2	Regional government or local authorities	125	-	-	-	975	-	-	-	-
3	Public sector entities	24	-	-	-	385	-	56	-	-
4	Multilateral development banks	991	-	-	-	-	-	-	-	-
5	International organisations	500	-	-	-	-	-	-	-	-
6	Institutions	-	153	-	-	9,338	-	2,777	-	-
7	Corporates	-	-	-	-	922	-	1,511	-	-
8	Retail exposures	-	-	-	-	-	2,094	-	-	21,624
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	5,638	1,056	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	1,773	265	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	500	-	-	-	-	-	2	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	4,613	-	-	-	2,315	-	-	-	-
17	**Total**	**213,772**	**153**	**-**	**1,773**	**15,637**	**7,732**	**7,093**	**-**	**21,624**

Standardised approach - Exposures before CCF and CRM as at 31 December 2022 (EU CR5 bis) *(Table 2 of 2)*

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT						TOTAL	OF WHICH UNRATED
		100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	13,322	1,104	3,330	-	-	-	227,903	7,628
2	Regional government or local authorities	156	-	-	-	-	-	1,256	881
3	Public sector entities	979	-	-	-	-	-	1,444	999
4	Multilateral development banks	-	-	-	-	-	-	991	-
5	International organisations	-	-	-	-	-	-	500	-
6	Institutions	6,413	102	-	-	-	-	18,783	12,665
7	Corporates	40,990	1,063	-	-	-	-	44,486	38,008
8	Retail exposures	-	-	-	-	-	-	23,718	23,718
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	6,694	6,689
10	Exposures in default	807	355	-	-	-	-	1,162	867
11	Exposures associated with particularly high risk	-	237	-	-	-	-	237	237
12	Covered bonds	-	-	-	-	-	-	2,038	522
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	1,187	41	-	73	19	1,918	3,740	3,720
15	Equity exposures	408	-	308	-	-	-	716	716
16	Other items	12,316	27	-	-	-	-	19,271	19,271
17	**Total**	**76,578**	**2,929**	**3,638**	**73**	**19**	**1,918**	**352,939**	**115,921**

Section 9 - Credit risk: disclosures on portfolios subject to IRB approaches

Qualitative disclosure

Credit risk – disclosures on portfolios to which IRB approaches are applied

The rollout plan for the internal models

The supervisory regulations provide for two approaches for the calculation of the capital requirement: the Standardised approach and the Internal Rating Based (IRB) approach, in which the risk weightings are a function of the banks' internal assessments of their borrowers. The IRB approach is in turn divided into a Foundation Internal Rating Based (FIRB) approach and an Advanced Internal Rating Based (AIRB) approach that differ in the risk parameters that banks are required to estimate. Under the foundation approach, banks use their own PD estimates and regulatory values for the other risk parameters, whereas under the advanced approach the latter are also estimated internally. Given that the rating systems for retail exposures must reflect both the borrower risk and the specific risk of the transaction, in this case there is no distinction between the foundation and the advanced approach.

As illustrated in the first Section of this document (paragraph "The Basel 3 regulations"), with regard to credit risks, the ECB's authorisation to use the new Retail models for regulatory purposes was implemented starting from September 2022.
The activities planned in the previous years continued, essentially aimed at achieving the objectives of the "IRB regulatory roadmap", focused on updating and re-estimating the models to periodically update the time series data, adopting the most recent regulatory provisions (e.g. EBA Guidelines and TRIM guide to internal models) and implementing the corrective measures imposed within the permissions given as well as the strategic Return to Compliance Plan following the acquisition of the UBI Banca Group.
With regard to the International Subsidiaries, the commitments in the plan for the coming years mainly envisage: i) the update of the models validated to date by the Supervisor and the implementation of the corrective measures imposed in the authorised measures obtained in 2022 or expected in 2023 relating to Intesa Sanpaolo Bank and Všeobecná Úverová Banka; and ii) initial adoption of the internal models for credit risk for the Banks included in the Roll-Out Plan.

However, the rollout plan does not include certain exposures, which are the subject of a request for authorisation for the permanent partial use of the standardised approach. These relate to the following in particular:
- exposures to central governments and central banks;
- exposures to the Banking Group;
- exposures to minor operational units;
- non-significant exposure classes in terms of size and level of risk (this category includes loans to non-banking financial institutions).

Description of the structure, use, management processes and control mechanisms of the internal rating systems of the Corporate, Retail and Institutions segment

Structure of the internal rating systems (PD)

The main features of the rating systems used are as follows:
- the rating is determined at counterparty level;
- the rating assigned by the structures of the Intesa Sanpaolo Group is unique to each counterparty, even if shared among several entities in the Intesa Sanpaolo Group;
- the definition of default used corresponds to unlikely-to-pay, bad loans and non-performing past-due exposures (see Section 7);
- the data used for the estimate relate as far as possible to the entire Intesa Sanpaolo Group; where this is not possible, stratification criteria have been used, to render the sample as representative of the Intesa Sanpaolo Group as possible;
- the length of the time series used for the development and calibration of the models has been determined on the basis of a compromise between the need to cover a broad timescale and the need to represent the structure of the Intesa Sanpaolo Group for the future;
- the segmentation of the rating models has been determined in accordance with both legislation and process and regulatory criteria;
- within the segmentation identified, uniform models have been used as much as possible, although a differentiation has been made where appropriate on the basis of analytical criteria considered to be relevant (e.g. revenue, type of counterparty, etc.); this differentiation can occur at the development or the calibration phase;
- the models incorporate financial, performance and qualitative components. In the rating phase, particularly for the models/segments relating to the assessment of "complex" or larger counterparties, the human component plays an important role in considering all the information available, including the latest updates or data that would be difficult to incorporate into an automated model;

– the rating is reviewed at least once a year, in conjunction with the review of the loan; Intesa Sanpaolo has established procedures that increase the frequency of update when there are signs of deterioration of credit quality.

The output PD of the models is mapped on the internal Master Scale, which is broken down into a different number of classes depending on the model type.

The table below illustrates the correspondence between the (n) internal rating classes and the ratings by the major agencies: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and DBRS Morningstar. As indicated in the table:

– for the counterparties rated with the Large Corporate and Banks models there is almost full correspondence with the classes of Rating Agencies;
– for the remaining counterparties, in some cases the classes are grouped together and/or have a cap on Rating and, therefore, on their reported PD.

Correspondence between internal rating classes and ratings by the major agencies

External ratings of the main agencies		Internal class								
S&P's Fitch DBRS Morningstar	Moody's	Large Corporate	Corporate	Specialized Lending	Public Entities Regions	Public Entities Provinces / Municipalities	Banks	Sme Retail	Sme Retail Factoring	Retail
AAA	Aaa	LC_I1a	-	-	I1a	-	I1a	-	-	-
AA+	Aa1	LC_I1b	-	I1	I1b	-	I1b	-	-	-
AA	Aa2	LC_I1c	-	I2	I1c	I1	I1c	-	-	-
AA-	Aa3	LC_I1d	CO_I1	I3	I2	I2	I1d I1e	I1 I2	I1 I2	RT01 RT02 RT03
A+	A1	LC_I2	-	-	I3	I3	I1f	-	-	-
A	A2	LC_I3	CO_I2	I4			I2	-	-	-
A-	A3	LC_I4	CO_I3	I5	I4	I4	I3	I3 I4	I3	-
BBB+	Baa1	LC_I5	CO_I4	I6	- -	- -	I4	-	-	RT04 RT05
BBB	Baa2	-	CO_I5	M1	I5	I5	I5	I5	I4 I5	-
BBB-	Baa3	LC_I6	CO_I6	M2	I6	I6	I6			-
BB+	Ba1	LC_M1 LC_M2	CO_M1 CO_M2	M3	M1	M1	M1 M2	I6 M1	I6	RT06 RT07 RT08
BB	Ba2	LC_M3	CO_M3	M4	M2	M2	M3	M2	M1	RT09
BB-	Ba3	LC_M4	CO_M4	R1	M3 M4	M3 M4	M4	-	-	RT10 RT11
B+	B1	LC_R1 LC_R2	CO_R1	R2	R1	R1	R1	M3	M2 M3	-
B	B2	LC_R3	CO_R2 CO_R3	R3 R4	R2 R3	R2 R3	R2	M4 R1	M4	RT12
B-	B3	LC_R4	CO_R4	-	R4	R4	R3 R4	-	R1	RT13
CCC	Caa1	LC_R5	CO_R5	R5	R5	R5	R5	R2 R3 R4 R5	R2 R3 R4 R5	RT14

Structure of the internal rating systems (LGD)
The LGD models are based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group, and consists, in brief, of the following elements:
- estimate of a Bad Loan LGD Model: starting from the LGD observed on the portfolio, namely "Workout LGD", determined on the basis of the recoveries and costs, a regression econometric model of the LGD is estimated on variables considered to be significant for the determination of the loss associated to the Default event;
- application of the Danger Rate, a multiplying correction factor, used to recalibrate the Bad Loan LGD with the information available on the other default statuses, in order to calculate LGD levels representative of the Performing portfolio as well as of all the possible default statuses;
- application of an additional correction factor, known as "Final Settlement Component": this component is used as an add-on to the estimate recalibrated for the Danger Rate in order to consider the loss rates associated with positions not evolved to the Bad Loan status (Unlikely to pay or Past Due positions).

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Banks and Public Entities). Specific models are available for the Leasing and Factoring products for the Corporate and Retail SME models.
The models are updated annually in compliance with internal and external regulations.

Use of the rating systems (PD, LGD and EAD)
Expected Loss and Risk Weighted Assets are fundamental elements for the management, measurement and control of credit risk. These measures incorporate the effects of the exposure size (Exposure at Default – EAD), the relative risk level of the customer (Probability of Default – PD), the loss estimate where insolvency conditions exist – taking into account the guarantees that mitigate the assumption of risk related to the loan (Loss Given Default – LGD) – and the duration of the exposure (maturity).
The components that contribute to the determination of the Risk Weighted Assets are the key elements for the determination of the levels of the Credit Granting and Management Powers, the limits of the Credit Risk Appetite (CRA), the credit pricing, the calculation of the adjustments on performing exposures and the analytical-statistical adjustments on non-performing exposures, as well as the calculation of the economic and regulatory capital.

Credit Granting and Management Powers
The levels of Powers, set on terms of RWA, delimit the decision-making power in the granting phase, specifying the authorised professional profiles and the decision-making procedures for the loans for the individual counterparties. In particular, where the granting of loans by the Group's subsidiaries exceeds certain thresholds, a request for a "Compliance Opinion" is made to the competent bodies of the Parent Company.

Credit Risk Appetite
The Credit Risk Appetite (CRA) Framework, a specific RAF for credit risk, identifies areas of growth for loans and areas to be monitored, using an approach based on ratings and other appropriate predictive indicators, to guide lending growth by optimising the management of risk and expected loss.
The CRA limits are approved within the RAF and are continuously monitored by the designated structures of the Chief Risk Officer Area.

Credit monitoring and management
The credit granting phase is also regulated by metrics that are complementary to the RWAs, which define coordination mechanisms and support tools for the ongoing exercise of guidance, coordination and control responsibilities, in implementation of the corporate governance provisions. In particular, the company rules include the Rules for Credit Granting and Management, which specify the methods for taking on credit risk with customers, and the Rules on Credit Strategies, which are designed to direct the development and composition of the loan portfolio towards a risk/return profile that is recognised as optimal over the medium/long-term.
The credit risk management processes also envisage the periodic review of all the credit positions by the relevant centralised or decentralised structures and the assessment of customers not only at origination, but also on a continuous basis, by means of a monthly monitoring process that interacts with credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. For the Corporate, Retail SME, Retail and Institutions portfolios this is implemented in the form of an Early Warning System. The system was developed considering the indicators identified in the Asset Quality Review and consists of a statistical component and a qualitative component, plus manual triggers by event. The indicators are updated on a daily basis and, when they confirm a potential anomaly in the management of the relationship the related positions are detected and reported in the Proactive Management Process.

Pricing
The objective of the calculation of the pricing of transactions is to define the suitability of the economic conditions based on the value generation with respect to the expressed riskiness and all the components that contribute to the calculation of the value, also including the costs allocated to the structures.

Financial reporting and measurement processes for performing and non-performing exposures

As described in detail in Section 7 – Credit Risk: credit quality, the parameters estimated internally are the basis of the collective measurement method for performing exposures and the analytical-statistical measurement for non-performing exposures in accordance with IFRS 9.
The ratings are used in the preparation of the tables required by the financial reporting regulations concerning the breakdown by rating class.

Calculation of economic capital and value governance

The capital at risk consists of the maximum "unexpected" loss the Group may incur over a year at a specific confidence level. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also at a forecast level, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. Risk capital is a fundamental element in the assessment of the Group's capital adequacy and is calculated within the ICAAP process from both a regulatory and a management perspective.

Reporting

The rating and the LGD form the basis of the management reporting and are spread across the risks of the loan portfolio.
For management reporting, the Enterprise Risk Management Department produces the Risks Tableau de Bord on a quarterly basis. This provides an overall view of the Group's risk position at the end of the respective quarter with reference to the combination of all the risk factors, according to the layout established by Basel 3 (Pillar 1 and Pillar 2). The main items that are analysed in the Risks Tableau de Bord are absorbed capital (regulatory vs. economic) and specific measurement criteria for each individual risk (e.g. sensitivity and expected loss) and the monitoring of limits defined within the scope of the Risk Appetite Framework.

Development of internal rating models

The structured and documented set of risk quantification methods, organisational management and control processes, and database organisation methods enabling the collection and processing of relevant information for risk measurement is defined as the "Internal System".
There are two types of internal risk measurement systems:
- Internal systems used to determine the Intesa Sanpaolo Group's capital requirements and used to monitor credit, operational, market and counterparty risks (Pillar 1 risks);
- Internal systems used for management purposes, mainly to manage Pillar 2 risks. These systems contribute to the determination of the Intesa Sanpaolo Group's capital adequacy and liquidity ratios. This category also includes Internal Systems related to Pillar 1 risks, which will not be adopted for regulatory purposes, but contribute to ICAAP and stress testing assessments, and models adopted for IFRS 9 purposes.

The adoption, extension, management and control of the Internal Systems relating to Pillar 1 risks involves a series of structured phases shared within the Group and arranged as follows:
- definition of the Internal System and activation of the strategic guidelines;
- development and adoption. This step comprises the following phases: (i) development of the organisational/measurement model; and (ii) implementation, validation and internal review of the model and submission of the permission request to the European Central Bank;
- monitoring and modification of the Internal System adopted.

Specifically, once the decision has been made by the Board of Directors to adopt the Internal Systems and develop processes and methodologies subject to validation and internal review, the development and adoption of the models is then initiated. In particular, this phase involves the following activities:
- development of the methodological framework of the model by the competent model development function. The development of this framework must ensure compliance with the data governance and data quality principles set out in the "Data Governance Guidelines";
- development of organisational choices aimed at incorporating the models into company processes. The Transformation Centre coordinates with the competent model development function and the other functions concerned to develop appropriate process solutions and support the process owners in drawing up the necessary internal regulations. The Organisation Head Office Department is engaged to assess the organisational impacts and roles and responsibilities;
- development and configuration, by the ICT Head Office Department, in coordination with the competent model development function, of the technical solutions supporting the models and processes to be approved (the Financial and Market Risks Head Office Department is directly responsible for the development and configuration of the models and processes relating to Counterparty and Market Risk, with the support of the ICT Head Office Department for the systems-related aspects and the integration with the rest of the corporate information system);
- performance of relevant preliminary checks, by the internal validation function, based on the design and development documentation for the Internal System. The results of the analyses are discussed with the competent model development function, the other functions involved and the competent internal auditing function;
- submission of the Internal System framework, accompanied by the results of the analyses by the internal validation function, to the Credit Risk and Pillar 2 Internal Models Committee for preliminary assessment and subsequent forwarding to the Board of Directors. The competent model development function is responsible for the submission and forwarding of the information, with the support of the validation function and, where necessary, of the other development functions;
- forwarding the proposal for the adoption of the Internal System to the Risks and Sustainability Committee and for approval to the Board of Directors. The forwarding is carried out by the competent model development function.

The implementation and validation phase involves the following steps:

– the competent model development function, in coordination with the other development functions concerned, implements the model, processes and information systems that together make up the Internal System;
– the internal validation function conducts a validation aimed at assessing: (i) the adequacy of the system with respect to regulatory requirements and company operational needs and (ii) the overall performance of the system, its functioning and its effective use in the various areas of company operations. The analyses carried out can lead to the identification of potential problem issues and areas for improvement;
– the competent internal auditing function carries out an audit aimed at verifying: (i) the development and performance of the model, (ii) its effective use in the relevant company operational processes, and (iii) the work carried out by the validation function;
– the competent model development function, in coordination with the other development and control functions, provides periodic reports on the implementation and progress of the validation and internal auditing work to the competent management committee and, where appropriate, to the Risks and Sustainability Committee and the Board of Directors.

The application for permission is sent to the European Central Bank in accordance with the procedure communicated by the Authority, which requires (i) the Bank to provide confirmation of the official application date, via e-mail from the Corporate Affairs and Advisory Head Office Department, to the JST at least 4 months prior to that date and (ii) send the pre-application package at least 2 months before the official application date.
The positive outcome of the checks in terms of completeness and compliance of the set of documents requested by the Supervisory Authority results in the confirmation of the official application date and the consequent start of the inspection process, at the end of which the ECB sends the final decision, which has immediate effect, is legally binding and may require the implementation of corrective measures.
The Internal Systems are audited at least annually. In particular circumstances (e.g., conditions in the overall economic environment, strains on a particular customer segment or particular characteristics in the development methodology), the audit frequency may be higher.
As a result of amendments to the regulatory framework, changes in business operations or in the Group's operating environment, management opportunities, recommendations from the validation and internal auditing functions or findings/observations made by the Supervisory Authority following inspections, it may be necessary to make changes to the Internal System.
In order to implement an integrated, consistent risk management policy, decisions regarding Internal Risk Measurement Systems at Group level are made by the Parent Company's Corporate Bodies. Consequently, they not only consider the situation of the Parent Company, but also the operations of the entire Group.

Control and auditing of the rating systems

A prerequisite for the adoption of internal risk measurement systems for the calculation of the regulatory capital is an internal validation and auditing process for the rating systems, both during their establishment, aimed at obtaining the authorisation from the Supervisory Authorities, and during their ongoing operation/maintenance once the authorisation has been given.
The function responsible for the internal validation process for the Intesa Sanpaolo Group is the Internal Validation and Controls Head Office Department, which operates independently from the functions that manage the development activities and from the internal auditing function. Specifically, this sub-department is responsible for continuously and interactively validating risk measurement and management systems in order to assess their compliance with regulatory provisions, operational company demands and the reference market.
Therefore, with regard to the macro processes of development, adoption, monitoring and modification of the internal measurement systems for credit risk, the following activities are assigned exclusively to the Internal Validation and Controls Head Office Department:

– preparation of the annual validation report to be presented to the Board of Directors to accompany the resolution for the certification of ongoing compliance of the internal system with the regulatory requirements, detailing any issues/areas for improvement;
– preparation of the Supplementary Validation Report (Annex 2) on the performance of the advanced approach models, as required by the supervisory framework;
– preparation of the validation report in the event of substantial or ex-ante changes to internal systems to be submitted to the competent bodies for their approval, with details of any issues/areas for improvement and assurances regarding the resolution plans for the issues identified by the supervisor during its on-site inspections;
– periodical analyses of the consistency of the corrective measures in case of critical issues/areas of improvement of the system highlighted by the same Internal Validation function, the Internal Auditing function and the Supervisory Authority, based on the progress report provided by the Credit Risk Management Head Office Department;
– initial and ongoing validation of the internal models for Italian and international subsidiaries that do not have a local validation function;
– supervision and coordination of the local validation activities carried out by the corresponding functions of the Group companies;
– calculation of the default rate for model development/recalibration;
– monitoring of the performance of the IRB system within the annual Eurosystem Credit Assessment Framework - ECAF reporting (Static Pool);
– contribution to the disclosure process pursuant to Pillar 3.

The Internal Auditing function for the Intesa Sanpaolo Group is assigned to the Chief Audit Officer. This department conducts assessments of the entire process of adoption, extension, management and control of the internal measurement systems for credit risk in accordance with the procedures and the areas of responsibility established by the company regulations and on the basis of a specific work plan.

Specifically, this department is responsible for assessing the effectiveness of the control system overseeing the process of measurement, management and control of the Group's exposure to credit risk also through the regular audit of the internal validation process for the related models developed in accordance with the Basel 3 and Prudential Supervisory regulations.
The Chief Audit Officer is therefore responsible for the:

- internal audit aimed at verifying the compliance of the risk measurement systems with the requirements established by the internal/external regulations;
- assessment of the effectiveness of the overall structure of internal controls:
  - audit of the internal validation process (assessment of the completeness, adequacy, functionality and reliability of the analyses conducted and the consistency of the results);
  - audit of the first and second level controls;
- assessments of the effective operational use of the internal risk measurement systems;
- assessments of the adequacy, overall reliability and security of the information system;
- drafting of the relevant report accompanying the application for authorisation to the Supervisor;
- self-assessment of the Group's ICAAP process;
- periodic review of the disclosure process pursuant to Pillar 3;
- drafting of the annual internal auditing report with presentation to the competent Corporate Bodies, also in relation to the corrective action plan in case of critical issues/areas of improvement highlighted by the Internal Auditing function, as well as the Internal Validation function and the Supervisory Authority, based on the progress report periodically provided by the Credit Risk Management Head Office Department;
- steering and practical coordination of the internal auditing functions in the subsidiaries, to guarantee control consistency with the actions of the Parent Company.

Description of the regulatory Corporate segment internal rating systems (PD)

The regulatory Corporate segment consists of companies or groups of companies with exposure of the Banking Group of over 1 million euro or with consolidated revenues of over 2.5 million euro.
Two groups of models and associated credit processes have been developed in the segment. The first concerns Italian and international non-financial companies. The second refers to "specialised lending" and in particular to project finance, asset finance and, more generally, real estate development initiatives.
Specific models are also used in the subsidiaries VUB and Banka Intesa Sanpaolo d.d.

The Corporate model

The Corporate rating model applies to the Italian Corporate customers belonging to the manufacturing, commercial, services, long-term production and real estate sectors, and it can be used for both standalone and consolidated financial statements with a turnover of less than 500 million euro.
The definition of default used coincides with Unlikely to pay, Bad loans and Past Due exposures.
The model consists of two modules, one quantitative and the other qualitative, which generate an overall rating that may be altered by the proposing relationship manager, according to the rules established in the override process and, more generally, through the assignment of the rating.
The calculation of the Quantitative Rating of each customer uses statistical integration to combine the financial module – which is optimised by business sector and takes account of the differences in terms of balance sheet structure – and the performance module which, through the Central Credit Register data, serves to monitor behaviour with respect to the counterparty's system.
The qualitative module of the rating is divided into two components: an automatic module (which considers success factors and competitive positioning) and a qualitative questionnaire whose result is assessed by weighting. The integration of the qualitative module also takes place in two phases: the components are statistically integrated and the result of the integration is combined with the quantitative rating; in the second step, the notch from the quality questionnaire is added, which also considers the "external influence", i.e. membership of a certified segment, membership or not of a group, and the presence of financial assets.

The Large Corporate model

The Large Corporate rating model applies to the Italian Corporate customers with a turnover of more than 500 million euro and International Corporate customers with any level of turnover. It uses both stand-alone and consolidated financial statements.
The definition of default used coincides with Unlikely to pay, Bad loans and Past Due exposures.
The model consists of two modules, one quantitative and the other qualitative, which generate an overall rating. The ratings are assigned in accordance with the rules laid down in the relevant regulatory framework.
The Quantitative Rating for each customer is calculated by using a matrix to combine the financial module, calculated from the financial statements, and the performance module, calculated from market data.
The integration of the qualitative module takes place in two phases: the financial/performance rating is first statistically integrated with part of the qualitative questionnaire; in the second step, the notch from the quality questionnaire is added, which also considers the "external influence", i.e. membership or not of a group.
Finally, the rating calculated up to that point is integrated by matrix with the rating for the country of residence to take account of possible country risk.

The Banks model

The key choice for the determination of the PD for the bank models was the differentiation of the models between banks in mature economies and banks in emerging countries. In short, the models are composed of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, and a country rating component that, based on the bank/country connection, assesses any negative effect of the country on the counterparty credit risk or, vice versa, the support capacity in the event of difficulties of the bank being assessed. Lastly, the module ("relationship manager's judgement") allows for the change of the rating under certain conditions.

Public Entities model
For the estimate of the PD for the Public Entities segment, the models of reference have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An approach to extend the rating (with the application of a downgrading) for the regulatory Entity (e.g.: Region) has been adopted for local healthcare authorities and other sector entities.

The Specialised Lending models
The Specialised Lending segment is covered by various models for the different exposure categories, in particular Project Finance, Real Estate and Asset Finance.

a) The Project Finance model
The model is used to assess the exposures of vehicle companies whose sole purpose is to implement and manage a specific project (large infrastructures, systems, etc.). The model consists of a quantitative model, which unlike the standard econometric models, is based on a Monte Carlo simulation of the future cash flows, using the project's prospective economic and financial information. The model includes a qualitative questionnaire used to analyse the main project risks. The model's outputs are the PD and LGD parameters, used for reporting purposes.

b) Commercial Real Estate
The model assesses medium- and large-scale real estate projects aimed at sale and/or lease, conducted by both special purpose vehicles and real estate funds. The model consists of a quantitative module based on a Monte Carlo simulation on the main risk drivers in these types of transactions, where cash flows mainly originating from rent and/or sales are impacted by the trends in historical market data. The model includes a qualitative questionnaire used to complete the analysis of the main project risks. The model's outputs are the PD and LGD parameters, used for reporting purposes.

c) The Real Estate Development (RED) model
This model is used to assess smaller real estate development transactions, aimed exclusively at the sale by special purpose vehicles. The model is the result of a series of statistical developments of the instrument, originally created by experts and supported by the available quantitative data.
It consists of a quantitative module containing the figures of the initiative and a qualitative module used to complete the analysis of the main project risks.

d) Asset Finance
This model is used to assess transactions involving the purchase of ships, with a mortgage-type interest over the asset financed, to be leased to a third party that does not belong to the Borrower's group. The model consists of a quantitative module based on a Monte Carlo simulation on the main risk drivers in these types of transactions, where cash flows mainly originating from charters are impacted by the trends in historical market data. The model includes a qualitative questionnaire used to analyse the main project risks. The model's outputs are the PD and LGD parameters, used for reporting purposes.

e) Leveraged & Acquisition Finance
This model is used to assess extraordinary finance transactions aimed at corporate acquisitions carried out predominantly with debt capital (high financial leverage); although it does not fall under the regulatory categories of Specialised Lending, it shares the key characteristics of these models. The model consists of a quantitative module based on a Monte Carlo simulation of the future cash flows using the prospective economic and financial information following the acquisition. The model includes a qualitative questionnaire deriving from the corporate models, in which the analyst adds additional information in a structured manner. The model's outputs are the PD and LGD parameters, used for reporting purposes.

The Corporate models used by Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Luxembourg
The banks use the Parent Company's Large Corporate model, validated in March 2017, which applies to the international counterparties and resident counterparties with a turnover of more than 500 million euro, according to the type of exposures held.

The Corporate models used by VUB
With regard to the counterparties with a turnover of more than 500 million euro, VUB uses the Parent Company's Large Corporate model.

a) The Internationally Active Large Corporate (IALC) model
The Internationally Active Large Corporate model coincides with the Large Corporate Model used by the Parent Company, except for a different calibration adopted to the scope of application of the model, which refers to counterparties with turnover of more than 40 million euro and less than 500 million euro.
The model consists of a quantitative section and a qualitative section, both of which are statistically estimated and integrated with one another according to a matrix-based approach. The overall rating may be overridden by the relationship manager.

b) The Small and Medium Enterprises (SME) model
VUB's SME model, internally estimated by the Slovak subsidiary, is divided into two modules. The first module is statistical in nature and consists of a component relating to the characteristics of the counterparty, such as geographical location, number of employees, age and legal nature, as well as a financial component, differentiated according to the accounting structure (ordinary or simplified accounting schemes). The second model, which considers performance variables, is statistically integrated with the first.

c) The Specialised Lending models
The models adopted for Specialised Lending are partly derived from the Parent Company, adapting them to the local situation, and produce a slotting class as the output (with the exception of real estate initiatives designated for sale).

The Corporate model used by Banka Intesa Sanpaolo d.d
Banka Intesa Sanpaolo d.d.'s Corporate model, which is estimated internally by the Slovenian subsidiary, consists of 3 modules. The first two, statistical, modules are composed of a financial component, based on the financial statement data published by the counterparties, and a behavioural component, consisting of internal and external data on the performance of the exposures. The third, qualitative, module is determined on an experiential basis and considers the geographical location, qualitative and prospective data of the reference business, ageing and socio-environmental risk data. The rating, determined by means of an ad hoc calibration on a Master Scale specific to the model, may still be subject to a penalty as a result of past-due unpaid amounts in the last 6 months.

Description of the regulatory Retail segment internal rating systems (PD)

For the Retail portfolio, a rating model (PD, LGD, and EAD) has been used since September 2018, consisting of the Mortgage segment and the Other Retail segment. The Retail internal rating system, divided into the Mortgage and Other Retail sub-segments, adopts a counterparty approach and covers the entire private individuals portfolio.
Following the endorsement of the ECB's authorisation to use the new Retail models for regulatory purposes, the new Retail rating model has been applied as from September 2022.
The rating system has been designed to use the most extensive set of information available on counterparties, taken from internal and external performance information, identification data, data on the mix of credit products held, models dedicated to the phase of approving new products applied for and available funds, as well as new innovative sources not previously used such as cash flows and card transactions. The model is also designed to meet the needs of new automated and digitalised processes, by calculating the rating in real-time, in compliance with all the personal data protection regulations, where applicable, in order to improve the customer journey, while maintaining high levels of credit rating performance, also thanks to the use of innovative data and machine learning algorithms, which enable more targeted and effective classification.
The modules that make up the model are statistically integrated, obtaining an integrated score which is calibrated to define the rating classes.
Subsequently, the rating may be notched downwards if there are other significant critical factors.

VUB Retail PD Model
In September 2022, VUB obtained authorisation from the Regulator to use the new Retail PD model, implemented in November 2022.
Developed with the support of the competent structures of the Parent Company, the model adopts a per counterparty approach, and is composed of numerous modules that consider performance information inside and outside the Bank, differentiating customers also based on the type of products entered into with the Bank.
Those modules were subsequently statistically integrated to obtain the final rating of the customer.

Description of the regulatory Retail SME segment internal rating systems (PD)

The Retail SME rating models are applied to the entire Small Business Retail population, identified on the basis of two criteria defined at the regulatory level (exposure of the banking group under 1 million euro) and at the Intesa Sanpaolo Group level (with individual or economic group revenue of under 2.5 million euro).
The rating system has been designed to use the most extensive set of information available on counterparties, taken from internal and external performance information, identification/corporate data, data on the mix of credit products and financial assets held, and accounting information or tax data, as well as new innovative sources such as cash flows, POS transactions, card transactions and web sentiment. The model is also designed to meet the needs of new automated and digitalised processes, by calculating the rating in real-time, in compliance with all the personal data protection regulations, where applicable, in order to improve the customer journey, while maintaining high levels of credit rating performance, also thanks to the use of innovative data and machine learning algorithms, which enable more targeted and effective classification.
Lastly, for the customer segment with only without recourse factoring products, a specific model has been estimated to better manage the information available and the specific process.

Description of the LGD model for the Corporate, Retail SME, Banks and Public Entities segments

Loss Given Default (LGD) is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Public Entities and Banks). Specific models are available for the Leasing and Factoring products for the Corporate and Retail SME models. As in the case of the PD, the models that have been adopted for the LGD of the International Subsidiary Banks are partly derived from the Parent Company, with adaptations to the local situation.

In addition to the Corporate or Corporate SME regulatory segment, specific elements are also used to determine the LGD of the Leasing and Factoring segments, such as the type of product (real estate, capital equipment, aircraft, railway, registered vehicle) for Leasing and the type of contract (with recourse, without recourse) and the geographical area (Italy, International) for Factoring.
For the banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models, and a recalibration of the observed LGD levels on the bank's internal defaults.

The LGD model for the Corporate segment of Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Luxembourg

In the same way as for the PD model, the Parent Company's LGD grid has been extended to the two banks.

The LGD models for the Large Corporate, Corporate, Retail SME and Retail segments of VUB

With reference to the LGD Large Corporate and Corporate scope, models are used that were partially derived from the Parent Company, adapting them to the local environment, while for the Bank's Retail SME portfolio, locally developed models are used.
In September 2022, VUB obtained authorisation from the Regulator to use the new Retail LGD models, implemented in November 2022. The models, developed with the support of the competent structures of the Parent Company, were developed according to a workout approach, based on the recovery rates achieved during the default period, taking into consideration direct and indirect costs and recovery times. The models are differentiated based on the product type: mortgage loans, credit cards, consumer credit and current account overdrafts.

Description of the EAD models

The calculation of the Exposure at Default (EAD) uses differentiated models, specialised by operating segment (Corporate, Retail SME and Retail). Specifically, the methodology is based on data from the 12 months prior to the default event and differs according to whether or not there is a margin available at the observation date. In any case, corrective factors are applied in compliance with the regulatory requirements and in order to introduce a margin of conservatism on the estimates. Regulatory parameters are currently used for the low default segments of the Banks and Public Entities and for the Leasing and Factoring products of the Corporate Portfolio.

The EAD model for the Retail segment of VUB

In September 2022, VUB obtained authorisation from the Regulator to use the new Retail EAD model, implemented in November 2022. Those models are differentiated based on product type.

Quantitative disclosure

The table below shows the scopes of companies for which the Group, as at 31 December 2021, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the Institutions, Corporate and Retail portfolios, and for Banking Book Equity (IRB) exposures.

Scope of companies for application of the IRB approaches

Portfolio	PD - Model Type	LGD - Model Type	EAD - Model Type	Status
Institutions	Default model (Banks) (4)	Market model (Banks)	Regulatory parameters (Banks)	AIRB authorised since June 2017
	Default model (Municipalities and Provinces) Shadow model (Regions) (4)	Workout model (Municipalities, Provinces, Regions)	Regulatory parameters (Municipalities, Provinces, Regions)	AIRB authorised since June 2017
Corporate	Default model (Corporate)	Workout model (Bank products; Leasing and Factoring)	CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 (1)
	Simulation models (Specialised Lending)	Simulation models (Specialised Lending)	Regulatory parameters (Specialised Lending)	AIRB authorised since June 2012
Retail	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	IRB Retail since September 2018 and IRB Mortgage since December 2010 (2)
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	IRB authorised since December 2012 (3)

1) ISP authorised for FIRB from December 2008, for LGD AIRB from December 2010 and for EAD from 2017, Banca IMI (2012, merged by incorporation into the Parent company since 2020), ISP Ireland (2010), VUB (2010), Intesa Sanpaolo Bank (2017), and ISP Luxembourg (2017). From 2017, the Corporate model has also been used to calculate the risk on the Banking book equity portfolio with LGD 65%/90%.
2) VUB authorised from June 2012 for PD and LGD of Retail Mortgage models and from December 2022 in reference to PD-LGD-EAD models of Other Retail.
3) VUB authorised from June 2014.
4) ISP and Banca IMI (merged by incorporation into the Parent company in 2020) authorised from 2017.

Scope of the use of IRB and SA approaches as at 31 December 2022 (EU CR6-A Reg. 2021/637)

(millions of euro)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	**Total exposure value for exposures subject to the Standardised approach and to the IRB approach**	**Percentage of total exposure value subject to the permanent partial use of the SA (%)**	**Percentage of total exposure value subject to IRB Approach (%)**	**Percentage of total exposure value subject to a roll-out plan (%)**
1	Central governments or central banks	-	223,552	100.00	-	-
1.1	*Of which Regional governments or local authorities*		*85*	*100.00*	*-*	*-*
1.2	*Of which Public sector entities*		*55*	*100.00*	*-*	*-*
2	Institutions	24,464	45,639	11.21	61.60	27.19
3	Corporates	201,664	253,121	8.90	86.90	4.20
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		*12,240*	*-*	*100.00*	*-*
3.2	*Of which Corporates - Specialised lending under slotting approach*		*979*	*-*	*91.17*	*8.83*
4	Retail	174,402	192,071	6.87	87.46	5.67
4.1	*of which Retail – Secured by real estate SMEs*		*5,634*	*0.83*	*95.62*	*3.55*
4.2	*of which Retail – Secured by real estate non-SMEs*		*127,614*	*1.06*	*95.67*	*3.27*
4.3	*of which Retail – Qualifying revolving*		*609*	*-*	*21.46*	*78.54*
4.4	*of which Retail – Other SMEs*		*23,351*	*5.65*	*88.57*	*5.78*
4.5	*of which Retail – Other non-SMEs*		*34,863*	*30.04*	*56.54*	*13.42*
5	Equity	8,803	9,534	7.37	92.49	0.14
6	Other non-credit obligation assets	-	18,069	100.00	-	-
7	**Total**	**409,333**	**741,986**	**38.16**	**57.27**	**4.57**

The most significant differences between the first column of the Table EU CR6-A (exposure value as defined in Article 166 CRR for exposures subject to the IRB approach) and the second column (total exposure value according to Article 429(4) CRR) are as follows:

– treatment of the adjustments for the on-balance sheet exposures, because the exposure value of the leverage according to Article 429b is net of adjustments (pursuant to Article 111 CRR);
– credit conversion factors (CCFs) applied to the off-balance sheet exposures, because Article 429f, which governs the calculation of the exposure value of off-balance sheet items for the purposes of the leverage, requires the application of fixed credit conversion factors (10%, 20%, 50% and 100%), rather than standardised or internal model factors within the credit risk framework;
– scope of consolidation, because the first column only includes companies authorised to use internal models, whereas the second column includes companies irrespective of the approach used for the measurement of the exposures.

The value of exposures subject to the IRB approach showed a decrease of 31.6 billion euro during the year, as a result of the decrease in volumes of operations on the Corporate, Banks and Equity portfolios, as part of activities by the Bank to reduce risk-weighted assets, optimising the profitability to absorbed capital ratio.

Compared to 31 December 2021, there were no significant deviations in the percentages of total exposure value (SA, IRB or roll-out).

As previously mentioned in this document, the subsidiary VUB obtained authorisation from the Regulator to use internal models for estimating the PD-LGD-EAD parameters on the Other Retail portfolio.

The EAD values of exposures as at 31 December 2022 for the various IRB approaches (IRB, Foundation IRB and Advanced IRB) are shown in the tables below.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2022	31.12.2021
Exposures to or secured by corporates:		
- Specialised lending	-	-
- SMEs (Small and Medium Enterprises)	452	456
- Other corporates	1,318	1,164
Total credit risk (IRB)	**1,770**	**1,620**

Exposure values by regulatory portfolio (Advanced IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2022	31.12.2021
Exposures to or secured by corporates:		
- Specialised lending	12,161	12,391
- SMEs (Small and Medium Enterprises)	37,155	47,172
- Other corporates	120,994	134,404
Exposures to or secured by Supervised Intermediaries, Public sector and local entities and Other entities	30,311	36,866
Total credit risk (Advanced IRB approach)	**200,621**	**230,833**

Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2022	31.12.2021
Retail exposures:		
- Exposures secured by residential property: SMEs	5,475	6,117
- Exposures secured by residential property: private individuals	117,900	118,589
- Other retail exposures: SMEs	12,394	14,017
- Other retail exposures: private individuals	22,401	21,086
- Qualifying revolving exposures	107	-
Total credit risk (IRB)	**158,277**	**159,809**

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2022	31.12.2021
Exposures in equity instruments subject to the PD/LGD approach	1,452	1,306
Total credit risk (IRB)	**1,452**	**1,306**

The exposure value shown in the tables set forth in this Section is expressed gross of adjustments and takes into account (for guarantees given and commitments to disburse funds) credit conversion factors. Conversely, the exposure value does not consider the risk mitigation techniques which – for exposures assessed using internal models – are directly incorporated in the weightings applied to said exposure.

IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques as at 31 December 2022 (EU CR7 Reg. 2021/637)

(millions of euro)

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
1	**Exposures under F-IRB**	**1,382**	**1,382**
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates	1,382	1,382
4.1	*of which Corporates - SMEs*	*303*	*303*
4.2	*of which Corporates - specialised lending*	-	-
5	**Exposures under A-IRB**	**132,468**	**132,468**
6	Central governments and central banks	-	-
7	Institutions	14,559	14,559
8	Corporates	85,966	85,966
8.1	*of which Corporates - SMEs*	*21,495*	*21,495*
8.2	*of which Corporates - specialised lending*	*7,847*	*7,847*
9	Retail	31,943	31,943
9.1	*of which Retail – SMEs, secured by immovable property collateral*	*1,435*	*1,435*
9.2	*of which Retail – non SMEs, secured by immovable property collateral*	*20,708*	*20,708*
9.3	*of which Retail – qualifying revolving*	*28*	*28*
9.4	*of which Retail – SMEs, other*	*3,013*	*3,013*
9.5	*of which Retail – non SMEs, other*	*6,759*	*6,759*
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**133,850**	**133,850**

The RWA values shown in the table before the application of risk mitigation techniques through the potential use of credit derivatives correspond to the actual RWA values, given the lack of those transactions for the Group as at 31 December 2022.

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2022 (EU CR6 Regulation 2021/637) (*Table 1 of 4*)

(millions of euro)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to Institutions	0.00 to < 0.15	5,725	17,865	2.74%	6,339	0.06	770	42.10	2.41	2,231	35.19%	2	-
	0.00 to < 0.10	5,024	14,083	2.39%	5,369	0.06	496	43.24	2.36	1,850	34.46%	2	-
	0.10 to < 0.15	701	3,782	4.06%	970	0.12	274	35.80	2.71	381	39.26%	-	-
	0.15 to < 0.25	3,244	6,193	6.34%	3,679	0.21	723	30.94	2.10	1,510	41.06%	2	-2
	0.25 to < 0.50	4,569	7,337	11.95%	5,453	0.40	889	27.67	3.15	2,908	53.33%	6	-4
	0.50 to < 0.75	281	668	21.61%	373	0.57	177	25.81	2.44	160	42.93%	1	-
	0.75 to < 2.50	5,400	8,658	7.65%	6,032	1.12	1,242	24.48	3.02	4,050	67.14%	17	-19
	0.75 to < 1.75	5,039	8,265	7.90%	5,721	1.07	1,058	24.62	2.99	3,845	67.22%	16	-15
	1.75 to < 2.5	361	393	2.52%	311	2.06	184	21.97	3.42	205	65.84%	1	-4
	2.50 to < 10.00	1,753	3,943	4.17%	1,883	4.31	740	32.27	1.94	2,374	126.10%	26	-21
	2.5 to < 5	1,372	3,071	4.49%	1,502	3.66	446	34.21	1.70	1,981	131.91%	20	-10
	5 to < 10	381	872	3.06%	381	6.87	294	24.62	2.89	393	103.19%	6	-11
	10.00 to < 100.00	369	628	9.00%	405	14.33	548	35.45	2.74	917	226.19%	22	-57
	10 to < 20	338	600	8.48%	369	13.02	325	36.68	2.84	870	235.79%	19	-57
	20 to < 30	27	3	17.36%	27	26.00	51	21.31	1.63	33	119.77%	2	-
	30.00 to < 100.00	4	25	20.55%	9	32.83	172	27.60	1.99	14	155.09%	1	-
	100.00 (Default)	337	16	1.53%	336	100.00	100	85.88	1.40	409	121.79%	256	-198
	Subtotal	**21,678**	**45,308**	**6.15%**	**24,500**	**2.36**	**5,189**	**32.36**	**2.63**	**14,559**	**59.43%**	**332**	**-301**
Exposures to corporates - SMEs (small and medium enterprises)	0.00 to < 0.15	779	990	22.67%	769	0.12	4,422	41.93	2.04	149	19.35%	-	-
	0.00 to < 0.10	158	202	20.45%	135	0.08	1,239	41.38	2.00	19	13.92%	-	-
	0.10 to < 0.15	621	788	23.24%	634	0.13	3,183	42.04	2.04	130	20.50%	-	-
	0.15 to < 0.25	2,035	2,290	22.00%	1,696	0.20	8,909	41.45	2.03	443	26.11%	1	-3
	0.25 to < 0.50	8,748	7,207	21.28%	6,311	0.38	29,185	42.30	1.88	2,271	35.99%	10	-11
	0.50 to < 0.75	6,453	4,153	22.01%	4,386	0.60	18,612	42.69	1.82	2,022	46.11%	12	-10
	0.75 to < 2.50	17,411	8,067	23.36%	11,606	1.45	44,017	40.81	2.10	7,194	61.98%	69	-93
	0.75 to < 1.75	12,028	6,093	23.38%	8,097	1.25	31,114	41.28	2.02	4,844	59.82%	42	-46
	1.75 to < 2.5	5,383	1,974	23.30%	3,509	1.91	12,903	39.74	2.28	2,350	66.98%	27	-47
	2.50 to < 10.00	10,924	2,710	21.50%	7,199	5.28	27,286	39.30	2.44	6,193	86.03%	150	-214
	2.5 to < 5	4,882	1,356	22.26%	3,245	3.18	12,057	39.95	2.21	2,474	76.25%	42	-51
	5 to < 10	6,042	1,354	20.74%	3,954	7.01	15,229	38.76	2.62	3,719	94.06%	108	-163
	10.00 to < 100.00	2,252	345	26.47%	1,728	18.73	7,925	36.75	2.99	2,229	128.93%	121	-205
	10 to < 20	1,610	262	26.49%	1,186	14.38	4,800	36.92	2.83	1,436	121.01%	64	-104
	20 to < 30	393	47	25.76%	302	23.78	1,228	35.06	3.24	414	137.16%	25	-45
	30.00 to < 100.00	249	36	27.23%	240	33.88	1,897	38.03	3.52	379	157.71%	32	-56
	100.00 (Default)	3,634	314	74.24%	3,400	100.00	6,982	53.87	2.22	994	29.23%	1,780	-1,872
	Subtotal	**52,236**	**26,076**	**22.89%**	**37,095**	**11.66**	**147,338**	**42.05**	**2.14**	**21,495**	**57.94%**	**2,143**	**-2,408**
Exposures to corporates - Specialised lending	0.00 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.00 to < 0.10	-	-	-	-	-	-	-	-	-	-	-	-
	0.10 to < 0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to < 0.25	133	62	49.75%	164	0.23	22	16.73	4.92	40	24.10%	-	-
	0.25 to < 0.50	227	67	47.78%	258	0.35	70	17.80	2.17	47	18.34%	-	-
	0.50 to < 0.75	1,542	761	49.28%	1,759	0.54	136	17.70	3.98	560	31.82%	2	-3
	0.75 to < 2.50	4,709	2,211	49.50%	5,747	1.24	852	18.95	3.55	2,492	43.36%	14	-30
	0.75 to < 1.75	3,688	1,563	49.96%	4,462	1.05	524	18.94	3.57	1,917	42.96%	9	-24
	1.75 to < 2.5	1,021	648	48.39%	1,285	1.90	328	18.98	3.49	575	44.76%	5	-6
	2.50 to < 10.00	2,134	1,306	50.84%	2,719	4.36	701	19.44	2.97	1,664	61.23%	23	-70
	2.5 to < 5	1,866	1,282	50.88%	2,443	3.89	609	18.85	2.95	1,387	56.79%	17	-54
	5 to < 10	268	24	48.74%	276	8.55	92	24.63	3.19	277	100.55%	6	-16
	10.00 to < 100.00	1,069	454	45.36%	916	25.67	249	29.56	3.26	1,855	202.54%	92	-127
	10 to < 20	452	70	46.81%	454	15.39	132	29.72	3.14	694	152.89%	22	-55
	20 to < 30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to < 100.00	617	384	45.09%	462	35.79	117	29.40	3.38	1,161	251.38%	70	-72
	100.00 (Default)	561	44	47.66%	554	100.00	301	47.23	2.64	167	30.05%	249	-334
	Subtotal	**10,375**	**4,905**	**49.40%**	**12,117**	**8.17**	**2,331**	**20.92**	**3.41**	**6,825**	**56.32%**	**380**	**-564**

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2022 (EU CR6 Regulation 2021/637) (*Table 2 of 4*)

(millions of euro)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to corporates - Other corporates	0.00 to < 0.15	12,562	37,794	21.34%	20,532	0.09	1,855	34.22	2.00	4,011	19.53%	7	-4
	0.00 to < 0.10	3,556	21,387	23.10%	8,478	0.05	957	33.88	1.84	1,078	12.71%	2	-
	0.10 to < 0.15	9,006	16,407	19.04%	12,054	0.12	898	34.46	2.11	2,933	24.33%	5	-4
	0.15 to < 0.25	17,760	37,180	18.79%	24,386	0.20	2,236	33.96	1.82	7,297	29.92%	17	-10
	0.25 to < 0.50	20,996	34,769	20.86%	26,645	0.33	4,987	33.23	1.79	10,268	38.54%	29	-15
	0.50 to < 0.75	9,553	9,964	21.37%	10,648	0.54	2,786	33.09	1.89	5,255	49.35%	17	-14
	0.75 to < 2.50	20,538	22,269	25.70%	23,371	1.40	5,660	32.85	2.12	16,902	72.32%	107	-99
	0.75 to < 1.75	13,486	16,460	24.13%	15,278	1.12	4,172	32.95	1.99	10,134	66.33%	56	-38
	1.75 to < 2.5	7,052	5,809	30.12%	8,093	1.94	1,488	32.66	2.37	6,768	83.63%	51	-61
	2.50 to < 10.00	7,106	4,615	26.66%	6,617	5.12	2,013	30.15	2.22	6,468	97.75%	102	-133
	2.5 to < 5	4,175	2,726	26.47%	3,888	3.56	1,136	30.57	2.18	3,475	89.36%	42	-64
	5 to < 10	2,931	1,889	26.94%	2,729	7.34	877	29.56	2.28	2,993	109.69%	60	-69
	10.00 to < 100.00	3,998	775	32.55%	3,401	19.18	702	31.12	1.96	5,554	163.26%	208	-424
	10 to < 20	3,090	512	24.13%	2,411	17.23	452	31.50	2.21	3,849	159.63%	132	-233
	20 to < 30	803	242	50.13%	884	22.82	83	30.88	1.24	1,477	167.09%	62	-154
	30.00 to < 100.00	105	21	35.06%	106	33.14	167	24.50	2.41	228	213.79%	14	-37
	100.00 (Default)	3,034	1,048	48.46%	3,328	100.00	1,003	42.30	2.14	869	26.12%	1,340	-1,672
	Subtotal	**95,547**	**148,414**	**21.66%**	**118,928**	**4.09**	**21,242**	**33.49**	**1.95**	**56,624**	**47.61%**	**1,827**	**-2,371**
Retail exposures: (*) - SME secured by immovable property collateral	0.00 to < 0.15	847	12	56.07%	848	0.08	7,464	19.21	-	26	03.07%	-	-1
	0.00 to < 0.10	847	12	56.07%	848	0.08	7,460	19.21	-	26	03.07%	-	-1
	0.10 to < 0.15	-	-	-	-	0.12	4	21.00	-	-	04.63%	-	-
	0.15 to < 0.25	579	9	42.05%	578	0.18	5,359	19.26	-	33	05.79%	-	-1
	0.25 to < 0.50	786	16	35.86%	783	0.40	7,179	19.39	-	82	10.44%	1	-1
	0.50 to < 0.75	454	7	45.85%	452	0.74	3,971	19.41	-	72	16.02%	1	-1
	0.75 to < 2.50	819	12	32.31%	809	1.32	7,084	19.45	-	191	23.67%	2	-5
	0.75 to < 1.75	814	12	32.32%	804	1.32	7,005	19.39	-	189	23.53%	2	-5
	1.75 to < 2.5	5	-	19.21%	5	1.91	79	28.98	-	2	46.33%	-	-
	2.50 to < 10.00	1,253	22	24.15%	1,228	4.75	11,521	19.51	-	589	47.96%	11	-20
	2.5 to < 5	992	18	24.78%	974	3.56	9,104	19.51	-	414	42.46%	7	-13
	5 to < 10	261	4	21.51%	254	9.29	2,417	19.50	-	175	69.05%	4	-7
	10.00 to < 100.00	400	4	19.90%	390	32.46	4,244	19.58	-	316	80.90%	25	-24
	10 to < 20	140	1	16.39%	136	15.47	1,374	19.67	-	114	83.79%	4	-5
	20 to < 30	108	1	20.64%	105	23.68	1,034	19.58	-	95	90.36%	5	-7
	30.00 to < 100.00	152	2	22.20%	149	54.22	1,836	19.50	-	107	71.56%	16	-12
	100.00 (Default)	392	5	25.40%	387	100.00	3,699	43.44	-	126	32.42%	165	-134
	Subtotal	**5,530**	**87**	**35.17%**	**5,475**	**10.79**	**50,521**	**21.10**	**-**	**1,435**	**26.21%**	**205**	**-187**
Retail exposures (*) - Non-SME secured by immovable property collateral	0.00 to < 0.15	61,205	536	73.69%	59,648	0.08	685,716	24.22	-	3,193	05.35%	12	-17
	0.00 to < 0.10	40,637	199	53.18%	39,537	0.07	441,470	23.64	-	1,716	04.34%	6	-10
	0.10 to < 0.15	20,568	337	85.76%	20,111	0.12	244,246	25.38	-	1,477	07.34%	6	-7
	0.15 to < 0.25	6,796	30	00.98%	6,465	0.19	78,802	23.10	-	617	09.55%	3	-3
	0.25 to < 0.50	23,921	165	34.52%	22,834	0.35	273,721	23.37	-	3,431	15.02%	19	-17
	0.50 to < 0.75	10,969	103	48.83%	10,462	0.71	125,477	23.50	-	2,618	25.02%	17	-37
	0.75 to < 2.50	9,473	56	32.03%	8,862	1.44	112,102	23.02	-	3,464	39.09%	29	-53
	0.75 to < 1.75	4,846	38	46.62%	4,561	1.14	57,870	23.04	-	1,538	33.71%	12	-26
	1.75 to < 2.5	4,627	18	01.20%	4,301	1.76	54,232	23.00	-	1,926	44.79%	17	-27
	2.50 to < 10.00	5,647	47	50.02%	5,328	3.32	83,055	22.30	-	3,320	62.30%	39	-67
	2.5 to < 5	4,475	38	52.88%	4,231	2.75	66,869	22.18	-	2,387	56.41%	25	-46
	5 to < 10	1,172	9	38.10%	1,097	5.52	16,186	22.76	-	933	85.03%	14	-21
	10.00 to < 100.00	2,762	19	22.27%	2,698	20.30	34,260	22.91	-	3,466	128.50%	121	-157
	10 to < 20	1,337	14	28.66%	1,293	11.04	16,608	23.09	-	1,528	118.21%	32	-45
	20 to < 30	977	4	01.26%	961	21.93	12,651	22.40	-	1,330	138.40%	45	-60
	30.00 to < 100.00	448	1	21.73%	444	43.73	5,001	23.49	-	608	137.04%	44	-52
	100.00 (Default)	1,608	4	65.09%	1,603	100.00	21,002	35.77	-	599	37.36%	562	-495
	Subtotal	**122,381**	**960**	**57.36%**	**117,900**	**2.27**	**1,414,135**	**23.88**	**-**	**20,708**	**17.56%**	**802**	**-846**

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2022 (EU CR6 Regulation 2021/637) (*Table 3 of 4*)

(millions of euro)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Retail exposures (*) - qualifying revolving	0.00 to < 0.15	22	86	24.97%	44	0.10	40,088	48.99	-	2	03.23%	-	-
	0.00 to < 0.10	10	37	27.42%	20	0.08	20,100	49.02	-	1	02.63%	-	-
	0.10 to < 0.15	12	49	23.13%	24	0.12	19,988	48.97	-	1	03.76%	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	15	42	23.54%	24	0.33	20,702	49.09	-	2	08.25%	-	-
	0.50 to < 0.75	7	9	27.45%	9	0.62	6,289	50.03	-	1	13.96%	-	-
	0.75 to < 2.50	6	5	32.82%	8	1.31	6,388	50.08	-	2	24.87%	-	-
	0.75 to < 1.75	6	5	32.82%	8	1.31	6,388	50.08	-	2	24.87%	-	-
	1.75 to < 2.5	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to < 10.00	6	2	40.41%	8	4.08	8,726	50.27	-	4	55.40%	-	-
	2.5 to < 5	5	2	39.09%	6	3.46	7,008	50.25	-	3	50.01%	-	-
	5 to < 10	1	-	49.40%	2	6.62	1,718	50.37	-	1	77.75%	-	-
	10.00 to < 100.00	3	-	62.93%	3	24.62	2,763	51.09	-	4	132.76%	-	-
	10 to < 20	2	-	58.85%	2	14.16	1,875	50.64	-	2	118.68%	-	-
	20 to < 30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to < 100.00	1	-	73.19%	1	44.06	888	51.93	-	2	158.94%	-	-
	100.00 (Default)	11	1	00.03%	11	100.00	9,558	72.82	-	13	125.18%	7	(10)
	Subtotal	**70**	**145**	**25.13%**	**107**	**11.20**	**94,514**	**51.71**	**-**	**28**	**26.43%**	**7**	**(10)**
Retail exposures (*) - SME other	0.00 to < 0.15	3,641	2,844	36.93%	2,625	0.08	121,311	29.78	-	153	05.82%	1	-1
	0.00 to < 0.10	3,636	2,844	36.93%	2,620	0.08	121,100	29.73	-	152	05.81%	1	-1
	0.10 to < 0.15	5	-	42.81%	5	0.11	211	52.33	-	1	11.59%	-	-
	0.15 to < 0.25	2,491	1,183	40.96%	1,611	0.18	95,894	30.62	-	174	10.80%	1	-1
	0.25 to < 0.50	3,261	1,230	41.09%	2,013	0.40	127,397	30.67	-	355	17.64%	2	-2
	0.50 to < 0.75	1,687	455	39.81%	977	0.73	62,989	30.66	-	240	24.55%	2	-2
	0.75 to < 2.50	2,873	595	37.11%	1,610	1.33	114,158	32.21	-	531	33.02%	7	-9
	0.75 to < 1.75	2,823	577	36.16%	1,551	1.30	111,418	31.47	-	498	32.15%	6	-8
	1.75 to < 2.5	50	18	67.52%	59	1.91	2,740	51.76	-	33	56.13%	1	-1
	2.50 to < 10.00	4,096	622	32.78%	2,180	4.89	165,622	30.97	-	898	41.20%	33	-45
	2.5 to < 5	3,174	495	32.62%	1,677	3.64	122,116	30.92	-	665	39.68%	19	-29
	5 to < 10	922	127	33.38%	503	9.07	43,506	31.15	-	233	46.27%	14	-16
	10.00 to < 100.00	1,173	141	37.39%	614	28.37	81,583	31.27	-	393	63.95%	55	-49
	10 to < 20	476	55	32.65%	254	14.86	28,339	31.98	-	144	56.50%	12	-13
	20 to < 30	362	31	29.23%	175	23.78	20,878	30.19	-	116	66.23%	13	-14
	30.00 to < 100.00	335	55	46.61%	185	51.26	32,366	31.30	-	133	72.03%	30	-22
	100.00 (Default)	1,073	57	37.46%	761	100.00	57,581	63.06	-	269	35.39%	473	-540
	Subtotal	**20,295**	**7,127**	**38.17%**	**12,391**	**8.74**	**826,535**	**32.74**	**-**	**3,013**	**24.32%**	**574**	**-649**
Retail exposures (*) - Non-SME other	0.00 to < 0.15	5,317	2,682	64.09%	7,137	0.09	1,877,926	37.31	-	632	08.85%	2	-1
	0.00 to < 0.10	3,168	2,051	62.42%	4,566	0.07	1,336,043	36.07	-	324	07.09%	1	-
	0.10 to < 0.15	2,149	631	69.53%	2,571	0.12	541,883	39.49	-	308	11.97%	1	-1
	0.15 to < 0.25	1,054	297	71.40%	1,247	0.19	247,143	38.42	-	200	16.05%	1	-1
	0.25 to < 0.50	4,432	993	72.83%	5,048	0.36	913,022	40.01	-	1,271	25.19%	7	-6
	0.50 to < 0.75	1,907	263	67.41%	2,032	0.71	318,656	41.39	-	773	38.04%	6	-9
	0.75 to < 2.50	2,433	273	76.63%	2,575	1.40	441,651	41.07	-	1,290	50.11%	15	-21
	0.75 to < 1.75	1,423	164	77.30%	1,523	1.15	269,596	42.34	-	741	48.70%	8	-11
	1.75 to < 2.5	1,010	109	75.62%	1,052	1.76	172,055	39.24	-	549	52.14%	7	-10
	2.50 to < 10.00	2,236	170	75.78%	2,158	3.84	380,772	39.50	-	1,294	59.92%	34	-53
	2.5 to < 5	1,405	114	73.73%	1,349	2.81	226,020	39.51	-	786	58.24%	16	-25
	5 to < 10	831	56	79.93%	809	5.54	154,752	39.47	-	508	62.72%	18	-28
	10.00 to < 100.00	1,098	121	71.65%	1,121	18.49	362,706	40.22	-	975	86.96%	86	-107
	10 to < 20	633	67	73.69%	648	11.27	157,017	40.46	-	492	75.91%	30	-41
	20 to < 30	331	32	78.21%	337	21.93	154,592	37.91	-	315	93.41%	28	-35
	30.00 to < 100.00	134	22	55.96%	136	44.30	51,097	44.80	-	168	123.63%	28	-31
	100.00 (Default)	1,073	22	74.41%	1,083	100.00	191,715	63.44	-	324	29.91%	674	-722
	Subtotal	**19,550**	**4,821**	**67.88%**	**22,401**	**6.47**	**4,733,591**	**40.40**	**-**	**6,759**	**30.17%**	**825**	**-920**
TOTAL		**347,662**	**237,843**	**20.99%**	**350,914**		**7,295,396**		**2.16**	**131,446**	**37.46%**	**7,095**	**-8,256**

(*) The average maturity is not shown for retail portfolios since this parameter is not used when calculating risk-weighted assets in accordance with regulations.

(**) The percentage values of RWA density were calculated on amounts not rounded up or down to the nearest million.

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2022 (EU CR6 Regulation 2021/637) (*Table 4 of 4*)

(millions of euro)

F-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to corporates - SMEs	0.00 to < 0.15	12	26	51.88%	25	0.11	89	43.34	2.50	5	21.62%	-	-
	0.00 to < 0.10	-	-	-	-	-	-	-	-	-	-	-	-
	0.10 to < 0.15	12	26	51.88%	25	0.11	89	43.34	2.50	5	21.62%	-	-
	0.15 to < 0.25	8	52	52.80%	36	0.20	160	44.06	2.50	11	31.71%	-	-
	0.25 to < 0.50	37	135	24.22%	69	0.36	298	43.28	2.50	27	38.23%	-	-1
	0.50 to < 0.75	27	123	36.83%	72	0.60	191	43.69	2.50	40	54.93%	-	-
	0.75 to < 2.50	46	150	50.00%	122	1.39	398	43.97	2.50	84	69.51%	1	-1
	0.75 to < 1.75	20	108	47.23%	72	1.07	242	44.21	2.50	46	64.11%	-	-
	1.75 to < 2.5	26	42	57.12%	50	1.84	156	43.61	2.50	38	77.27%	1	-1
	2.50 to < 10.00	27	131	56.08%	100	3.60	315	44.00	2.50	108	107.51%	1	-1
	2.5 to < 5	24	115	56.01%	89	3.20	256	43.99	2.50	96	107.92%	1	-1
	5 to < 10	3	16	56.61%	11	6.71	59	44.07	2.50	12	104.33%	-	-
	10.00 to < 100.00	6	19	62.09%	19	17.64	127	43.48	2.50	28	150.29%	2	-1
	10 to < 20	3	12	68.62%	12	12.75	61	43.46	2.50	17	139.64%	1	-
	20 to < 30	2	7	51.04%	6	25.69	61	44.33	2.50	10	174.78%	1	-1
	30.00 to < 100.00	1	-	20.00%	1	32.04	5	38.73	2.50	1	141.02%	-	-
	100.00 (Default)	4	10	42.48%	8	100.00	43	43.63	2.50	-	-	4	-7
	Subtotal	**167**	**646**	**43.89%**	**451**	**3.88**	**1,621**	**43.77**	**2.50**	**303**	**67.22%**	**8**	**-11**
Exposures to corporates - Other	0.00 to < 0.15	13	262	39.49%	117	0.07	26	44.97	2.50	29	25.25%	-	-
	0.00 to < 0.10	13	117	54.07%	76	0.05	3	45.00	2.50	16	21.71%	-	-
	0.10 to < 0.15	-	145	27.76%	41	0.11	23	44.92	2.50	13	31.83%	-	-
	0.15 to < 0.25	100	37	87.36%	132	0.18	23	44.94	2.50	57	43.18%	-	-
	0.25 to < 0.50	212	117	43.68%	263	0.33	80	43.79	2.50	150	56.83%	-	-1
	0.50 to < 0.75	82	70	81.73%	139	0.67	37	44.09	2.50	111	80.26%	-	-1
	0.75 to < 2.50	642	222	61.50%	614	1.33	96	44.44	2.50	653	106.26%	4	-7
	0.75 to < 1.75	341	205	63.09%	427	1.09	61	44.34	2.50	426	99.81%	2	-3
	1.75 to < 2.5	301	17	41.99%	187	1.88	35	44.67	2.50	227	120.97%	2	-4
	2.50 to < 10.00	13	86	26.95%	36	3.30	25	42.90	2.50	47	129.47%	1	-1
	2.5 to < 5	13	86	26.95%	36	3.29	23	42.89	2.50	47	129.53%	1	-1
	5 to < 10	-	-	-	-	6.86	2	45.00	2.50	-	105.94%	-	-
	10.00 to < 100.00	10	5	41.34%	12	23.25	11	45.00	2.50	32	257.34%	1	-2
	10 to < 20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to < 30	10	5	41.34%	12	23.25	11	45.00	2.50	32	257.34%	1	-2
	30.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	1	-	42.91%	2	100.00	13	40.94	2.50	-	-	1	-1
	Subtotal	**1,073**	**799**	**50.75%**	**1,315**	**1.21**	**311**	**44.33**	**2.50**	**1,079**	**82.07%**	**7**	**-13**
TOTAL		**1,240**	**1,445**	**47.68%**	**1,766**		**1,932**		**2.50**	**1,382**	**78.28%**	**15**	**-24**

(**) The percentage values of RWA density were calculated on amounts not rounded up or down to the nearest million.

The aggregate of the exposures subject to credit risk, measured using advanced approaches, showed a sharp net decrease of -32.6 billion euro (-8.5% compared to June 2022), attributable to the trend recorded in the “Other corporates” (-19.5 billion euro), “Institutions” (-6.7 billion euro), “Corporates – SMEs” (-6.6 billion euro) and “Other Retail - SMEs” (-1.1 billion euro) portfolios. With reference to the classes “Other Corporates” and “Corporates – SMEs”, the change is mainly attributable to the decrease in volumes for the purpose of optimising the risk/return profile of the portfolios, as a ratio of the level of absorption of regulatory capital, remodulating the credit lines granted to Large Corporate counterparties (EAD of -18 billion euro). These changes were also the result of the significant contribution of the finalisation of the synthetic securitisations GARC “Infrastructure-1” and GARC “Corp-5” (EAD of -8.2 billion euro), the “M3” securitisation, with an underlying portfolio of UTP exposures (EAD of -1.8 billion euro), the true sales of non-performing loans named “JAVA”, “JEDI” and “GREEDO” (total EAD of -1.3 billion euro) and the traditional securitisation “ABS Leasing bonis” (EAD of -0.9 billion euro). The decrease in the “Institutions” portfolio is attributable to the decrease in other loans without remediation plans and the Securities portfolio. The decrease in the “Other Retail - SMEs” portfolio is attributable to the finalisation of the traditional securitisation ‘ABS Leasing bonis’ (EAD of -0.9 billion euro EAD).

On the whole, the average risk (PD) significantly improved on the values recorded in the first half of 2022 (1.50% in December 2022 compared to 1.72% in June 2022), due to the implementation of the de-risking strategy through the securitisation programme and the selective reduction in exposures on the Large Corporate portfolio to customers with risk higher than the average of the "Other corporates" portfolio. With reference to the estimated recovery capacity (LGD), the average value of the parameter (30.9%) showed an increase on the previous half-year (28.7%).

Specialised lending and equity exposures under the simple riskweighted approach as at 31 December 2022 (EU CR10.1 Reg. 2021/637)

(millions of euro)

SPECIALISED LENDING: PROJECT FINANCE (SLOTTING APPROACH)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years	-	-	50%	-	-	-
	Equal to or more than 2.5 years	301	102	70%	373	261	2
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	284	93	90%	353	318	3
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	281	26	115%	300	345	8
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	40	-	250%	40	99	3
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	5	-	-	5	-	2
Total	**Less than 2.5 years**	**-**	**-**		**-**	**-**	**-**
	Equal to or more than 2.5 years	**911**	**221**		**1,071**	**1,023**	**18**

The comparison with the values as at June 2022 shows substantial stability.
Tables EU CR10.2, EU CR10.3 and EU CR10.4 (Reg. 2021/637) have not been presented because the Intesa Sanpaolo Group did not have any of these types of exposures as at 31 December 2022.

Specialised lending and equity exposures under the simple riskweighted approach as at 31 December 2022 (EU CR10.5 Reg. 2021/637)

(millions of euro)

EQUITY EXPOSURES UNDER THE SIMPLE RISK-WEIGHTED APPROACH						
Categories	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Private equity exposures	715	-	190%	715	1,359	6
Exchange-traded equity exposures	233	-	290%	233	677	2
Other equity exposures	5,683	39	370%	5,722	21,170	137
TOTAL	**6,631**	**39**		**6,670**	**23,206**	**145**

This table shows the aggregate of the equity exposures, for which the RWA calculation is performed using the "simple risk weight" approach, by applying fixed risk weights of 370%, 290% and 190% respectively, for the various exposure classes in accordance with Article 155(2) CRR. During the second half of 2022, there was a decrease in the total aggregate of -0.8 billion euro, split across the exposure classes "Exchange-traded equity exposures" weighted at 290% (-0.7 billion euro) and "Other equity exposures" weighted at 370% (-0.3 billion euro). With regard to the most significant change in the exposures risk-weighted at 290%, the reduction was attributable to the sale of the equity investment in NEXI SPA.

IRB approach: Disclosure of the extent of the use of CRM techniques (EU CR7-A Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)								Unfunded credit Protection (UFCP)				
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	*Part of exposures covered by Immovable property Collaterals (%)*	*Part of exposures covered by Receivables (%)*	*Part of exposures covered by Other physical collateral (%)*	Part of exposures covered by Other funded credit protection (%)	*Part of exposures covered by Cash on deposit (%)*	*Part of exposures covered by Life insurance policies (%)*	*Part of exposures covered by Instruments held by a third party (%)*	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	24,500	0.07	1.21	1.21	-	-	-	-	-	-	2.43	-	14,672	14,559
3	Corporates	169,211	0.68	8.92	8.92	-	-	-	-	-	-	20.11	-	109,933	85,966
3.1	*Of which Corporates – SMEs*	*37,095*	*1.47*	*25.63*	*25.63*	-	-	-	-	-	-	*61.01*	-	*35,812*	*21,495*
3.2	*Of which Corporates – Specialised lending*	*13,188*	*0.47*	*11.65*	*11.65*	-	-	-	-	-	-	*6.21*	-	*10,189*	*7,847*
3.3	*Of which Corporates – Other*	*118,928*	*0.46*	*3.41*	*3.41*	-	-	-	-	-	-	*8.89*	-	*63,932*	*56,624*
4	Retail	158,274	0.31	77.98	77.92	-	0.06	-	-	-	-	10.67	-	35,669	31,943
4.1	*Of which Retail – Immovable property SMEs*	*5,475*	*0.13*	*99.47*	*99.47*	-	-	-	-	-	-	*1.58*	-	*1,481*	*1,435*
4.2	*Of which Retail – Immovable property non-SMEs*	*117,900*	*0.02*	*99.85*	*99.76*	-	*0.09*	-	-	-	-	*4.27*	-	*22,001*	*20,708*
4.3	*Of which Retail – Qualifying revolving*	*107*	-	-	-	-	-	-	-	-	-	-	-	*28*	*28*
4.4	*Of which Retail – Other SMEs*	*12,391*	*1.94*	*2.01*	*2.01*	-	-	-	-	-	-	*88.23*	-	*5,197*	*3,013*
4.5	*Of which Retail – Other non-SMEs*	*22,401*	*0.99*	*0.07*	*0.07*	-	-	-	-	-	-	*3.76*	-	*6,962*	*6,759*
5	**Total**	**351,985**	**0.47**	**39.44**	**39.41**	**-**	**0.03**	**-**	**-**	**-**	**-**	**14.63**	**-**	**160,274**	**132,468**

IRB approach: Disclosure of the extent of the use of CRM techniques (EU CR7-A Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

	F-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)								Unfunded credit Protection (UFCP)				
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	*Part of exposures covered by Immovable property Collaterals (%)*	*Part of exposures covered by Receivables (%)*	*Part of exposures covered by Other physical collateral (%)*	Part of exposures covered by Other funded credit protection (%)	*Part of exposures covered by Cash on deposit (%)*	*Part of exposures covered by Life insurance policies (%)*	*Part of exposures covered by Instruments held by a third party (%)*	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	1,766	0.05	8.54	8.54	-	-	-	-	-	-	9.28	-	1,569	1,382
3.1	*Of which Corporates – SMEs*	*451*	*0.16*	*13.35*	*13.35*	-	-	-	-	-	-	-	-	*303*	*303*
3.2	*Of which Corporates – Specialised lending*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3	*Of which Corporates – Other*	*1,315*	-	*6.89*	*6.89*	-	-	-	-	-	-	*12.46*	-	*1,266*	*1,079*
4	**Total**	**1,766**	**0.05**	**8.54**	**8.54**	**-**	**-**	**-**	**-**	**-**	**-**	**9.28**	**-**	**1,569**	**1,382**

The table above provides details on the use of credit risk mitigation techniques under the IRB model (A-IRB and F-IRB). It should be noted that in accordance with the Group's "Prudential Supervision Rules" and the provisions of Regulation (EU) 575/2013 (CRR), some forms of guarantees provided in favour of the lender that are attributable to "exposures covered by other funded credit protection" are considered ineligible. Specifically these consist of:
– cash and assimilated instruments held by a third party institution, in a non-custodial arrangement;
– life insurance policies;
– instruments issued by third parties, which can be repurchased by them at the institution's request.

Within the significant decrease during the half-year (-32.5 billion euro) in the aggregate of exposures subject to the A-IRB and F-IRB model (353.7 billion euro in December), there was an increase in the weight of the exposures as covered by immovable property collateral, which reached 39.3% of the aggregate, compared to 37.2% in June. More in detail, the retail exposure, equal to 158.3 billion euro and substantially stable during the half-year, showed coverage of 78% of exposures, of which 117.9 billion euro consisted of "exposures towards non-SMEs", with almost total coverage (99.9%). With regard to the "exposures towards corporates", which almost fully comprises the sharp decrease in the entire aggregate recorded during the half-year, the portfolio amounted to 171 billion euro in December, compared to 197.6 billion euro in June, with real estate collateral accounting for 8.9%. The use of personal guarantees (14.6%) as a credit risk mitigation technique resulted (substitution effect) in a reduction of 28 billion euro in the calculation of the RWAs as at December 2022, with a concentrated benefit, both in terms of volumes and related percentage level, on exposures in the "Corporates" portfolio (-24.1 billion euro), with a more residual value for exposures in the "Retail" portfolio (-3.7 billion euro). The benefit relating to the "exposures to corporates" was mainly linked to loans granted to customers and backed by government guarantees as part of the measures to counter the COVID-19 pandemic, which resulted in their reclassification to the items included in the "Central Governments" class, which is subject to calculation of the capital requirement using the standardised approach and whose values are therefore shown and described in Tables EU CR4 and EU CR5.

Actual losses and comparison with expected losses

The table below shows the actual adjustments recognised in the income statement during the last three years on the counterparties in default belonging to the regulatory portfolios for which the Group applies internal methods to calculate the capital requirements for credit risk. The amounts for 2020 include UBI figures from its acquisition date.

Actual losses by regulatory portfolio

(millions of euro)

Regulatory portfolio	Actual losses		
	2022	2021	2020
Exposures to or secured by corporates (Corporate)	-1,029	-1,807	-1,726
Exposures secured by residential property (Retail mortgages)	-7	-118	-97
Exposures to SMEs (SME retail)	-250	-407	-438

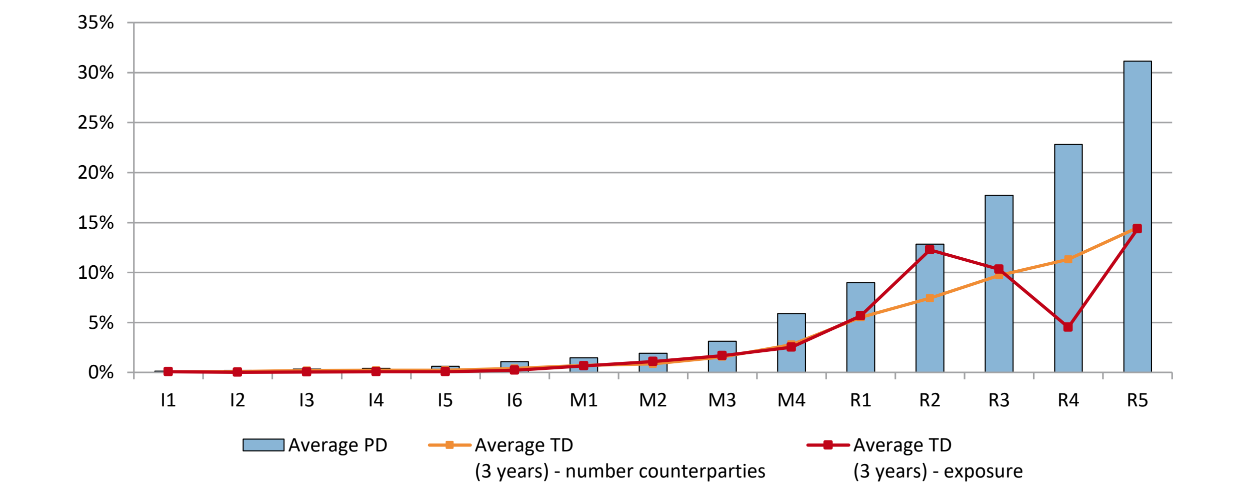
During the period 2020-2022, expected losses for performing Corporate counterparties (determined based on prior year-end data) totalled 3,140 million euro, in addition to 728 million euro for Retail Mortgage and 392 million euro for Retail SME.

The comparison shows that the actual losses exceeded the expected losses in the three-year period 2020-2022 for Corporate and Retail SME, whereas for Retail Mortgages the expected losses exceeded the actual losses in the three-year period.
The total amount of actual losses over the last three years was significantly impacted by the losses sustained on non-performing loans in prior periods.
The effects recorded in recent years have been influenced by the major de-risking carried out (especially with reference to 2021), as well as the events arising from the COVID-19 pandemic.

Comparison of PD and DR figures by rating class for the Corporate regulatory segment

As part of its ongoing validation work, Internal Validation – Corporate Credit and Management Models Internal Systems periodically (on a half-yearly basis) compares the default rates[16] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the definition of default (DoD) established by the regulations. The model is currently subject to a model change (the application was sent to the ECB on 05/07/2021, with a subsequent OSI by the inspection team up to October 2021 and the approval letter was received from the ECB on 16/02/2023), with the change to be implemented in March 2023 (for the purposes of both calculating capital requirements and credit granting), also to align the model with the new standard for recognition of default set out in the EBA Guidelines.
For the Corporate Domestic model (Italian corporate counterparties with a turnover of less than 500 million euro), the chart below shows the comparison by individual rating class between PD and default rates (calculated in terms of number of counterparties and exposure). The values were obtained from the production data for all three of the reference dates considered (December 2019, December 2020 and December 2021); the model was authorised by the Regulator in April 2017 and has been used, for regulatory purposes, since June 2017.

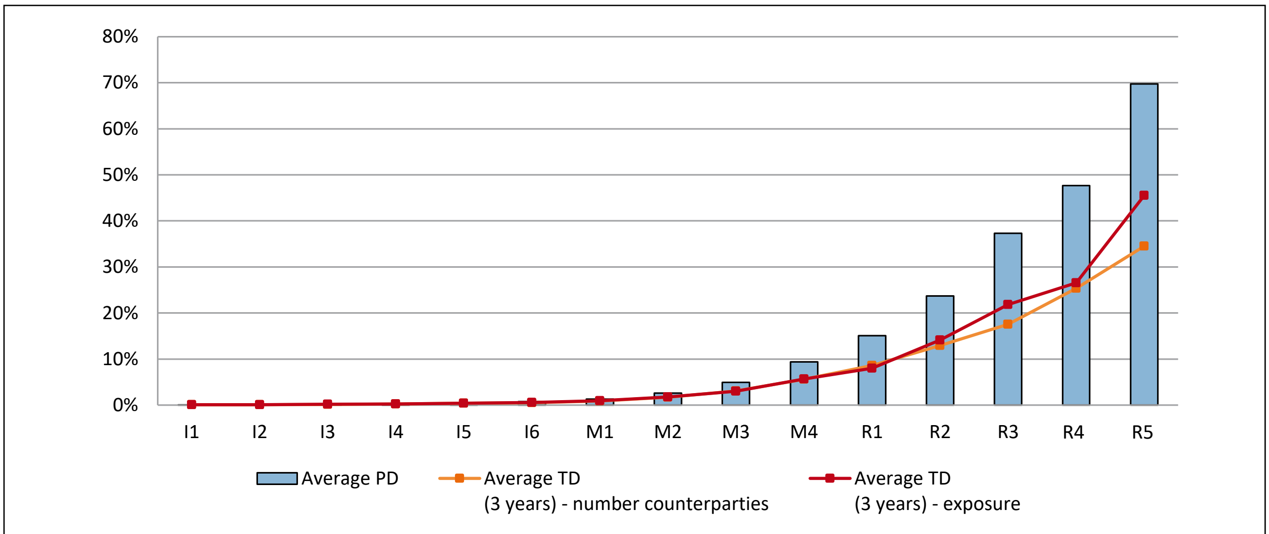
[16] The definition of default, used to populate the chart for the Corporate segment, is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.



The default rate curves, calculated as the simple average of the performing reference dates of December 2019 – 2020 – 2021 (2020, 2021, 2022[17] default windows), shows a substantially monotonic increase as the rating class worsens, however with values that are never higher than the respective PD values for each rating class. With regard to the observation period, the default rates per exposure in the final part of the curve decrease for the worst rating classes, also as a result of the effective risk mitigation strategies implemented by the Group for the higher-risk exposures.
The performance of the model in terms of discriminating power is satisfactory, with an accuracy ratio for the last year of just over 65%.

Comparison of PD and DR figures by rating class for the Retail SME regulatory segment

As part of its ongoing validation work, Internal Validation – Retail Credit Risk Internal Systems periodically (on a half-yearly basis) compared the default rates[18] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) as required by the regulations.
Since May 2021, the new Retail SME Banking regulatory model has been authorised for regulatory use and has been calibrated using the latest data with ex-ante reporting in October 2021.
For the assessment of the counterparties belonging to the Retail SME segment, the chart shows the distribution of PDs subject to ex-ante reporting in 2021, reconstructed with calculation simulations for the periods 2019, 2020 and production in 2021 (defaults in the years 2020, 2021 and 2022 respectively).



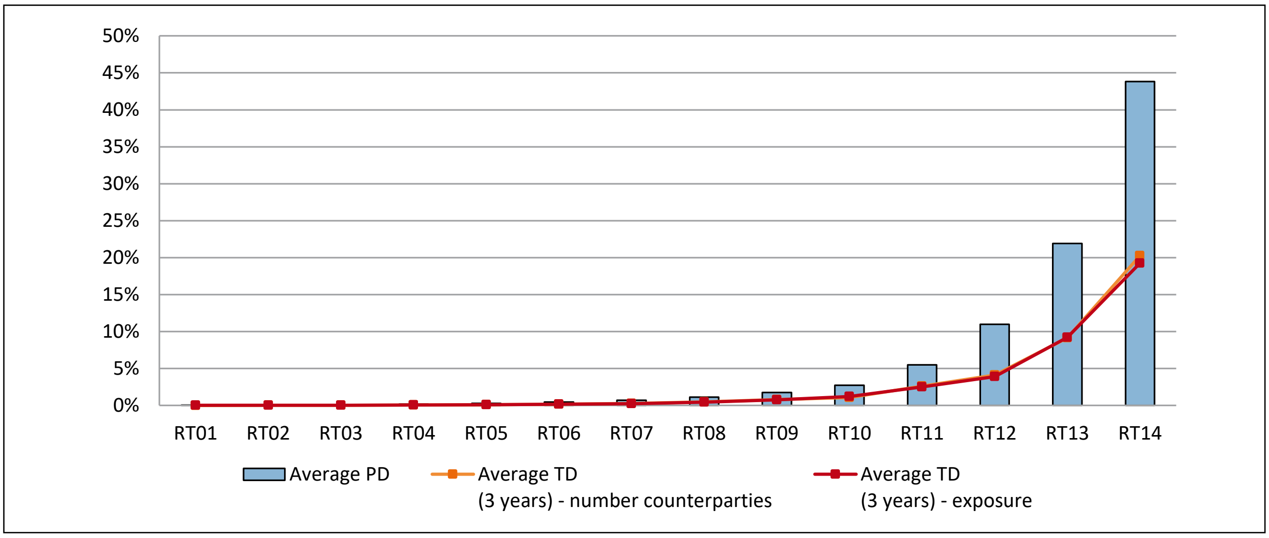
The default rates are lower than the average PDs obtained in the I and M rating macro classes[19], and much lower in the R rating macro class; moreover, they feature a monotonic trend that increases along the rating scale. The default rate curves by number of counterparties and exposure overlap in the I and M macro classes, whereas the default rates per exposure are

[17] The performing reference date is the date on which the scope is defined for the comparison between PD and DR; the observation window of the default event, by construction, is one year (i.e. January 2022 – December 2022 for the reference date of December 2021).
[18] The definition of default, used to populate the chart for the Retail SME segment, is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.
[19] Rating macro classes I, M and R are defined as the aggregation of rating classes I1 to I6 – M1 to M4 – R1 to R5, respectively.

higher in the R macro-class. The performance of the models in terms of discriminating power is generally good, with an accuracy ratio of 75% to 80% in the 3 years considered in the calculation of the average DRs.

Comparison of PD and DR figures by rating class for the Retail – Mortgages regulatory segment

As part of its ongoing validation work, Internal Validation – Retail Credit Risk Internal Systems periodically (on a half-yearly basis) compared the default rates[20] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) established by the regulations. The current Retail internal rating system received authorisation for use in Q3-2022, is divided into the Mortgage and Other Retail sub-segments, and adopts a per counterparty approach[21].
The chart below shows the distribution by rating class for Retail – Mortgages, using the simulations of calculation of the new model for the time periods described with performing reference dates of December 2019 – 2020 – 2021 (2020, 2021 and 2022 default windows).

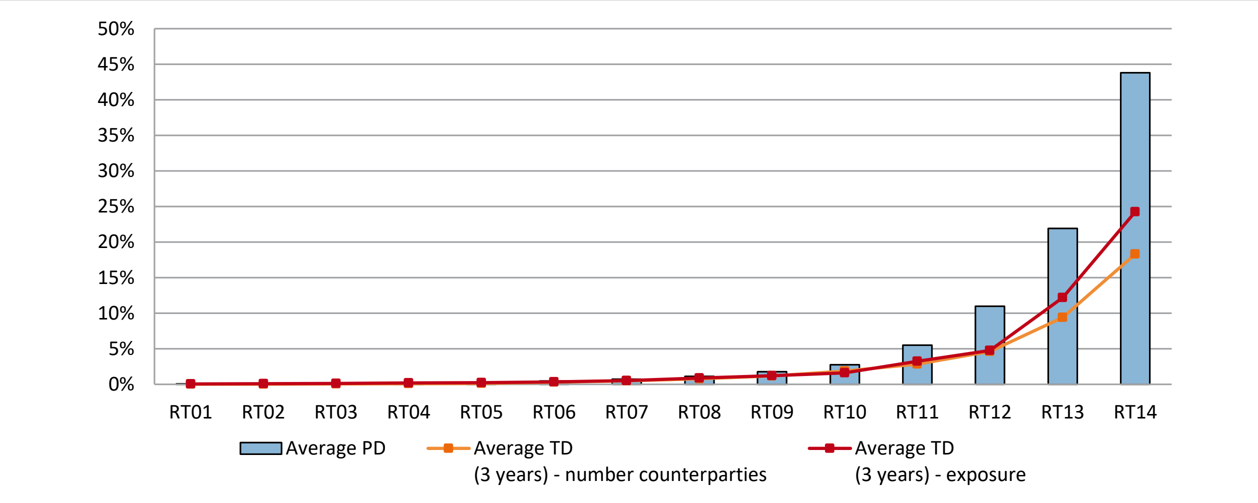


There is a monotonic increase in the default rate as the rating class worsens, with similar values among the two default rate curves. The class PDs are higher, for all the classes, than the respective default rates, specifically for the rating classes RT11 and above.
The performance of the model in terms of discriminating power is generally good, with an accuracy ratio above 80% in the 3 years considered in the calculation of the average DRs.

Comparison of PD and DR figures by rating class for the Retail – Other regulatory segment

As part of its ongoing validation work, Internal Validation – Credit Risk Internal Systems periodically (on a half-yearly basis) compared the default rates recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) established by the regulations.
The chart below shows the comparison between PD and default rates for the Retail – Other scope, using the simulations of calculation of the new model for the time periods described with performing reference dates of December 2019 – 2020 – 2021 (2020, 2021 and 2022 default windows).

[20] The definition of default, used to populate the charts for the Retail segment (both Mortgages and Other), is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.
[21] The Retail – Mortgages sub-segment covers all the counterparties with at least one mortgage product among their relationships. The Retail – Other sub-segment, on the other hand, groups together all the other retail counterparties.



There is a monotonic increase in the default rate as the rating class worsens, with PD values generally in line with the default rates for the first part of the distribution (up to RT10). In the second half of the distribution, the PD is significantly higher than the default rate curves (RT11 to RT14).
The performance of the model in terms of discriminating power is generally good, with an accuracy ratio amounting to an average of 80% in the 3 years considered in the calculation of the average DRs.

Comparison of PD and DR figures by exposure class

The table below "IRB approach – Back-testing of PD per exposure class (fixed PD scale)" compares the PD and default rates, breaking down the portfolio by exposure class and PD scale as at the reporting date (31 December 2021).
The exposure classes considered are those already taken into account for the Table EU CR6 above:

– Exposures to institutions;
– Exposures to corporates – SMEs;
– Exposures to corporates – Specialised lending;
– Exposures to corporates – Other corporates;
– Retail Exposures – SMEs, secured by real estate;
– Retail exposures – SMEs, other;
– Retail exposures – Non-SMEs, secured by real estate;
– Retail exposures – Non-SMEs, other.

For this analysis, all the AIRB portfolio models used were considered within each exposure class. The breakdown, in terms of RWAs as at 31 December 2022[22] on the Italian Banks scope, of the various portfolios considered for the subsequent analysis by exposure class, is shown in the table below:

Exposure class	RWA
AIRB - Public entities	2.89%
AIRB - Banks	6.56%
AIRB - Corporates	34.09%
AIRB - Corporate SMEs	12.32%
AIRB - Retail exposures secured by real estate assets	11.34%
AIRB - Other retail	3.46%
AIRB - Retail SMEs	2.47%
Other - Validated portfolios	26.87%

The Corporate exposure classes had the highest impact in terms of RWAs (overall, 46.41%). Although they were numerically the most significant, the Retail SME, Retail – exposures secured by real estate assets and Retail – Other exposure classes only cumulatively accounted for 17.27% of RWAs (2.47% for Retail SME plus 14.80% for the two Retail scopes). For the Supervised Intermediaries, a breakdown is provided between Public Sector Entities (RWA share of 2.89%) and Financial Intermediaries (RWA share of 6.56%)[23].

[22] Figures taken from the reporting source at the reporting date 31/12/2022. The breakdown between AIRB portfolios used, net of intragroup counterparties, was obtained from the reports produced quarterly on the reporting source.
[23] It is important to note that the caption "Other – Validated portfolios" is primarily composed of the Equity portion (around 30 billion euro).

For the PD scale for the purposes of Table EU CR9[24], on the other hand, the PD values obtained from the allocation of the counterparties to the specific rating classes of each regulatory segment, have been aggregated into the PD range classes identified in Regulation 2021/637 and already used for Table EU CR6. The PD values considered are those also considered for reporting purposes, including any regulatory floors or add-ons. The non-performing counterparties[25] have all been included in the last range, whereas, for the other PD classes, to be able to make the comparison between PD and DR, obviously only counterparties with an available rating have been considered.

The variables reported in the Table EU CR9, for the various combinations of exposure class/PD ranges, are the following:

- Number of obligors in the end of the previous year (i.e. 31/12/2021);
- Number of obligors in default status in the year (i.e. 2022), namely those entering into non-performing status during the year of observation;
- Average observed default rate, corresponding to the ratio of the previous two variables (counterparties in default in 2022 and total counterparties as at 31/12/2021);
- Exposure-weighted average PD (via EaD), calculated on the scope at the end of the previous year (i.e. 31/12/2021);
- Simple arithmetic average PD (weighted by number of counterparties), calculated on the scope at the end of the previous year (i.e. 31/12/2021);
- Historical average annual default rate in terms of number of counterparties, obtained from the average over the last five years (i.e. default observation years 2018, 2019, 2020, 2021 and 2022).

In line with the charts above, the definition of default considered for populating the Table EU CR9 is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.
The table has been populated, both for the scope at the end of the previous year 31 December 2021 and for the previous scopes for the definition of the historical average default rate, considering the versions of the models used to obtain the ratings/PDs[26].

It should be noted that for the comparisons in the above charts and the table EU CR9 below, the COVID-19 pandemic did not have any significant impacts on the 2022 default rate and the historical average DR (in line with that recorded last year for 2021 and the historical average DR for the period 2017-2021), due to the low levels of risk observed (as a result of the mitigation actions implemented by the Group, in line with that established by the national governments/banking systems).

24 Note that Table CR9 has been constructed at consolidated level, also including the Group banks that use authorised advanced approaches to calculate the regulatory capital for credit risk.

25 Valued at PD = 100% for the calculation of the capital requirements.

26 For example, for the Corporate Domestic model, on a priority, but not exclusive, basis, the CODO6 version was used from the reporting date of 31 December 2017 (for the 2018 default rate) onwards (following the validation and entry into production of the CODO6 version). Similarly, for the Retail models, only the RTL01 version as at 31 December 2017 (for the 2018 default rate) has been used, and, on a priority basis, the MORE2 version from the subsequent reporting date of 31 December 2018 (for the 2019 default rate) onwards (following the validation and entry into operation of the MORE2 version).

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – A-IRB (EU CR9 Reg. 2021/637) *(Table 1 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposures to institutions	0.00 to < 0.15	644	1	0.16	0.07	0.08	0.06
	0.00 to < 0.10	403	-	-	0.05	0.06	-
	0.10 to < 0.15	241	1	0.41	0.11	0.11	0.15
	0.15 to < 0.25	491	-	-	0.20	0.20	0.27
	0.25 to < 0.50	712	1	0.14	0.38	0.39	0.65
	0.50 to < 0.75	210	-	-	0.63	0.65	1.38
	0.75 to < 2.50	1,013	4	0.39	1.41	1.44	1.47
	0.75 to < 1.75	760	1	0.13	1.18	1.20	1.36
	1.75 to < 2.5	253	3	1.19	2.12	2.18	1.73
	2.50 to < 10.00	623	4	0.64	4.72	4.81	0.94
	2.5 to < 5	385	2	0.52	3.40	3.53	0.85
	5 to < 10	238	2	0.84	6.67	6.88	1.20
	10.00 to < 100.00	200	9	4.50	16.91	23.57	3.46
	10 to < 20	134	2	1.49	14.71	14.01	3.25
	20 to < 30	10	-	-	25.85	24.75	5.00
	30.00 to < 100.00	56	7	12.50	42.19	46.25	4.51
	100.00 (Default)	115	115	100.00	100.00	100.00	100.00
Exposures to corporates - SME	0.00 to < 0.15	3,020	-	-	0.12	0.12	0.09
	0.00 to < 0.10	379	-	-	0.08	0.08	-
	0.10 to < 0.15	2,641	-	-	0.13	0.13	0.09
	0.15 to < 0.25	6,692	3	0.04	0.20	0.20	0.15
	0.25 to < 0.50	17,617	36	0.20	0.38	0.38	0.22
	0.50 to < 0.75	12,533	32	0.26	0.60	0.61	0.28
	0.75 to < 2.50	29,177	167	0.57	1.46	1.44	0.84
	0.75 to < 1.75	20,651	103	0.50	1.26	1.25	0.68
	1.75 to < 2.5	8,526	64	0.75	1.91	1.91	1.18
	2.50 to < 10.00	19,694	410	2.08	5.21	5.21	3.17
	2.5 to < 5	9,655	125	1.29	3.19	3.22	1.87
	5 to < 10	10,039	285	2.84	7.06	7.11	4.38
	10.00 to < 100.00	7,219	461	6.39	20.07	22.14	10.76
	10 to < 20	3,853	206	5.35	14.75	14.70	10.54
	20 to < 30	1,341	101	7.53	23.26	23.89	13.29
	30.00 to < 100.00	2,025	154	7.60	32.08	35.12	9.66
	100.00 (Default)	11,728	11,728	100.00	100.00	100.00	100.00
Exposures to corporates - Specialized lendings	0.00 to < 0.15	-	-	-	-	-	-
	0.00 to < 0.10	-	-	-	-	-	-
	0.10 to < 0.15	-	-	-	-	-	-
	0.15 to < 0.25	21	-	-	0.23	0.23	-
	0.25 to < 0.50	49	-	-	0.35	0.35	0.89
	0.50 to < 0.75	122	-	-	0.54	0.54	0.89
	0.75 to < 2.50	593	2	0.34	1.25	1.34	0.96
	0.75 to < 1.75	403	2	0.50	1.06	1.08	0.94
	1.75 to < 2.5	190	-	-	1.90	1.90	0.96
	2.50 to < 10.00	385	11	2.86	3.72	4.29	3.44
	2.5 to < 5	328	8	2.44	3.35	3.56	3.10
	5 to < 10	57	3	5.26	8.53	8.43	5.57
	10.00 to < 100.00	198	18	9.09	21.47	26.11	12.98
	10 to < 20	98	7	7.14	15.38	16.22	10.98
	20 to < 30	-	-	-	-	-	6.54
	30.00 to < 100.00	100	11	11.00	35.79	35.80	14.74
	100.00 (Default)	380	380	100.00	100.00	100.00	100.00

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – A-IRB (EU CR9 Reg. 2021/637) *(Table 2 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposures to corporates - Other	0.00 to < 0.15	1,374	1	0.07	0.09	0.09	0.06
	0.00 to < 0.10	622	1	0.16	0.06	0.06	0.07
	0.10 to < 0.15	752	-	-	0.12	0.12	0.05
	0.15 to < 0.25	1,479	1	0.07	0.20	0.20	0.14
	0.25 to < 0.50	2,963	1	0.03	0.33	0.35	0.05
	0.50 to < 0.75	1,776	-	-	0.53	0.58	0.12
	0.75 to < 2.50	3,497	12	0.34	1.32	1.39	0.59
	0.75 to < 1.75	2,552	8	0.31	1.12	1.19	0.51
	1.75 to < 2.5	945	4	0.42	1.93	1.92	0.81
	2.50 to < 10.00	1,688	21	1.24	4.93	5.10	3.01
	2.5 to < 5	985	4	0.41	3.59	3.55	1.66
	5 to < 10	703	17	2.42	7.26	7.27	4.72
	10.00 to < 100.00	571	14	2.45	19.89	21.61	4.69
	10 to < 20	347	7	2.02	15.41	15.91	5.53
	20 to < 30	51	1	1.96	22.82	23.05	4.34
	30.00 to < 100.00	173	6	3.47	31.52	32.62	3.66
	100.00 (Default)	1,260	1,260	100.00	100.00	100.00	100.00
Exposures to retail - secured by immovable property SME	0.00 to < 0.15	6,526	2	0.03	0.08	0.08	0.06
	0.00 to < 0.10	6,426	2	0.03	0.08	0.08	0.03
	0.10 to < 0.15	100	-	-	0.12	0.12	0.07
	0.15 to < 0.25	5,361	5	0.09	0.18	0.18	0.11
	0.25 to < 0.50	7,930	10	0.13	0.39	0.39	0.42
	0.50 to < 0.75	4,234	11	0.26	0.74	0.74	0.82
	0.75 to < 2.50	8,046	35	0.43	1.33	1.34	1.43
	0.75 to < 1.75	7,537	27	0.36	1.31	1.31	1.05
	1.75 to < 2.5	509	8	1.57	1.90	1.92	1.93
	2.50 to < 10.00	12,700	209	1.65	4.71	4.75	3.16
	2.5 to < 5	9,961	132	1.33	3.51	3.53	2.58
	5 to < 10	2,739	77	2.81	9.13	9.09	4.38
	10.00 to < 100.00	4,517	447	9.90	27.80	28.54	13.58
	10 to < 20	1,696	111	6.54	15.35	15.40	13.58
	20 to < 30	1,308	124	9.48	23.69	23.68	10.48
	30.00 to < 100.00	1,513	212	14.01	46.45	46.94	14.35
	100.00 (Default)	5,893	5,893	100.00	100.00	100.00	100.00
Exposures to retail - secured by immovable property non SME	0.00 to < 0.15	767,724	493	0.06	0.08	0.07	0.03
	0.00 to < 0.10	425,997	316	0.07	0.05	0.05	0.02
	0.10 to < 0.15	341,727	177	0.05	0.10	0.11	0.04
	0.15 to < 0.25	147,584	69	0.05	0.17	0.17	0.07
	0.25 to < 0.50	214,980	224	0.10	0.28	0.28	0.12
	0.50 to < 0.75	115,013	187	0.16	0.51	0.51	0.17
	0.75 to < 2.50	297,681	733	0.25	1.26	1.28	0.39
	0.75 to < 1.75	172,474	380	0.22	0.79	0.81	0.30
	1.75 to < 2.5	125,207	353	0.28	1.93	1.93	0.56
	2.50 to < 10.00	121,140	1,378	1.14	5.79	5.71	2.16
	2.5 to < 5	54,017	308	0.57	3.98	3.91	0.87
	5 to < 10	67,123	1,070	1.59	7.19	7.16	2.96
	10.00 to < 100.00	32,458	2,140	6.59	19.80	20.56	10.20
	10 to < 20	22,756	859	3.77	15.80	15.79	7.96
	20 to < 30	6	1	16.67	23.68	23.68	14.78
	30.00 to < 100.00	9,696	1,280	13.20	31.47	31.75	15.64
	100.00 (Default)	35,495	35,495	100.00	100.00	100.00	100.00

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – A-IRB (EU CR9 Reg. 2021/637) *(Table 3 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposures to retail - Other SME	0.00 to < 0.15	69,025	50	0.07	0.08	0.08	0.11
	0.00 to < 0.10	67,031	50	0.07	0.08	0.08	0.07
	0.10 to < 0.15	1,994	-	-	0.12	0.12	0.13
	0.15 to < 0.25	62,849	81	0.13	0.18	0.18	0.22
	0.25 to < 0.50	93,940	280	0.30	0.39	0.39	0.58
	0.50 to < 0.75	49,734	227	0.46	0.73	0.72	1.02
	0.75 to < 2.50	90,788	852	0.94	1.34	1.34	1.99
	0.75 to < 1.75	85,205	749	0.88	1.31	1.30	1.45
	1.75 to < 2.5	5,583	103	1.84	1.92	1.97	2.84
	2.50 to < 10.00	129,915	3,634	2.80	4.82	4.83	4.62
	2.5 to < 5	98,576	2,169	2.20	3.63	3.58	3.57
	5 to < 10	31,339	1,465	4.67	8.99	8.79	6.54
	10.00 to < 100.00	79,976	12,653	15.82	27.46	36.25	15.97
	10 to < 20	20,139	1,684	8.36	14.96	15.11	15.44
	20 to < 30	20,562	2,487	12.10	23.75	24.57	12.29
	30.00 to < 100.00	39,275	8,482	21.60	46.38	53.21	17.84
	100.00 (Default)	67,454	67,454	100.00	100.00	100.00	100.00
Exposures to retail - Other non SME	0.00 to < 0.15	1,097,055	380	0.03	0.07	0.07	0.04
	0.00 to < 0.10	705,449	185	0.03	0.05	0.05	0.03
	0.10 to < 0.15	391,606	195	0.05	0.10	0.10	0.06
	0.15 to < 0.25	370,850	307	0.08	0.17	0.17	0.11
	0.25 to < 0.50	407,193	626	0.15	0.28	0.28	0.19
	0.50 to < 0.75	276,928	831	0.30	0.51	0.51	0.37
	0.75 to < 2.50	815,594	5,005	0.61	1.29	1.37	0.86
	0.75 to < 1.75	399,424	1,857	0.46	0.78	0.78	0.58
	1.75 to < 2.5	416,170	3,148	0.76	1.93	1.93	1.15
	2.50 to < 10.00	532,116	17,704	3.33	5.72	6.00	4.48
	2.5 to < 5	207,085	3,161	1.53	4.01	4.01	2.19
	5 to < 10	325,031	14,543	4.47	7.25	7.27	6.09
	10.00 to < 100.00	151,855	16,895	11.13	19.29	20.20	12.43
	10 to < 20	114,089	8,896	7.80	15.93	16.49	8.58
	20 to < 30	28	2	7.14	23.68	23.68	12.13
	30.00 to < 100.00	37,738	7,997	21.19	31.40	31.43	22.58
	100.00 (Default)	143,798	143,798	100.00	100.00	100.00	100.00

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – F-IRB (EU CR9 Reg. 2021/637) *(Table 4 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposures to corporates - SME	0.00 to < 0.15	67	-	-	0.11	0.10	0.77
	0.00 to < 0.10	2	-	-	0.07	0.07	-
	0.10 to < 0.15	65	-	-	0.11	0.10	0.84
	0.15 to < 0.25	258	-	-	0.19	0.18	3.77
	0.25 to < 0.50	388	-	-	0.37	0.36	0.16
	0.50 to < 0.75	348	-	-	0.61	0.57	0.04
	0.75 to < 2.50	953	29	3.04	1.30	1.31	2.70
	0.75 to < 1.75	646	27	4.18	1.08	1.05	3.94
	1.75 to < 2.5	307	2	0.65	1.84	1.88	0.33
	2.50 to < 10.00	513	13	2.53	3.73	3.90	1.15
	2.5 to < 5	431	13	3.02	3.32	3.37	1.09
	5 to < 10	82	-	-	6.73	6.70	1.39
	10.00 to < 100.00	161	1	0.62	15.29	17.45	21.16
	10 to < 20	99	-	-	12.03	12.24	27.30
	20 to < 30	61	1	1.64	25.27	25.67	13.32
	30.00 to < 100.00	1	-	-	31.62	31.62	10.81
	100.00 (Default)	122	122	100.00	100.00	100.00	100.00
Exposures to corporates - Other	0.00 to < 0.15	19	-	-	0.07	0.09	-
	0.00 to < 0.10	4	-	-	0.05	0.06	-
	0.10 to < 0.15	15	-	-	0.10	0.10	-
	0.15 to < 0.25	10	-	-	0.17	0.18	2.61
	0.25 to < 0.50	59	-	-	0.34	0.35	-
	0.50 to < 0.75	29	-	-	0.68	0.63	-
	0.75 to < 2.50	261	2	0.77	1.31	1.21	0.31
	0.75 to < 1.75	208	1	0.48	1.05	1.04	0.29
	1.75 to < 2.5	53	1	1.89	1.86	1.87	0.44
	2.50 to < 10.00	89	-	-	3.16	3.33	0.20
	2.5 to < 5	84	-	-	3.10	3.13	0.24
	5 to < 10	5	-	-	6.65	6.65	-
	10.00 to < 100.00	2	-	-	10.22	16.74	0.25
	10 to < 20	1	-	-	10.22	10.22	-
	20 to < 30	1	-	-	23.25	23.25	0.26
	30.00 to < 100.00	-	-	-	-	-	-
	100.00 (Default)	13	13	100.00	100.00	100.00	100.00

Section 10 - Credit risk mitigation techniques

Qualitative disclosure

Policies and processes for, and indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

The Group has entered into bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to transactions in financial instruments and credit derivatives, as well as SFTs.
For derivative contracts, this takes place through the signature of ISDA or similar agreements, which enable the management and mitigation of the credit risk. In compliance with the conditions laid down by the Supervisory regulations, these agreements permit the reduction of the absorption of regulatory capital.
For OTC derivatives, the Group also uses netting services provided by central counterparties or clearing brokers, also for the purpose of complying with the clearing requirements established by the EMIR. This is a clearing service for the more standardised OTC derivative contracts (e.g. plain vanilla interest rate derivatives and CDS Indexes). The bilateral transactions, previously concluded between clearing members, are subsequently transferred to the clearing house or clearing broker, which, in the same way as for listed derivatives, becomes the counterparty for the original contracting parties. The central counterparty or the broker provide for the settlement of the daily variation margin for the transactions, so that the mutual claims and obligations are automatically netted off against each other.
It is noted that the Group establishes margin agreements to mitigate the risk of transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement/OSLA/GMSLA) with bilateral counterparties.
In particular, for non-centrally cleared OTC derivatives, from 1 March 2017, the EMIR requires daily margining with Financial counterparties and Non-Financial counterparties exceeding trading activity thresholds(NFCs+).
Also under the EMIR, the Group entities have been subject, with effect from 1 September 2019, to an initial margin exchange requirement for non-centrally cleared OTC derivative transactions concluded with above threshold Financial and Non-Financial counterparties (NFCs+) already subject to the same obligation. The bilateral exchange of initial margins results in an additional counterparty risk mitigation that, after the authorisation received from the ECB, is reflected in the capital requirements. For Forex operations, the Group’s subscription to the CLS – Continuous Linked Settlement circuit, and to the corresponding settlement services on a payment-versus-payment basis has enabled the mitigation of the settlement risk at the time of mutual payments with counterparties.
For SFTs, almost all of the deals are margined on a daily basis, through Global Master Repurchase Agreements/OSLAs/GMSLAs, through cash or securities, with central or bilateral counterparties.

For more detailed information, reference should be made to the quantitative disclosure indicated in the Section on Counterparty risk of this document.

Policies and processes for collateral evaluation and management

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acquisition of the collateral and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery. In any case, the presence of collateral does not grant exemption from a complete assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee. Under certain conditions (type of counterparty, rating assigned, type of contract), the collateral has an impact, as a mitigating factor, on the determination of the approval limits. Mitigating factors are defined based on elements that contribute to reducing the potential losses for the Bank in the case of default of the counterparty. For operational purposes, the extent of the mitigating factors is determined based on a series of factors. Among these, Loss Given Default (LGD), expressed by a percentage, is particularly important, as it is higher for unsecured relationships and lower, instead, where there are elements that mitigate the credit risk.
Guarantees received are included in the calculation of the Loss Given Default, based on (i) the value of the guarantee; (ii) the strength of said value over time; and (iii) the ease of realisation.
The guarantees received with the highest impact include:

- pledges on financial assets, differentiated based on the underlying (cash, OECD government bonds, financial instruments issued by the Bank, shares and bonds quoted on regulated markets, mutual funds, etc.);
- mortgages on real estate, separated based on the use of the asset (residential, industrial property, agricultural funds/properties, commercial, industrial properties, etc.);

provided that:

- they are provided without any time limits or, if the collateral has an expiry date, this is not before the expiry of the loan guaranteed;
- they are acquired in a form that is enforceable against third parties and in accordance with the procedures established by the regulations prevailing at the time.

During the credit granting phase, the assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is

multiplied by the haircut percentage rates, differentiated according to the financial instruments or set of financial instruments accepted as collateral.
In order to limit the risks of absence or termination of the protection, specific safeguards may be provided, including: restoration of the collateral in the presence of a reduction of the initial value of the assets and the extension of the pledge to include sums from the redemption of the financial instruments.
With regard to real estate collateral, separate processes and methods are aimed at ensuring the proper assessment and monitoring of the value of the properties accepted as collateral.
Assets are evaluated, prior to the decision to grant the credit, using both internal appraisers and external appraisers/providers. The external appraisers and providers are included in a special list of professionals accredited on the basis of an accurate verification of their capabilities, experience and the characteristics of absolute professional independence. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialised providers. The quality and performance of the work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks.
A system is also in place for the review by the central functions of the appraisals for large-scale transactions.
The appraisers are required to produce estimates on the basis of standardised appraisal reports, differentiated according to the valuation method to be applied and the property type of the asset offered as collateral.
In order to ensure that the valuation criteria and approaches are consistent, a property valuation code (" Rules on immovable property valuations for credit purpose”) is in force, which ensures the comparability of the estimates, and guarantees that the value of the property is calculated clearly and transparently on a prudential basis. The content of the internal Code is consistent with the “Guidelines for the valuation of properties securing credit exposures” promoted by the Italian Banking Association and with the main international standards (for example: RICS - Royal Institution of Chartered Surveyors and TEGOVA – The European Group of Valuers’ Associations).
Property valuations are managed through a specific integrated platform covering the entire appraisal phase (“Portale Perizie” - Appraisals Portal), ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
During the credit granting phase, the valuation of the properties is based on the prudential market value or, for properties under construction, on the construction cost. The resulting value is multiplied by the haircut percentages, differentiated on the basis of the property’s designated use.
The value of the real estate collateral is updated on a monthly basis by using the prices/coefficients acquired from an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real estate assets.
The revaluation takes place by adopting four main methods:

- Survey value index method:
  the method uses real estate price revaluation indexes to be applied to the survey value of the property in question. This is the main revaluation method, adopted when the survey value is deemed reliable by conducting specific tests.
- Comparables method:
  the method assumes market values per square metre and applies them on the basis of the size (in square metres) of the property. The method is used when the survey value is not considered to be reliable. It is also used as “backtesting” implied in the survey value.
- Financing value index method:
  the method applies the price revaluation indexes to 125% of the original value of the financing (thus it is prudentially assumed that the financing was originally disbursed with the maximum LtV of 80%). The method is applied in the presence of subdivisions or if the survey value is not reliable and it is impossible to apply the comparables.
- Cost method:
  in case of properties under construction, market practices suggest a valuation based on the estimate of the overall costs incurred in correspondence with the work progress made on the property in question.

The value of properties under construction is monitored on an ongoing basis by appraisers who perform inspections, verify the progress of the works and prepare technical reports for loan disbursement.
The valuation is duly updated in the event of limitation or splitting of the mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, according to the due dates established for significant exposures, or when there are real estate properties securing non-performing loans. In the same way as for appraisals drawn up during the credit-granting phase, updates of the valuation are also subject to a system of review by the central functions.
To cover the residual risks, the borrower is required to provide an insurance policy against damage. The insurable value is determined by a survey, on the basis of the property’s reconstruction cost.

Main types of guarantor and credit derivative counterparty and their creditworthiness

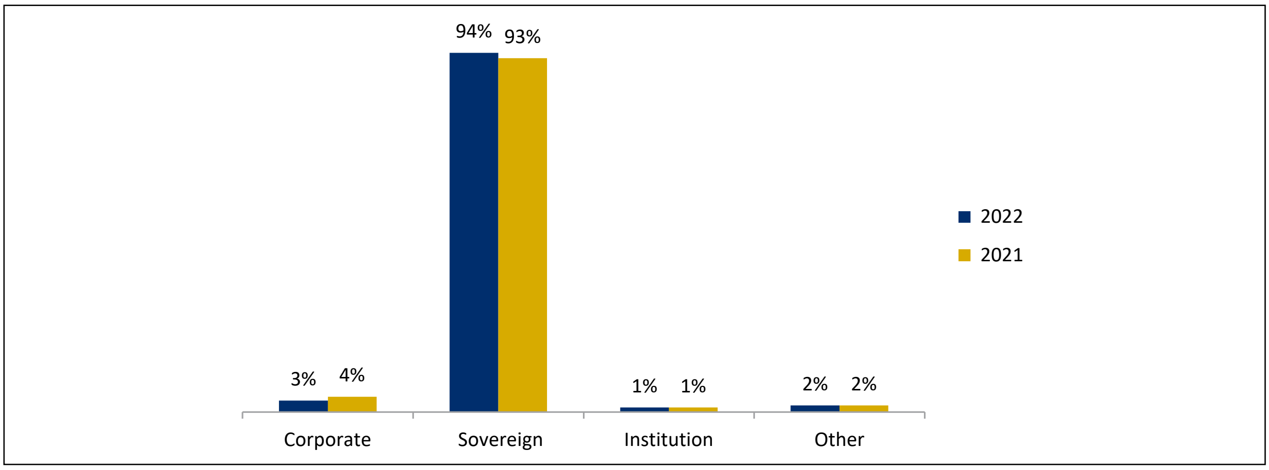
With regard to credit derivatives received as collateral, there were no transactions to report as at December 2022.

Information about market or credit risk concentrations under the credit risk mitigation instruments used

Personal guarantees

Personal guarantees, as noted in the quantitative disclosure, cover a limited amount of the overall credit exposure. There were no significant changes in types of guarantors compared to the previous period. The share of Sovereign guarantors, mainly represented by the Italian Government, in particular the Italian Ministry of the Economy and Finance, was 94% of the total (93% in December 2021), while the share for Corporate guarantors came to 3% (5% in December 2021) and the share for Bank/Public Entity guarantors remained marginal at 1% (in line with December 2021).

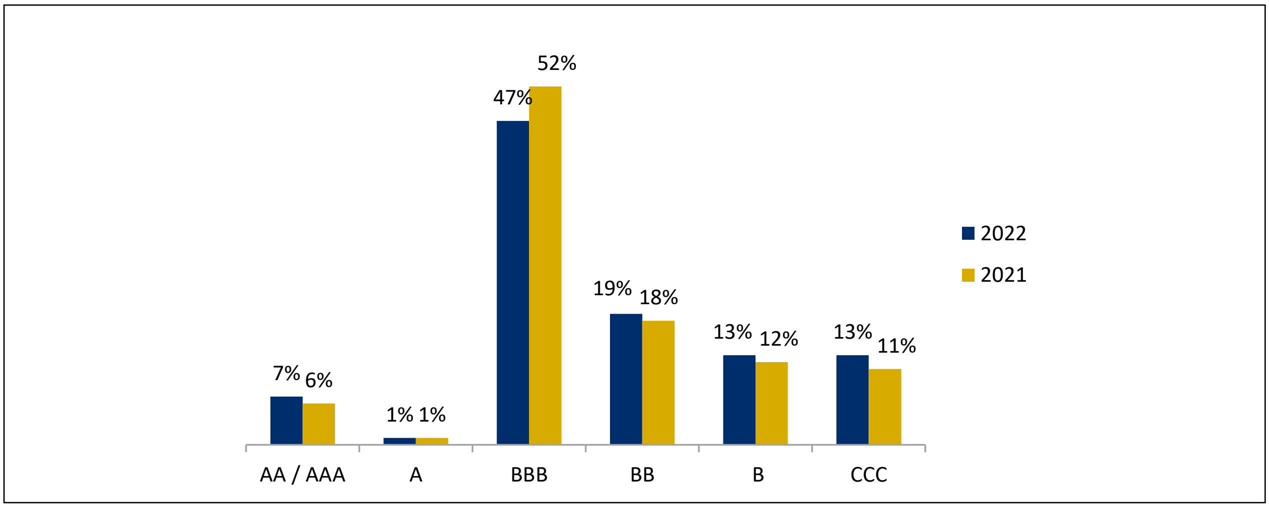
Personal guarantees by type of guarantor



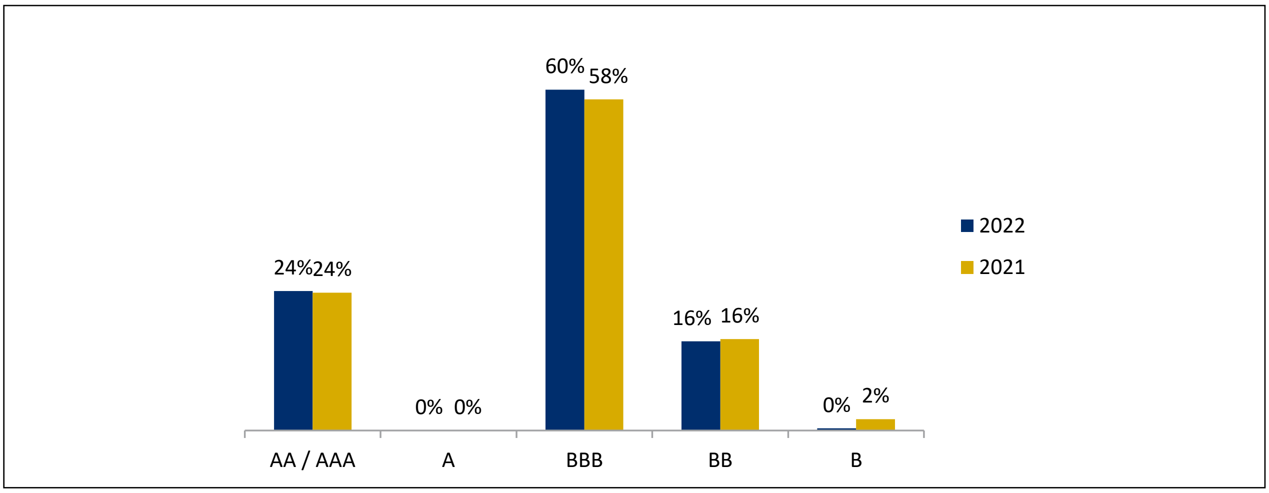
Personal guarantees by guarantor rating classes

By type of personal guarantee, guarantors show a high credit quality, with 98% investment grade.
The breakdown by rating class shows Corporate guarantors classified as investment-grade with a share of 55% (60% in December 2021) and Bank/Public Entity guarantors classified as investment-grade with a share of 84% (82% in December 2021).
With regard to other segment personal guarantees, the breakdown by rating class shows 100% guarantors classified as investment grade, in line with the figures of December 2021.
Corporate and Bank/Public Entity guarantors are assigned ratings from the internal model, while guarantors of other segments are assigned agency ratings.

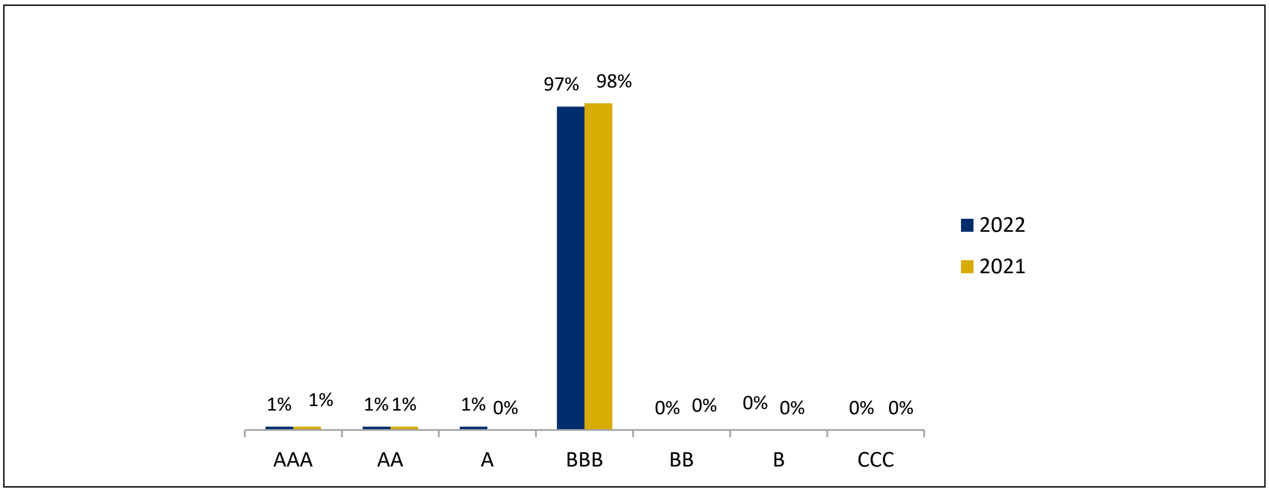
Corporate personal guarantees by guarantor rating classes



Bank/Public Entity personal guarantees by guarantor rating classes



Other segment personal guarantees by guarantor rating classes



Financial collateral

The majority of the financial collateral eligible for risk mitigation relates to cash transactions and repurchase agreements. For the repurchase agreements, the main issuers have ratings in the investment-grade area and the majority of the securities have a maturity of more than 5 years.

Other financial collateral relates to pledges on cash deposits, bonds and funds.

Other collateral

Other collateral consists almost entirely of mortgages on real estate assets. Although there are no particular concentrations, for example in individual assets or particular geographical areas, the major amount of mortgage lending is in the Bank's exposure to a systemic risk factor represented by the prices of the real estate assets. This exposure, which is naturally inherent to lending operations, is considered within the ICAAP process.

Quantitative disclosure

As required by the applicable regulations, this Section reports the amounts of the exposures, split between secured and unsecured. The secured exposures are also broken down by type of guarantee. Secured exposures are also represented by calculation methods used for the standard capital requirements, referring to Table EU CR7-A in Section 9 of this document for information on secured guarantees using the IRB Approach.

CRM techniques – Overview: Disclosure of the use of credit risk mitigation techniques (EU CR3 Reg. 2021/637)

This table presents the Loans and Debt Securities distinguishing between "unsecured carrying amounts" and "secured carrying amounts", broken down by type of guarantee: collateral and financial guarantees, with the latter showing the "of which" secured by credit derivatives.
The presentation has been made in compliance with the instructions of EBA's Mapping Tool. As such, the "Unsecured carrying amounts" include the unsecured portion of the partially secured exposures, accordingly.

(millions of euro)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						of which secured by credit derivatives
1	Loans and advances	293,138	291,086	212,413	78,673	-
2	Debt securities	100,553	2,518	10	2,508	
3	**Total**	**393,691**	**293,604**	**212,423**	**81,181**	
4	*of which non-performing exposures*	*1,637*	*4,108*	*2,952*	*1,156*	-
EU5	*of which defaulted*	*1,637*	*4,108*			

For "Loans and advances", the secured carrying amount was 291 billion euro and represented around 50% of the exposure (a level substantially in line with June 2022), of which 212 billion euro secured by collateral (representing around 73% of the total secured carrying amount, in line with the situation as at June 2022).
For "Debt securities", the secured carrying amount was 2.5 billion euro, mainly secured by financial guarantees.

Breakdown of collateral, personal guarantees or credit derivatives by exposure class

Value of the guarantees subject to the standardised approach

(millions of euro)

Regulatory portfolio	31.12.2022		31.12.2021	
	Collateral	Personal guarantees or credit derivatives	Collateral	Personal guarantees or credit derivatives
Exposures to or secured by governments and central banks	-	59,337	-	58,652
Exposures to or secured by regional or local authorities	-	191	-	166
Exposures to or secured by public sector organisations	6	3	7	5
Exposures to or secured by multilateral development banks	-	449	-	345
Exposures to or secured by international organisations	-	-	-	-
Exposures to or secured by supervised institutions	1,100	128	692	198
Exposures to or secured by corporates and other entities	4,924	621	4,906	826
Retail exposures	4,714	4	4,880	-
Exposures secured by real estate	415	-	376	-
Defaulted exposures	64	-	19	-
High-risk exposures	13	-	41	-
Exposures in the form of covered bonds	-	-	-	-
Short-term exposures to corporates and other entities or supervised institutions	-	-	-	-
Exposures to CIU	-	-	-	-
Other exposures	-	3	-	4
Securitisations	-	-	-	-
Total	**11,236**	**60,736**	**10,921**	**60,196**

Under the current regulations, when the comprehensive method is adopted (as Intesa Sanpaolo does in the majority of cases), collateral (e.g. cash collateral or securities received as pledges) reduces risk exposure, whereas personal guarantees (and the remaining collateral - simplified method) transfer the related risk to the guarantor's regulatory portfolio; consequently, the representation of personal guarantees included in the table above is the guarantor's responsibility.
All the values showed substantial stability.
In order to optimise capital absorption, a transaction was also maintained with the counterparty SACE to hedge the risk of expropriation of the required and unrestricted reserves of the ISP Group banks operating in Albania, Serbia, Egypt and Moldova.
It is also noted that the column "Personal guarantees or credit derivatives" consists almost exclusively of guarantees received in the form of personal guarantees, as credit derivatives represent an insignificant proportion of the total guarantees of the Intesa Sanpaolo Group within the standardised approach.
With regard to the exposures secured by properties, the value of the mortgage collateral is not shown, because – in accordance with the applicable regulations – these exposures are subject to preferential weighting factors. If there is any other collateral, this is shown in the above table.

With regard to the guarantees subject to the IRB Approach, refer to that set out in Table EU CR7-A in Section 9 of this document.

Section 11 - Counterparty risk

Qualitative disclosure

Counterparty risk, as regulated by the CRR, is a specific type of credit risk and represents the risk of a counterparty in one of the types of transactions listed below defaulting before the final settlement of the cash flows involved in the transaction. The regulations lay down specific rules for the quantification of the exposures, while referring to those governing credit risk for the determination of risk weights.
In accordance with this regulation, counterparty risk is calculated for the following categories of transactions:

- derivatives pursuant to Annex II to the CRR;
- SFTs – Securities Financial Transactions (repurchase agreements and securities lending);
- transactions with medium to long-term settlement.

The framework provides for the uniform treatment of counterparty risk regardless of the book in which the exposures have been classified (the banking and regulatory trading books are both subject to capital requirements for counterparty risk). For the purposes of reducing the amount of the exposures, recognition of various types of contractual netting arrangements ("Master netting agreements") is permitted, subject to compliance with regulatory requirements.
Following the authorisation by the Supervisory Authority, the Parent Company has adopted the Internal Models approach for regulatory reporting purposes for the counterparty requirement for OTC - Over the Counter contracts, ETD - Exchange Traded Derivative contracts and SFTs.
The internal model is applied in accordance with the Basel 3 instructions, so that the requirement for counterparty risk is calculated as the sum of the default risk and the CVA - Credit Value Adjustment risk. The risk of default is determined starting from an EAD – Exposure at Default that is the maximum between the EAD calculated according to the current risk parameters and that calculated according to risk parameters based on a stress period. For the remaining part of the Parent Company's derivatives portfolios not covered by the internal model and for the other banks in the Group, the SA-CCR approach has been adopted from June 2021, as required by Regulation (EU) 2019/876. One international subsidiary bank with limited derivatives transactions has adopted the simplified original exposure method (OEM).
The CVA Capital Charge is calculated as the sum between the CVA VaR calculated on the movements in credit spreads of counterparties registered in the last year and that calculated on the movements during a stress period that has currently been identified as the 2011-2012 period.
The Parent Company uses the methodology deriving from the supervisory regulation on internal models for counterparty risk (PFE model type – Mean Effective Potential Future Exposure) for the purposes of managerial measurement of credit lines utilisation for replacement risk, for derivatives and SFTs.
For the rest of the Group, the measurement of credit lines utilisation for transactions in OTC derivatives involves the application of the greater of the mark-to-market and the add-on in order to determine the credit exposure, taking into account existing netting and collateral agreements. Add-ons indicate the maximum potential future exposure (95th percentile), estimated by the Market, Financial and C&IB Risks Coordination Area, by product type and maturity. The granted amount for OTC and SFTs transactions is defined on the same basis used for the on-balance sheet exposures, taking also into account the specific features of the OTC derivative and SFTs transactions (for which the exposure may change over time as the underlying risk factors change). The IMI CIB Risk Management Department calculates and validates, on a daily basis, the operational measures, i.e. the utilizations of credit lines for replacement risk, which are reported in the systems for monitoring credit lines for OTC derivatives, ETDs and SFTs. For the Entities or instruments out of scope of PFE application, a simplified approach based on Addon is used: the Addon grid is uploaded into the above systems that apply an algorithm in order to quantify the credit exposure for each credit line. The Department produces daily reports showing new excess of credit line utilisation and sends them to the competent departments of the IMI CIB and Treasury Divisions.
In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 3, the Group has adopted an operating model aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time.
Particular attention was dedicated to the update of the management regulatory framework with regard to the eligibility of collateral for trading in Security Financing Transactions.
The organisational functions involved, as described in the Bank's internal regulations, are:
the Market, Financial and C&IB Risks Coordination Area, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
the commercial and lending functions that avail of the above measures in the granting process to determine the total amounts granted for credit lines.
For the Parent Company, the following company processes were implemented to complete the risk analysis process for exposure measures implemented over time following the developments discussed above:

- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits at the level of the Parent Company's total portfolio, authorised by the Group Financial Risk Committee for derivatives transactions and SFTs;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivative transactions and SFTs with collateral agreements;

- backtesting: Basel 3 requires to produce backtesting analyses in order to test the appropriateness of the model. Tests are carried out on risk factors, financial instrument and netting set;
- reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

Intesa Sanpaolo has adopted a programme of stress tests on the counterparty risk with the objective of assessing the effects connected with the occurrence of extreme scenarios relating to market and credit factors that influence counterparty risk exposures for derivatives and SFTs alike.
The stress tests allow the estimate of potential sudden liquidity needs of the Bank with regard to the collateralised exposures, due to extreme movements of the risk factors underlying transactions in OTC derivatives and SFTs.
The stress test programme allows the identification of the market scenarios the Bank is mostly exposed to and represents a risk analysis tool that complements the management and regulatory metrics.
The stress test programme is based on the application of mono-factor and multi-factor scenarios to the “reference set”, which is the set of market data used for the pricing of the financial instruments included within the scope of the internal model. Analysed in addition to the stress on the market risk factors is the effect of the deterioration of the creditworthiness of the counterparty through the joint stress on market and credit variables (PD, LGD).
The generic Wrong-Way Risk (WWR) arises when there is positive correlation between the probability of default of a counterparty and the exposure to the same counterparty.
A methodology is followed to identify the generic WWR, which uses the results from the stress tests conducted as part of the stress testing programme for the counterparty risk, focusing on the counterparties whose credit spread is more historically correlated to the risk factors identified by the stress tests.
The reports and the analysis of the results are aimed at highlighting the most significant effects at portfolio level, of segments of counterparties or individual counterparties.
The specific WWR arises in case of positive correlation between the future exposure towards a counterparty and the probability of its default due to the nature of the transactions with this counterparty, or in case of a legal connection between the counterparty and the issuer of the derivative’s underlying.
A methodology is followed to identify the specific WWR without legal connection, which is based on the analysis of the relation between the Mark-To-Market forecasts of the portfolio of a counterparty and the credit spread forecasts of the same counterparty, in the various scenarios of the EPE model, at a certain future moment.
As part of the specific WWR with legal connection, an organisation process has been defined in order to identify, report, authorise and monitor in a specific manner the transactions involving such risk, also for the purposes of the worse treatment established by the regulations in terms of capital requirement.
The backtesting programme, defined based on the Basel III requirements, maintains a time series of projections obtained from the calculation model, and the related realisations on:

- risk factors;
- financial instruments;
- netting set.

Through statistical analysis, supported by qualitative analyses for the forecasting horizons for which it is not possible to accumulate sufficient observations, the predictive ability of the model is measured. An internal policy was defined to enable corrective procedures in case the model shows significant limitations in the representation of the underlying risks or the changed market conditions require and adjustment thereof.
The backtesting results are reported in the quarterly disclosure to the Supervisory Authority.
In order to consistently represent and monitor the overall risk profile in terms of counterparty risk generated by transactions in derivative instruments and SFTs, the Group Financial Risk Committee has approved a structure of specific limits, monitored by the Market and Financial Risk Management Head Office Department, for the Parent Company, based on the metrics described above and comprising:

- a regulatory capital limit;
- a Default Risk Capital Charge limit;
- a CVA Risk Capital Charge limit;
- a CVA VaR limit;
- a warning limit for liquidity outflows in the event of market stress;
- generic and specific wrong-way risk (WWR) thresholds.

These limits (set according to the Bank’s risk appetite in terms of counterparty risk and based on the maximum use calculated in stress conditions) enable synthetic and uniform control of the risk exposure levels for the derivative transactions and SFTs of Intesa Sanpaolo’s portfolios.
The internal counterparty risk model allows the estimate of the liquidity requirement deriving from collateralised OTC derivatives and SFTs (in terms of inflow and outflow of collateral), by predicting the expected variation of the Mark-To-Market. These measures are aimed at feeding the system of the Market, Financial and C&IB Risks Coordination Area that measures the liquidity risk (Liquidity Risk System), while guaranteeing the information details needed to develop the various measurement metrics currently set for internal purposes (Liquidity Policy) and for the weekly liquidity report to the Supervisory Authority, and are also the subject of the programme of stress tests on the counterparty risk.
The determination of fair value considers not only market factors and the nature of the contract (maturity, type of contract, etc.), but also own credit quality and that of the counterparty in relation to the current and potential exposure. Compared to the adjustment of the Mark-To-Market through the calculation of the Credit Risk Adjustment (CRA), as required by IFRS 13 this measurement includes the calculation of own credit risk in valuing the Fair Value, to include the own default risk in the valuation of OTC derivatives.
In order to comply with the new standard, a new calculation model was developed – the Bilateral Credit Value Adjustment (bCVA) – which, in addition to the effects of changes in the counterparty creditworthiness (previously subject to the credit risk adjustment (CRA) methodology), also takes fully into account the changes in own creditworthiness (Debt Value Adjustment - DVA) and identifies a series of refinements to the previous methodology. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA):

- the CVA (negative) takes into account scenarios whereby the Counterparty becomes insolvent before the Bank and the Bank has a positive exposure to the Counterparty. In these scenarios the Bank suffers a loss equal to the cost of replacing the derivative;
- the DVA (positive) takes into account scenarios whereby the Bank becomes insolvent before the Counterparty and has a negative exposure to the Counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

Compared to the calculation of the CRA, the bCVA model identifies a series of refinements of the pre-existing CRA methodology, including the calculation of the risk exposure valued by incorporating the average of the future exposures (positive/negative Expected Positive/Negative Exposure).
The prior Credit Risk Adjustment (CRA) calculation model is still valid for a limited number of products for which the bCVA model is still under development.

Scope of application and characteristics of the risk measurement and reporting system

Counterparty risk is a particular kind of credit risk arising from derivatives, which refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3, in order to equip the Banking Group with an internal model for measuring this risk both for operational and regulatory purposes. The organisational functions involved, as described in the Bank's internal regulations, are:

- the Chief Risk Officer Governance Area, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
- the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
- the commercial and lending functions that avail of the above measures in the granting process to determine the total amounts granted for credit lines.

The project yielded the following results:

- the Banking Group set up a suitably robust IT, methodological and regulatory infrastructure, in accordance with the use test requirement set out by regulations on internal models;
- the Banking Group integrated the risk measurement system into decision-making processes and the management of company operations;
- cutting-edge methods were adopted for calculating drawdowns on credit lines;
- the Supervisory Authority validated the Parent Company's use of the internal model for calculating the counterparty requirement in the first quarter of 2014. The first report using the internal model (with a view to Basel 3) was made on 31 March 2014, relating to the scope of the derivatives;
- Intesa Sanpaolo obtained authorisation to use the internal model for the capital requirement for SFT instruments with effect from the report as at 31 December 2016.

Potential exposure (estimated with the actual average PFE - Potential Future Exposure) has been adopted by the entire Banking Group for the purposes of operational measurement of uses of credit lines for derivatives. The IMI CIB Risk Management Department produces daily risk measurement estimates for counterparty risk, for the measurement of the uses of credit lines for OTC derivatives for the Parent Company and Fideuram. The other Banks of the Group use the PFE method in a simplified form. In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:

- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivative transactions and SFTs with collateral agreements (CSA);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

Policies for hedging and mitigating risk

In order to mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (Securities Financing Transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting arrangements that allow the netting of claims and obligations if a counterparty defaults.
This is achieved by entering into ISDA and GMRA/GMSLA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
In addition, the Group has collateral agreements in place, mainly with daily margining, to hedge OTC derivatives transactions (CSAs or Credit Support Annexes), also due to the margin requirements for non-centrally cleared derivatives, established by the EMIR; for SFTs, the Bank implements daily margining agreements (GMRAs and GMSLAs). Since September 2019, the Group has also been subject to the EMIR requirement relating to the initial margin exchange with counterparties equally subject to that obligation. Initial margin exchanges are regulated by collateral transfer agreements (CTAs) with counterparties.
In order to mitigate the income statement volatility linked to the credit risk adjustments to the fair value of derivatives, the Bank acquires hedges through Credit Default Swaps (CDS) with the counterparties to which it is exposed or credit indices as underlyings. Those hedges are considered as mitigating the capital requirements for CVA risk and, limited to single names, in estimating the utilisation of the related credit lines.

Quantitative disclosure

Analysis of CCR exposure by approach as at 31 December 2022 (EU CCR1 Reg. 2021/637)

(millions of euro)

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	2		1.40	2	2	2	1
EU2	EU - Simplified SA-CCR (for derivatives)	1	4		1.40	6	6	6	5
1	SA-CCR (for derivatives)	127	304		1.40	623	623	623	480
2	IMM (for derivatives and SFTs)			6,237	1.47	9,169	9,169	9,169	2,858
2a	*Of which securities financing transactions netting sets*			*1,672*		*2,458*	*2,458*	*2,458*	*478*
2b	*Of which derivatives and long settlement transactions netting sets*			*4,565*		*6,711*	*6,711*	*6,711*	*2,380*
2c	*Of which from contractual cross-product netting sets*			*-*		*-*	*-*	*-*	*-*
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					2,430	2,301	2,301	405
5	VaR for SFTs					-	-	-	-
6	**TOTAL**					**12,230**	**12,101**	**12,101**	**3,749**

The table does not include the transactions with central counterparties, the values of which are shown in table CCR8 below.

As described above, the Parent Company is authorised to use EPE (Expected Positive Exposure) internal models to determine the capital requirement for counterparty risk.
This approach is applicable to almost the entire derivatives portfolio (as shown in the table, as at 31 December 2022 approximately 91% of the total EAD of financial and credit derivatives is measured using EPE models). At consolidated level, derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2022 accounting for approximately 9% of overall EAD) and refer to:

– residual contracts not measured using the EPE model (in compliance with the materiality thresholds established by the EBA);
– EAD generated by all other banks and companies in the Group which do not report using an internal model.

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. As part of the stress test programme on counterparty risks, it was estimated that a downgrade of Intesa Sanpaolo by the rating agencies would generate additional liquidity outflows (in terms of collateral paid) of 2.4 billion euro for the Parent Company (of which 2.4 billion to vehicles of the Group), linked to contractual clauses that would be activated following this event.
Starting from the reporting as at 31 December 2016, also SFTs were reported with the EPE internal models approach. The existing contracts are almost all supported by margin agreements – GMRA (for repurchase agreements) and GMSLA (for securities lending).

Transactions subject to own funds requirements for CVA risk as at 31 December 2022 (EU CCR2 Reg. 2021/637)

(millions of euro)

		Exposure value	RWEA
1	**Total transactions subject to the Advanced method**	**1,172**	**878**
2	(i) VaR component (including the 3× multiplier)		232
3	(ii) stressed VaR component (including the 3× multiplier)		646
4	**Transactions subject to the Standardised method**	**115**	**22**
EU4	**Transactions subject to the Alternative approach (Based on the Original Exposure Method)**	**-**	**-**
5	**Total transactions subject to own funds requirements for CVA risk**	**1,287**	**900**

Compared to the previous half year, the RWEAs for credit valuation adjustment (CVA) risk increased, mainly due to the reduction in hedges through credit default swaps on the advanced model component.

Standardised approach – CCR exposures by regulatory exposure class and risk weights as at 31 December 2022 (EU CCR3 Reg. 2021/637)

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT											TOTAL EXPOSURE VALUE
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	2,235	-	-	-	-	-	-	-	-	-	-	2,235
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	554	-	-	-	-	-	-	-	-	-	-	554
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	9,650	33	-	407	130	-	-	380	1	-	10,601
7	Corporates	-	-	-	-	3	4	-	-	397	-	-	404
8	Retail	-	-	-	-	-	-	-	1	-	-	-	1
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	-	-	-	-	-	-	-	-	-	-	1	1
11	**TOTAL EXPOSURE VALUE**	**2,789**	**9,650**	**33**	**-**	**410**	**134**	**-**	**1**	**777**	**1**	**1**	**13,796**

(*) Includes all portfolios other than those reported in the previous rows.

This table shows the aggregate of the exposures subject to counterparty risk by type of regulatory portfolio and risk weights measured using the standardised approach. There was an increase of +1.7 billion euro compared to June 2022, bucking the trend seen in the first half of 2022, with a value of 13.8 billion for the aggregate in December. The change was driven by: a) the increase in exposures to “Institutions”, amounting to +3.1 billion euro, with the relative weight shifting from 62% recorded in June 2022 to 77% recorded in December 2022; b) the reduction in exposures to “Central Governments and Central Banks” amounting to -0.8 billion euro; and c) the reduction in exposures to “Corporates” amounting to -0.5 billion euro. The distribution of exposures by weight class was accompanied by a corresponding reconfiguration of the risk profile, as a result of the smaller representation of the lower-weighted classes. The changes, attributable to normal fluctuations, were mainly due to the management of the treasury position and financial intermediation.

Standardised approach – CCR exposures by regulatory exposure class and risk weights – Amounts without risk mitigation as at 31 December 2022 (EU CCR3 bis)

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT											TOTAL EXPOSURE VALUE
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	2,235	-	-	-	-	-	-	-	-	-	-	2,235
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	554	-	-	-	-	-	-	-	-	-	-	554
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	10,050	33	-	459	130	-	-	438	1	-	11,111
7	Corporates	-	-	-	-	3	4	-	-	408	-	-	415
8	Retail	-	-	-	-	-	-	-	1	-	-	-	1
9	Institutions and corporates with a short-term credit rating	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	-	-	-	-	-	-	-	-	-	8	1	9
11	**TOTAL (without CRM)**	**2,789**	**10,050**	**33**	**-**	**462**	**134**	**-**	**1**	**846**	**9**	**1**	**14,325**

(*) Includes all portfolios other than those reported in the previous rows.

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2022 (EU CCR4 Regulation 2021/637) (*Table 1 of 3*)

(millions of euro)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to Institutions	0.00 to <0.15	3,137	0.07	94	24.83	0.73	390	12.44%
	0.15 to <0.25	1,080	0.18	46	29.87	0.51	283	26.22%
	0.25 to <0.50	1,167	0.46	58	27.66	1.36	516	44.21%
	0.50 to <0.75	68	0.59	9	31.90	3.03	41	61.08%
	0.75 to <2.50	164	0.99	43	21.16	4.20	95	57.89%
	2.50 to <10.00	172	4.45	19	34.88	3.62	248	144.32%
	10.00 to <100.00	17	13.84	12	23.66	0.92	24	134.67%
	100.00 (Default)	6	100.00	2	42.70	2.00	4	56.75%
	Subtotal	**5,811**	**0.48**	**283**	**26.63**	**1.03**	**1,601**	**27.54%**
Exposures to corporates - SMEs (small and medium enterprises)	0.00 to <0.15	1	0.12	58	51.31	1.16	-	22.83%
	0.15 to <0.25	5	0.20	138	51.80	1.33	2	31.74%
	0.25 to <0.50	15	0.39	615	51.78	1.50	7	47.48%
	0.50 to <0.75	7	0.61	412	51.80	1.67	4	56.43%
	0.75 to <2.50	17	1.41	982	51.33	1.92	14	86.44%
	2.50 to <10.00	10	5.76	507	51.80	3.30	13	136.21%
	10.00 to <100.00	1	23.58	77	51.83	3.86	2	197.42%
	100.00 (Default)	4	100.00	148	66.40	1.23	1	14.90%
	Subtotal	**60**	**8.89**	**2,937**	**52.68**	**1.93**	**43**	**71.76%**
Exposures to corporates - Specialised lending	0.00 to <0.15	-	-	-	-	-	-	0.00%
	0.15 to <0.25	-	-	-	-	-	-	0.00%
	0.25 to <0.50	-	0.35	4	15.20	3.81	-	21.57%
	0.50 to <0.75	29	0.54	14	15.70	4.94	8	28.19%
	0.75 to <2.50	9	1.10	67	18.22	3.94	4	43.30%
	2.50 to <10.00	4	3.96	18	15.85	2.50	2	52.30%
	10.00 to <100.00	2	21.39	9	29.70	4.45	3	164.46%
	100.00 (Default)	-	100.00	2	71.40	1.00	-	12.00%
	Subtotal	**44**	**1.79**	**114**	**16.77**	**4.48**	**17**	**38.46%**

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2022 (EU CCR4 Regulation 2021/637) (*Table 2 of 3*)

(millions of euro)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to corporates - Other corporates	0.00 to <0.15	217	0.07	56	38.70	3.23	52	23.73%
	0.15 to <0.25	519	0.20	109	38.68	1.86	179	34.58%
	0.25 to <0.50	696	0.32	254	38.62	2.74	371	53.24%
	0.50 to <0.75	104	0.52	171	38.44	2.24	60	58.32%
	0.75 to <2.50	488	1.35	303	38.27	2.70	442	90.78%
	2.50 to <10.00	24	5.28	78	36.20	2.33	30	125.54%
	10.00 to <100.00	3	19.76	11	37.82	2.20	7	204.80%
	100.00 (Default)	15	100.00	27	47.60	1.04	3	20.74%
	Subtotal	**2,066**	**1.33**	**1,009**	**38.59**	**2.52**	**1,144**	**55.40%**
Retail exposures (*) - SME other	0.00 to <0.15	-	0.08	281	30.73	-	-	5.97%
	0.15 to <0.25	-	0.18	132	30.70	-	-	9.55%
	0.25 to <0.50	-	0.43	182	30.84	-	-	17.07%
	0.50 to <0.75	-	0.74	77	30.90	-	-	24.55%
	0.75 to <2.50	-	1.38	140	30.55	-	-	41.60%
	2.50 to <10.00	1	4.67	186	30.63	-	-	38.68%
	10.00 to <100.00	1	36.25	47	30.74	-	1	63.37%
	100.00 (Default)	1	100.00	62	52.00	-	-	39.59%
	Subtotal	**3**	**29.17**	**1,107**	**34.61**	**-**	**1**	**38.31%**
Retail exposures (*) - Non-SME other	0.00 to <0.15	-	0.10	60	31.26	-	-	8.55%
	0.15 to <0.25	-	0.19	9	29.70	-	-	13.38%
	0.25 to <0.50	-	0.31	33	29.89	-	-	18.75%
	0.50 to <0.75	-	0.72	18	28.40	-	-	28.18%
	0.75 to <2.50	-	1.33	18	35.54	-	-	46.61%
	2.50 to <10.00	-	3.89	21	30.59	-	-	50.32%
	10.00 to <100.00	-	15.70	13	36.26	-	-	82.55%
	100.00 (Default)	-	100.00	5	48.20	-	-	13.32%
	Subtotal	**-**	**7.51**	**177**	**31.69**	**-**	**-**	**26.56%**
TOTAL		**7,984**	**0.78**	**5,627**	**29.87**	**1.44**	**2,806**	**35.15%**

(*) The average maturity is not shown for retail portfolios since this parameter is not used when calculating risk-weighted assets in accordance with regulations.
(**) The percentage values of RWA density were calculated on amounts not rounded up or down to the nearest million.

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2022 (EU CCR4 Regulation 2021/637) (*Table 3 of 3*)

(millions of euro)

F-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to corporates - SMEs (small and medium enterprises)	0.00 to <0.15	-	-	-	-	-	-	0.00%
	0.15 to <0.25	-	0.23	4	45.00	2.50	-	37.40%
	0.25 to <0.50	1	0.35	4	45.00	2.50	1	39.96%
	0.50 to <0.75	-	0.54	1	45.00	2.50	-	46.46%
	0.75 to <2.50	-	1.09	9	45.00	2.50	-	66.14%
	2.50 to <10.00	-	5.88	5	45.00	2.50	-	122.51%
	10.00 to <100.00	-	10.22	1	45.00	2.50	-	140.18%
	100.00 (Default)	-	100.00	1	45.00	2.50	-	0.00%
	Subtotal	**1**	**1.54**	**25**	**45.00**	**2.50**	**1**	**58.90%**
Exposures to corporates - Other corporates	0.00 to <0.15	-	-	-	-	-	-	0.00%
	0.15 to <0.25	-	-	-	-	-	-	0.00%
	0.25 to <0.50	2	0.28	3	45.00	2.50	1	55.39%
	0.50 to <0.75	-	-	-	-	-	-	0.00%
	0.75 to <2.50	1	1.84	3	45.00	2.50	-	123.46%
	2.50 to <10.00	-	2.90	1	45.00	2.50	1	140.54%
	10.00 to <100.00	-	-	-	-	-	-	0.00%
	100.00 (Default)	-	-	-	-	-	-	0.00%
	Subtotal	**3**	**0.78**	**7**	**45.00**	**2.50**	**2**	**73.80%**
TOTAL		**4**	**1.01**	**32**	**45.00**	**2.50**	**3**	**69.24%**

(**) The percentage values of RWA density were calculated on amounts not rounded up or down to the nearest million.

The aggregate exposures subject to counterparty risk, valued using advanced measurement approaches, showed a decrease of 0.6 billion euro in the half year and an equivalent decrease in the capital requirement. The change in the exposure is attributable to the “Corporates” segment (-0.6 billion euro), which saw a decrease in positions in derivatives and a concurrent improvement in the risk profile, which positively reflected on the risk of the total aggregate (-9 bps).

Composition of collateral for CCR exposures (EU CCR5 Reg. 2021/637)

(millions of euro)

Collateral type		COLLATERAL USED IN DERIVATIVE TRANSACTIONS				COLLATERAL USED IN SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	15,342	27	12,590	-	838	-	2,759
2	Cash – other currencies	-	1,455	-	343	-	16	-	-
3	Domestic sovereign debt	259	262	270	3,734	-	26,727	-	33,578
4	Other sovereign debt	554	178	294	460	-	5,902	-	37,791
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	2	-	147	291	-	1,659	-	2,813
7	Equity securities	-	-	-	-	-	586	-	506
8	Other collateral	-	-	-	-	-	1,212	-	811
9	**TOTAL**	**815**	**17,237**	**738**	**17,418**	**-**	**36,940**	**-**	**78,258**

Compared to the previous half year, for derivatives, there was an increase in guarantees received for non-segregated accounts, due to an increase in exposures, mainly as a consequence of rising interest rates, while the SFT component showed an increase in guarantees granted and a decrease in guarantees received, referring to portfolio changes, mainly towards central counterparties.

Credit derivatives exposures as at 31 December 2022 (EU CCR6 Reg. 2021/637)

(millions of euro)

		Protection bought	Protection sold
	Notionals		
1	Single-name credit default swaps	7,582	7,882
2	Index credit default swaps	65,556	64,133
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	2,800	1,058
6	**Total notionals**	**75,938**	**73,073**
	Fair values		
7	Positive fair value (asset)	352	584
8	Negative fair value (liability)	-581	-362

The change seen during the half year (in particular, the decrease of around 7.6 billion euro and 8.6 billion euro in notional amounts, respectively for protection purchased and sold) is attributable to the reduction in purchases and sales of credit derivatives with the main sector indices and single names as underlyings, in addition to market movements that contributed to an additional decrease in fair value of the buy positions and a corresponding increase in the fair value of positions sold.

Exposures to CCPs as at 31 December 2022 (EU CCR8 Reg. 2021/637)

(millions of euro)

		EXPOSURE VALUE	RWEA
1	**Exposures to QCCPs (total)**		**285**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,879	77
3	*i) OTC derivatives*	*1,822*	*36*
4	*ii) Exchange-traded derivatives*	*377*	*7*
5	*iii) SFTs*	*1,680*	*34*
6	*iv) Netting sets where cross-product netting has been approved*	*-*	*-*
7	Segregated initial margin	-	
8	Non-segregated initial margin	5,804	117
9	Prefunded default fund contributions	1,115	91
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**2**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	1	2
13	*i) OTC derivatives*	*1*	*2*
14	*ii) Exchange-traded derivatives*	*-*	*-*
15	*iii) SFTs*	*-*	*-*
16	*iv) Netting sets where cross-product netting has been approved*	*-*	*-*
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Compared to the previous half year, there was an overall increase in exposures and in RWEAs with QCCPs, resulting mainly from higher initial margins posted to LCH SA and Cassa di Compensazione e Garanzia for repurchase transactions.

Section 12 – Securitisations

Qualitative disclosure

Securitisations: objectives and the roles undertaken

Originated securitisations

The originated securitisations of the Intesa Sanpaolo Group may be differentiated into:

- standard securitisations, structured with the objective of achieving economic benefits from the optimisation of the loan portfolio, the diversification of funding sources and the reduction of their cost (“standard originated securitisations” and “Asset Backed Commercial Paper programmes”) or in order to provide services to customers (“securitisations in which the Group acts as sponsor”).
- securitisations that, through the conversion of the loans sold into refinanceable securities, form part of the overall general policy of strengthening of the Group’s liquidity position and are not standard securitisations as they do not transfer the risk outside the Group (self-securitisations).

The Group conducts these transactions using Special Purpose Entities (SPEs), namely vehicles that enable an entity to raise resources through the securitisation of part of its assets. Generally, a package of assets (usually loans) are separated out from the financial statements of one party and subsequently transferred by that party to a vehicle which issues notes to finance the purchase, which are then placed on the market or through private placement. Funds raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash flows generated by the loans sold.

Standard originated securitisations

The securitisations in this category are as follows:

Securitisations carried out during the period

- ***GARC Securitisations***

  Within the “GARC” transactions, Intesa Sanpaolo completed six new synthetic securitisations during the year: GARC High Potential-2, GARC Residential Mortgages-3, GARC Leasing-2, GARC Corp-5, GARC CRE-1 and GARC Infrastructure-1. Specifically:

  i) For the GARC High Potential-2 transaction, the junior and mezzanine risk relating to a portfolio of around 0.5 billion euro in residential mortgages to around 7,000 retail customers, valued using internal models (Advanced IRB), was sold;
  ii) For the GARC Residential Mortgages-3 transaction, the upper junior and mezzanine risk relating to a portfolio of around 1.4 billion euro of high LTV residential mortgages to around 12,800 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;
  iii) For the GARC Leasing-2 transaction, the junior risk relating to a total portfolio of around 2.1 billion euro in finance leases to around 2,900 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
  iv) For the GARC CORP-5 transaction, the junior risk relating to a total portfolio of around 7.5 billion euro in loans to around 4,500 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
  v) For the GARC Commercial Real Estate-1 transaction, the junior risk relating to a total portfolio of around 1.9 billion euro in corporate and commercial real estate mortgage loans to around 150 counterparties in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
  vi) For the GARC Infrastructure-1 transaction, the junior risk relating to a total portfolio of around 2.3 billion euro in corporate and project finance loans in the infrastructure segment to around 200 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

  In compliance with the retention rule laid down by the supervisory regulations, for the first four transactions, Intesa Sanpaolo holds 5% of the securitised portfolio, while for the last two, it holds 10% of the securitised portfolio.

  The portfolios of the transactions mainly consist of customers operating in Northern Italy.

– ***Tranched Cover Fondo di Garanzia per le PMI Securitisation***
During 2022, as part of the operations with the Guarantee Fund for SMEs, the ramp-up was completed of four tranched cover transactions on the junior risk of portfolios of newly disbursed loans in support of businesses adversely affected by the COVID-19 emergency, for a total of around 0.6 billion euro to around 1,700 businesses.

For these transactions, Intesa Sanpaolo holds at least 10% of the securitised portfolios in compliance with the retention rule laid down by the supervisory regulations.

– ***Organa Securitisation***
As part of the derisking strategy envisaged in the 2022-2025 Business Plan, and, specifically, in line with the 2022 derisking plan approved by the Board of Directors on 21 December 2021, in April 2022, Intesa Sanpaolo completed a process to deconsolidate a loan portfolio classified as "bad loans", through a securitisation and subsequent application for issue of a "GACS" government guarantee for the holders of senior notes issued as part of the transaction, once those senior notes had obtained an investment grade rating of no less than BBB or equivalent, as envisaged by Italian Law no. 49/2016.
The portfolio to be sold, identified as at 31 December 2021 (cut-off date), has a Gross Book Value (GBV) of around 4 billion euro (accounting GBV at pre-closing values, before PPA).
Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:
- 31.2% North-West;
- 25.0% Centre;
- 22.5% South and Islands;
- 21.1% North-East;
- 0.2% Outside Italy.

The breakdown of the assigned debtors by economic sector was as follows:
- 18.6% Production companies;
- 16.1% Consumer households;
- 14.9% Construction companies;
- 13.8% Wholesale and retail;
- 13.3% Real estate business;
- 8.0% Services;
- 15.3% other business sectors (Agriculture, Transport, Manufacturing).

The sale transaction was structured in two main phases:
(i) Self-securitisation: in that phase, the sale of the portfolio to a securitisation vehicle, Organa SPV S.r.l. (SPV), established pursuant to Italian Law 130/99, was completed, with Intesa Sanpaolo fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. At the time of issue of the notes, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for said SPV. In this phase of the transaction, as the risks and rewards of the assets sold had not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. Concurrent with the issue of the securitisation notes, Moody's, DBRS and Scope issued ratings for the senior class of notes - investment grade "BBB" or equivalent;
(ii) "Placement of the subordinated securities and deconsolidation of the portfolio sold": in that phase, the sale of 95% of the Mezzanine and Junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 10 June 2022.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
- senior notes of 970 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes of 130 million euro, of which 6.5 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of 15 million euro, of which 0.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of that portfolio.

Taking into account the subscription of 100% of the senior notes and 5% of the junior and mezzanine notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

– ***Teseo Securitisation***

As part of the derisking strategy envisaged in the 2022-2025 Business Plan and, specifically, in line with the Board of Directors' resolution of 4 November 2022, on 21 November 2022 the sale of a performing loan portfolio deriving from leases originated by Intesa Sanpaolo was finalised through a securitisation pursuant to Law 130/99. The portfolio sold is composed of performing loans mainly in the Corporate SME segment (60% of the portfolio sold) and the Small Business Retail segment (26% of the portfolio sold) with a Gross Book Value (GBV) of around 3,761 million euro as at 31 October 2022 (date of identification of the portfolio).
As part of the transaction, in addition to being the originator, Intesa Sanpaolo is also the servicer of the portfolio.
The sale involved the transfer of the loans to the SPV, along with the transfer of the legal asset and liability relationships arising from the leases pertaining to the loans sold, where the ownership of the moveable and immovable property covered by those leases remained with Intesa Sanpaolo.

The securitised assets were broken down as follows by geographical area:
- 63.26% North;
- 23.76% Centre;
- 12.98% South and Islands.

The breakdown of the assigned debtors by economic sector was as follows:
- 27% Production companies;
- 22% Real Estate;
- 17% Wholesale and Retail;
- 34% other business sectors.

The breakdown by type of lease was as follows:
- 82.2% real estate leases;
- 10.5% equipment leases;
- 4.4% energy leases;
- 2.9% other (motor vehicles, aeronautical, etc.).

On 30 November 2022 the SPV financed the acquisition of the portfolio by issuing 4 classes of securities, two senior tranches, one fixed-rate and one floating-rate, both 100% subscribed by Intesa Sanpaolo. One mezzanine tranche and one junior tranche were 5% subscribed by Intesa Sanpaolo, in compliance with the retention rule laid down in the supervisory regulations. In detail:
- Class A1 – floating-rate senior – fully subscribed by Intesa Sanpaolo for a total of 2,632 million euro;
- Class A2 – fixed-rate senior – fully subscribed by Intesa Sanpaolo for a total of 564 million euro;
- Class B – mezzanine – subscribed by Intesa Sanpaolo for 9.4 million euro and the remainder by third parties;
- Class J – junior – subscribed by Intesa Sanpaolo for 20.5 million euro, at an issue price of 9.3 million euro, and the remainder by third parties.

With the completion of the transaction, Intesa Sanpaolo achieved full accounting and prudential deconsolidation of the portfolio.
More specifically, taking into account the retention of 5% of the classes issued (vertical slice), the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer". In addition, a significant credit risk transfer was carried out, in line with Article 244(2) of the CRR.
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used, have been classified as follows:
- the senior and mezzanine classes under securities at amortised cost;
- the junior class under securities at fair value through profit or loss (FVTPL).

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

Securitisations structured in previous periods

– ***Savoy Securitisation***

With a view to the reduction of the Group's risk profile envisaged in the 2018-2021 Business Plan, in 2018, a traditional securitisation was structured through the sale to the vehicle company Penelope SPV S.r.l. of a loan portfolio originated by Intesa Sanpaolo and by several Banks of the Banca dei Territori Division subsequently merged into Intesa Sanpaolo. The underlying consisted of loans classified as bad loans for a gross total value, at the cut-off date of 1 January 2018, of 10.8 billion euro (gross of adjustments). The securitised assets are mainly attributable to loans to businesses (including SMEs) with the following geographical distribution: 30% North West, 26% North East, 23% Centre and 21% South and Islands. The operation made it possible for the originators to derecognise the loans.
Within the transaction, Intrum Italy S.p.A. acts as special servicer.

The SPV financed the acquisition of the portfolio by issuing 3 classes of unrated notes. At the closing of the transaction, 3 December 2018, the notes had been issued and subscribed as follows:

- Senior tranche of 1,635.4 million euro, of which 364.5 million euro (22.3%) was subscribed by Banca IMI (now Intesa Sanpaolo) and the remainder by third parties;
- Mezzanine Tranche of 490.6 million euro, of which 240.4 million euro (49%) was subscribed by Intesa Sanpaolo and 51% by third-party investors;
- Junior tranche of 599.6 million euro, of which 293.8 million euro was subscribed by Intesa Sanpaolo (49%) and 51% by third-party investors.

In 2021, a refinancing transaction was carried out, acquiring an investment grade rating (higher than BBB) on its senior notes and a request for the "GACS" government guarantee~~.~~ Specifically, on 29 December 2021 the refinancing of Savoy was carried out, which reduced the risk profile of Intesa Sanpaolo which, following the refinancing, exited the subordinate component of the securitisation, retaining only the regulatory minimum to fulfil the requirements set out under the retention rule. Following the refinancing transaction, the situation of the notes changed as follows:

- Senior tranche of 983.6 million euro, of which 159 million euro (16.2%) held by Intesa Sanpaolo and the remainder by third parties;
- Mezzanine tranche of 143.6 million euro, of which 7.2 million euro (5%) held by Intesa Sanpaolo and the remainder by third-party investors;
- Junior tranche of 599.6 million euro, of which 30.0 million euro (5%) held by Intesa Sanpaolo and the remainder by third-party investors.

– ***Kerma Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, on 25 November 2019 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as unlikely to pay (UTP) by Intesa Sanpaolo to the securitisation vehicle Kerma SPV S.r.l. (SPV). The portfolio sold on 31 March 2019 (cut-off date) had a Gross Book Value (GBV) of around 3 billion euro and the sale price was around 2 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.

The sale was completed through the following steps:

(i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;
(ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;
(iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;
(iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:

- senior notes of around 1,258 million euro, subscribed by Intesa Sanpaolo;
- mezzanine notes of around 405 million euro, divided into around 270 million euro of class B1 notes, of which around 13 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and around 135 million euro of class B2 notes, of which around 7 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of around 135 million euro, of which around 7 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.
Taking into account the retention of 100% of the senior notes and 5% of the junior and mezzanine notes, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and

recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

In 2020, the sale of the lease portfolio was also carried out in two tranches, more precisely in March and November, for a GBV (Gross Book Value) of around 180 million euro on the sale dates at a price of around 116 million euro, substantially in line with the portfolio's NBV (Net Book Value).

- ***Yoda Securitisation***
  As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, in December 2020, Intesa Sanpaolo finalised the sale of a portfolio of bad loans through a securitisation backed by a "GACS" guarantee to a securitisation vehicle ("Yoda SPV S.r.l." or the "SPV").
  The portfolio had a GBV (Gross Book Value) of around 4.5 billion euro as at 30 June 2020 (cut-off date).

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Construction companies" at 30.9%;
- "Manufacturing" at 18.5%;
- "Distribution" at 16.6%;
- "Real estate business" at 13.6%;
- and a residual amount in other business sectors (Services, Transport, Agriculture, Fashion Industry, Finance and Insurance, Utilities, and others).

The securitised assets were broken down as follows by geographical area:
- 31.2% North-West;
- 23.9% North-East;
- 23.7% Centre;
- 20.8% South and Islands;
- 0.4% Outside Italy.

The transaction was structured in two main phases:
- "self-securitisation": in that phase, the sale of the portfolio to the SPV was completed, with ISP fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. Moreover, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for the SPV. In this phase of the transaction, as the risks and rewards of the assets sold have not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. Concurrent with the issue of the securitisation notes, Moody's, DBRS and Scope issued ratings for the Senior class of notes (i.e. BBB for DBRS Morningstar and Scope, Baa2 for Moody's);
- "placement of the subordinated securities and deconsolidation of the portfolio": in that phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 23 March 2021.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- senior notes of 1,010 million euro, 100% subscribed by Intesa Sanpaolo;
- mezzanine notes of around 210 million euro, 5% subscribed by Intesa Sanpaolo;
- junior notes of around 20 million euro, 5% subscribed by Intesa Sanpaolo.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Towers Securitisation***
  In 2016, Intesa Sanpaolo completed a securitisation via the sale without recourse of two portfolios of performing consumer loans for around 2.6 billion euro, through Accedo, a wholly-owned consumer credit company dedicated to consumer credit distribution channels outside the Group. The two portfolios – one relating to salary-backed loans and the other to car and special-purpose loans – were sold to two specially created vehicle companies (Towers CQ S.r.l. and Towers Consumer S.r.l.), independent of the Intesa Sanpaolo Group and managed by a third-party servicer, which funded the purchase price by issuing asset-backed securities. The senior and mezzanine securities of the portfolio consisting of salary-backed loans have a Moody's rating of Aa2 and A2 respectively. At the start of the securitisation:
- the junior tranches were subscribed by the leading investment company Christofferson Robb & Company;
- the senior and mezzanine tranches were subscribed by a pool of international banks, led by Banca IMI (now Intesa Sanpaolo) and also made up of Citigroup, Goldman Sachs International and JP Morgan;

- Accedo (now Intesa Sanpaolo) subscribed 5% of each of the tranches issued, in compliance with the retention rule laid down by the supervisory regulations.

For the Towers CQ securitisation, in 2018 a first refinancing carried out on instruction from the holder of the class C (junior) notes resulted in those notes being split into two classes, a M (mezzanine) class and a J (junior) class, on which Intesa Sanpaolo maintained its retention through a vertical slice.
Following the redemption of the tranche A (senior) in the first half of 2020, the majority junior investor (Precise Credit Solution) requested a new refinancing by means of publication on the Luxembourg stock exchange, which consisted of the full repayment of the class B (mezzanine) and M (mezzanine) notes against the issue of a new A1 (senior) class, and the partial repayment of the J (junior) class.

- ***Securitisations of the former Banca Popolare di Vicenza***

As at 31 December 2017, there were nine multi-originator securitisations outstanding that had been carried out in accordance with Law 130/1999 (involving Banca Nuova and the former Banca Popolare di Vicenza) named Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS, Berica ABS 2, Berica ABS 3, and Berica ABS 4.
For all of these securitisations, the conditions for derecognition envisaged by the accounting standards did not apply and, therefore, these loans were recognised in the financial statements. The underlying assets of these securitisations all consist of mortgage loans on residential properties.
During 2018, the transactions named Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS and Berica ABS 2 were terminated.
As at 31 December 2022, the Berica ABS 3 securitisation was outstanding.

- ***K-Equity Securitisation***

From 2015 to 2017, the Intesa Sanpaolo Group sold non-performing exposures to several borrower companies through two different securitisations. Other Italian banks also participated in the securitisations.
The securitisations consisted of the transfer of their credit exposures with several industrial companies to specifically established third-party entities, in order to enable their value enhancement through financial and industrial restructuring.
That transfer specifically fulfils the purpose of ensuring the management of said exposures by entities established and managed by specialised third parties to maximise the recovery of the securitised exposure by using the know-how and experience of the parties involved in the financial and industrial restructuring processes and, possibly, the granting of new financing by third party investors to benefit the transferred debtors.
Among other things, the transaction involved the use of securitisation companies established pursuant to Law 130/99 (Pillarstone Italy SPV S.r.l and Norma SPV S.r.l), which purchase and securitise the credit exposures and, where necessary, provide new lending to the transferred borrowers.
The Group does not hold investments in the companies mentioned above and, thus, these are third parties independent of Intesa Sanpaolo and the other banks involved in the transaction.
The SPVs contributed to the execution of the securitisations by issuing senior, mezzanine and junior notes, fully subscribed by each bank in the amount due to each of them. Therefore, each securitisation regards the loans due to the selling banks from a single debtor.
At the time of the sale, the exposures were not derecognised either from the financial statements or for prudential purposes. Against said sales, in addition to the notes mentioned above, Super Senior notes subscribed by third parties were also issued. All the securities issued lacked external ratings.
The following main events took place in 2020:

- closure of a transaction relating to receivables in the graphic paper sector, following a refinancing involving Intesa Sanpaolo, which resulted in the termination of the agreements with the Pillarstone platform;
- transfer of loans object of a transaction in a newly created Alternative Investment Fund, called RSCT Fund, as part of the derisking envisaged in the 2018-2021 Business Plan. For more details, see Part E – D. Sales of the Consolidated Financial Statements as at 31 December 2020;
- following the approval of the Bankruptcy Arrangement for a major shipowning group, in the first quarter of 2020, Norma SPV S.r.l., through Norma Reoco, acquired ownership of five vessels, resulting in the discharge of the shipowning group's debt towards the SPV. As a result, in accordance with IFRS 9, Intesa Sanpaolo derecognised these loans from its balance sheet and recognised the notes subscribed in the securitisation at fair value.

While no significant changes were recorded in 2021, during 2022, in performance of a restructuring agreement certified pursuant to Article 67 of the Bankruptcy Law for an important company operating in the shipping sector (through a fleet of tankers and dry vessels), Pillarstone Italy SPV S.r.l. wrote off a portion of the credit exposure due from that company, with a view to strengthening the capital of the company. As a result, in accordance with IFRS 9, Intesa Sanpaolo derecognised these loans from its balance sheet and recognised the corresponding notes subscribed at the time in the securitisation at fair value.

- ***Securitisations of the former UBI Group***

As at 31 December 2022, the following five securitisation transactions were outstanding, deriving from the acquisition of the former UBI Group by the Intesa Sanpaolo Group, while the UBI2018 – RegCap2 securitisation was subject to early termination in accordance with the contractual provisions:

- ***UBI2017 - SME FEI Securitisation***

  The "UBI2017 - SME FEI" synthetic securitisation, carried out at the end of 2017, consists of a portfolio of medium/long-term loans to performing counterparties represented by SMEs (over 80%) and Small Mid Cap companies, mainly located in Southern Italy.

Three tranches have been issued within this transaction: a senior tranche subscribed by UBI Banca, and a mezzanine tranche and junior tranche subscribed by the EIF.
For this transaction, UBI Banca (now Intesa Sanpaolo) holds 50% of the securitised portfolio to comply with the retention rule laid down by the supervisory regulations.

- ***UBI2018 – RegCap-2 Securitisation***
  The "UBI2018 - RegCap-2" synthetic securitisation, carried out at the end of 2018, is the second market transaction carried out by the former UBI Banca Group (the first one, UBI2017-RegCap1, was closed in July 2020).
  The underlying portfolio consists of medium/long-term loans granted to performing Corporate, Corporate SME and Retail SME counterparties, mainly located in Northern Italy.
  Two tranches have been issued within this transaction: a senior tranche subscribed by UBI Banca, and a junior tranche subscribed by a market counterparty.
  This is a funded transaction and involves the deposit of the entire amount of the guarantee by the subscriber of the junior tranche.
  For this transaction, UBI Banca (now Intesa Sanpaolo) holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
  The transaction was subject to early termination in accordance with the contractual provisions in the second half of 2022.

- ***UBI2019 – RegCap-3 Securitisation***
  The synthetic securitisation "UBI2019 - RegCap-3", carried out at the end of 2019, is the third market transaction carried out by the former UBI Banca Group.
  The underlying portfolio consists of medium/long-term loans granted to performing Corporate and Corporate SME counterparties, mainly located in Northern Italy.
  Two tranches have been issued within this transaction: a senior tranche, subscribed by UBI Banca, and a junior tranche subscribed pro rata by two market counterparties.
  In line with the previous market securitisations, this is also a funded transaction and involves the deposit of the entire amount of the guarantee by the two subscribers of the junior tranche.
  For this transaction, UBI Banca (now Intesa Sanpaolo) holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

- ***Maior and Iseo Securitisations***
  In 2018 and 2019, the former UBI Banca Group carried out two traditional securitisations with a "GACS" government guarantee (Law Decree 18 of 14 February 2016 - "GACS") aimed at deconsolidating loans classified as bad loans.
  Against the sale of the loans, the SPV issued three sets of asset-backed securities: senior (rated), mezzanine and junior. UBI Banca initially subscribed the entire issue and then sold 95% of the mezzanine and junior tranches, while retaining the entire senior note backed by the GACS government guarantee, in addition to 5% of the remaining tranches in compliance with the retention requirement laid down by the applicable regulations.

- ***Sirio Securitisation***
  As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, in December 2020, UBI Banca (now merged into Intesa Sanpaolo) finalised the sale of a portfolio of bad loans through a securitisation backed by a "GACS" guarantee to a securitisation vehicle ("Sirio SPV S.r.l." or the "SPV").
  The portfolio had a GBV (Gross Book Value) of around 1 billion euro as at 31 December 2019 (cut-off date).

  The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
  - Non-financial companies - around 77%;
  - Financial companies - around 1%;
  - Other - around 22%.

  The securitised assets were broken down as follows by geographical area:
  - North - around 52.5%;
  - Centre - around 29%;
  - South and Islands - around 18%;
  - Outside Italy - around 0.5%.

  The transaction was structured in two main phases:
  - "self-securitisation": in that phase, the sale of the portfolio to the SPV was completed, with UBI Banca fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. Moreover, UBI Banca disbursed a loan with limited recourse as a liquidity facility for the SPV. In this phase of the transaction, as the risks and rewards of the assets sold have not yet been transferred, the portfolio continued to be consolidated in the UBI Banca financial statements. Concurrent with the issue of the securitisation notes, DBRS Morningstar and Scope issued investment grade ratings for the Senior class of notes;
  - "placement of the subordinated securities and deconsolidation of the portfolio": in that phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 2 April 2021.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- senior notes of around 290 million euro, 100% subscribed by UBI Banca;
- mezzanine notes of around 35 million euro, 5% subscribed by UBI Banca;
- junior notes of around 10 million euro, 5% subscribed by UBI Banca.

In that regard, the notes subscribed by UBI Banca, due to the business model used and the look-through test carried out, also in line with the approach adopted by Intesa Sanpaolo, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Kerdos Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18 December 2020, on 15 November 2021 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as unlikely to pay (UTP) by Intesa Sanpaolo to Kerdos SPV S.r.l. (SPV). The portfolio sold on 30 April 2021 (cut-off date) had a Gross Book Value (GBV) of around 2 billion euro (accounting GBV before PPA) and the sale price was around 0.7 billion euro, substantially in line with the portfolio's Net Book Value (NBV).

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
- senior notes of 534.7 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes totalling 171.9 million euro, divided into 76.4 million euro of class B1 notes, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and 95.5 million euro of class B2 notes, of which 4.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of 57.3 million euro, of which 2.9 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

As part of the de-risking strategy envisaged in the new 2022-2025 Business Plan and, specifically, in line with the 2022 de-risking plan, in October 2022, Intesa Sanpaolo completed a process to deconsolidate an additional portfolio of loans mainly classified as unlikely to pay (UTP) to Kerdos SPV S.r.l. (SPV). Given that the parties involved (investors and servicers) in the two sales were the same, and the same type of asset class was sold, the two securitisations were combined.
In this context, the contractual documentation of the securitisation finalised in 2021 was amended to permit: i) the purchase by the same SPV (Kerdos SPV S.r.l.) and the same LeaseCo (Kerdos LeaseCo S.r.l.) of an additional portfolio of UTP; and ii) the purchase of any future UTP portfolios.
As at 31 December 2021 (cut-off date), the additional portfolio sold had a Gross Book Value (GBV) of around 1.9 billion euro (accounting GBV before PPA) and the sale price was around 0.5 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:
- 33.8% North-West;
- 32.6% Centre;
- 18.3% North-East;
- 14.5% South and Islands;
- 0.8% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Construction companies" at 19.1%;
- "Manufacturing" at 17.7%;
- "Real estate business" at 12.3%;
- "Households" at 10.4%;
- "Transport and storage" at 8.9%;
- and in other residual business sectors (including Professional Services, Wholesale and Retail, and Accommodation).

The sale was completed, as described above, through a securitisation combined with the one concluded in November 2021, in the following steps:
(i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;
(ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;
(iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;
(iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of

Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The SPV financed the acquisition of the portfolio by modifying the existing notes. Nonetheless, the subscription percentages remained unchanged (senior tranche subscribed entirely by Intesa Sanpaolo, mezzanine and junior tranches subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations):
– senior notes of around 759 million euro, fully subscribed by Intesa Sanpaolo;
– mezzanine notes of around 239 million euro, of which around 11.9 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
– junior notes of around 77 million euro, of which around 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation also of the new portfolio sold.

Taking into account the subscription of 100% of the senior notes and 5% of the junior and mezzanine notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
– senior tranches under securities at amortised cost;
– mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

– ***Portland Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18 December 2020, on 29 November 2021 the transaction was completed for the sale through a securitisation of a portfolio of bad loans mainly related to leases by Intesa Sanpaolo Provis and UBI Leasing (subsequently merged into Intesa Sanpaolo) to Portland SPV S.r.l. (SPV). The portfolio sold consisted of lease-related bad loans mainly from the Corporate SME segment with a Gross Book Value (GBV) of around 1 billion euro (accounting GBV before PPA) as at 31 December 2020 (cut off date) and sold at a price of around 0.2 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The sale was completed in the following steps:
(i) the transfer of the loans to the SPV;
(ii) the transfer of the legal relationships arising from the leases pertaining to the loans sold, as well as the ownership of the movable and immovable property subject of those leases to a LeaseCo named Portland LeaseCo S.r.l.

The securitised assets were broken down as follows by geographical area:
– 40.6% North-West;
– 14.4% North-East;
– 30.8% Centre;
– 14.1% South and Islands;
– 0.1% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the Production Companies sector at 84%, while the remaining 16% was split across the other economic sectors.

The SPV financed the acquisition of the portfolio by issuing 3 classes of notes. The senior, mezzanine and junior tranches were subscribed 95% by third parties and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
– senior notes of 143.2 million euro, of which 7.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
– mezzanine notes of 75.3 million euro, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
– junior notes of 4.6 million euro, of which 0.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

Taking into account the retention of 5% of the senior, mezzanine and junior notes, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Grogu Securitisation***

Following the acquisition of the UBI Group, Intesa Sanpaolo transferred a business line to BPER, which included a portfolio of bad loans. Intesa Sanpaolo and BPER then jointly initiated a sale involving the deconsolidation of a portfolio of bad loans, mainly in the “Corporate SME” and “Retail” segments, through a multi-originator and multi-servicer securitisation to a securitisation vehicle (below “Grogu SPV s.r.l.” or the “SPV”) and with a subsequent application for the issuance of a “GACS” government guarantee for the holders of the senior notes issued under transaction, once those senior notes had obtained an investment grade rating of no less than BBB or equivalent, as envisaged by Italian Law no. 49/2016.

The portfolio owned by Intesa Sanpaolo had a GBV (Gross Book Value) of around 1.4 billion euro (accounting GBV before PPA) as at 31 May 2021 (cut-off date).
Within the transaction, Intrum Italy S.p.A. and Prelios Credit Servicing S.p.A. act as special servicers.

The securitised assets were broken down as follows by geographical area:
- 38.1% North-West;
- 36.9% Centre;
- 16.5% South and Islands;
- 8.5% North-East.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Construction companies" at 28.4%;
- “Households” at 24.8%;
- "Real estate business" at 14.0%;
- “Manufacturing" at 12.1%;
- “Motor vehicle trading and repair” at 9.2%;
- and a residual amount in other business sectors (Professional Services, Transport and Accommodation).

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- senior notes of 460 million euro, held 100% by Intesa Sanpaolo and BPER;
- mezzanine notes of 37 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor;
- junior notes of 3 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor.

The subscription percentages comply with the retention rule laid down in supervisory regulations as a percentage of the transferred portfolio. Taking into account the retention, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

On 20 December 2021, following the sale of 95% of the mezzanine and junior notes to third party investors, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the above-mentioned portfolio.
On 24 December 2021, the request was made for the issuance of the “GACS” government guarantee, which was granted on 19 April 2022.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan and specifically in the 2021 de-risking plan approved by the Board of Directors on 18 December 2020.

– ***GARC Securitisations***

In 2014, Intesa Sanpaolo launched the "GARC" (Active Credit Risk Management) project to create a platform to monitor credit risk in performing portfolios. The initiative involves the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending to customers. This type of transactions provides synthetic hedging of default risk (failure-to-pay, bankruptcy and restructuring) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation no. 575/2013, as amended).

Within this operation, the following synthetic securitisations were carried out – and still outstanding in 2022 – through the sale to specialist investors of the junior and/or mezzanine risk relating to:

- during 2018:
  - a portfolio of around 4 billion euro in loans to approximately 8,400 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-7 transaction[27]);
  - a portfolio of around 4 billion euro in loans to approximately 215 businesses in the Corporate regulatory segment (GARC CORP-1 transaction[28]).

  For those transactions, Intesa Sanpaolo holds 100% of the senior tranches and 5% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.
- during 2019:
  - a portfolio of around 4.3 billion euro in loans to approximately 9,600 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-8 transaction);
  - a portfolio of around 4 billion euro in loans to approximately 190 businesses in the Corporate regulatory segment (GARC CORP-2 transaction);
  - a portfolio of around 900 million euro of mortgage loans issued by Barclays to around 10,800 retail customers and purchased by Intesa Sanpaolo during 2019 (GARC Residential Mortgages-1).

  For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
- during 2020:
  - a portfolio of around 1.5 billion euro in finance leases to approximately 2,500 businesses in the Corporate regulatory segment (GARC Leasing-1 transaction). For that transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - a portfolio of around 3.1 billion euro in loans to approximately 500 businesses in the Corporate regulatory segment (GARC CORP-3 transaction). For that transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - a portfolio of around 1.3 billion euro in loans and leases relating to 42 projects on renewable energy, mainly located in Italy (GARC Energy Renewables-1 transaction). For that transaction, Intesa Sanpaolo holds 10% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

  Also during 2020, as part of the GARC SME-9 operation, the mezzanine risk relating to a portfolio of approximately 1.8 billion euro in loans to approximately 4,000 businesses in the Corporate and Corporate SME regulatory segments was transferred to the European Investment Fund (EIF). The initiative, realised in cooperation with the European Investment Bank (EIB), aims to provide new loans totalling 450 million euro to SMEs and midcaps damaged by the emergency caused by the COVID-19 epidemic. For this latter transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
- during 2021:
  - a portfolio of around 1.4 billion euro in loans to approximately 4,500 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-10 transaction);
  - a portfolio of around 1.3 billion euro in mortgage loans to approximately 13,500 customers in the retail regulatory segment (GARC Residential Mortgages-2 transaction);
  - a portfolio of around 0.5 billion euro in loans to approximately 1,300 businesses in the Corporate and Corporate SME regulatory segments (GARC High Potential-1 transaction);
  - a portfolio of around 3.1 billion euro in loans to approximately 550 businesses in the Corporate and Corporate SME regulatory segments (GARC CORP-4 transaction).

  For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

For a description of the 2022 transactions, related to the "GARC" Project, see the section "Securitisations carried out during the period".

– ***Tranched Cover Piemonte Securitisation***

A tranched cover synthetic securitisation was initiated in 2016 – also under the "GARC" Project – on newly-issued portfolios promoted by the Piedmont Regional Authority under the 2007/2013 Regional Operational Programme funded by the European Regional Development Fund, for the objective "Regional competitiveness and employment" – Axis 1 – Activity I.4.1 Measure to support access to credit for SMEs in Piedmont through the establishment of the Tranched Cover Piemonte Fund. The transaction provided for the granting of a total (initial) portfolio of new loans of 60 million euro to around 350 enterprises in Piedmont.
For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

[27] In 2022, the transaction was subject to early termination in accordance with the contractual provisions.

[28] In 2022, the transaction was subject to early termination in accordance with the contractual provisions.

- ***SME Initiative Italy Securitisation***
  In 2017, the synthetic securitisation "SME Initiative Italy" (SMEI), part of the "GARC" Project, was completed on a portfolio of performing loans granted by Banco di Napoli to SMEs and Small Mid-Caps located in Southern Italy. This initiative was jointly financed by the Ministry of Economic Development and the European Commission and the EIB Group - European Investment Bank and European Investment Fund. The transaction involves the issue of a personal guarantee by the European Investment Fund on the investments in the junior, lower mezzanine, middle mezzanine and upper mezzanine tranches, which covers the credit risk relating to a portfolio of around 500 million euro of loans to around 1,400 businesses in the Corporate and Corporate SME regulatory segments. In exchange for that guarantee, the Bank undertook to provide new funds to support lending to SMEs in Southern Italy.
  For this transaction, Intesa Sanpaolo holds 100% of the senior tranche, 5% of the mezzanine tranches and 50% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

- ***Central Guarantee Fund Tranched Cover Securitisation***
  In 2018, tranched cover synthetic securitisations, supported by the Guarantee Fund for SMEs, were initiated, which allow businesses to access the benefits provided for by Law no. 662/96, aimed at facilitating access to new credit for Italian SMEs. Those transactions are financed by the Ministry of Economic Development and entail the issuance of a personal guarantee by the Guarantee Fund for SMEs.
  As part of those transactions, the following initiatives were implemented, which were still outstanding in 2022:
  - during 2018, the coverage of the risk of first losses was requested, in relation to four portfolios of newly disbursed loans, each amounting to around 300 million euro, whose disbursements were started in 2018 and were completed by the second half of 2019. For those transactions, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations;
  - during 2020, admission to the guarantee of the Fund was requested for a newly issued portfolio dedicated to new entrepreneurship in the Veneto Region, whose disbursements were then completed in the second half of 2020, for a total amount of around 15 million euro, to around 90 businesses in the Veneto Region. For that transaction, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - during 2021:
    - the ramp-up of a portfolio of around 37.4 million euro to around 230 businesses was completed, whose request for admission to the guarantee of the Fund was submitted in 2019. For that transaction, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
    - the ramp-up was completed of a portfolio of around 8.8 million euro to around 100 businesses, relating to the "Tranched Cover Confcommercio" synthetic securitisation, dedicated to member companies of Confcommercio and local Credit Guarantee Consortia, whose request for admission to the guarantee of the Fund was submitted in 2019. For this transaction, Intesa Sanpaolo holds 100% of the senior tranche and 20% of the junior and mezzanine tranches in compliance with the retention rule laid down by the supervisory regulations.

- ***"Tranched Cover Piemonte 2017" Securitisation - Lines B and A***
  In 2019 – again as part of the "GARC" Project – a "Line B" portfolio was completed relating to a tranched cover synthetic securitisation on newly-issued portfolios promoted by the Piedmont Regional Authority under the 2014-2020 Regional Operational Programme of the European Regional Development Fund – Axis III "Competitiveness of production systems" – Thematic Objective III.3 "Promoting competitiveness of SMEs" – "Measure to support access to credit for piedmontese SMEs through the establishment of the 2017 Tranched Cover Piemonte Fund". This transaction involves the issue of collateral on the junior tranche by Finpiemonte S.p.A. and on the mezzanine tranche by Ascomfidi Nord-Ovest Società Cooperativa, to cover the credit risk relating to a portfolio of around 7.5 million euro of loans to around 150 companies in Piedmont, for which the disbursements were completed in 2019. For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the mezzanine and junior tranches in compliance with the retention rule laid down by the supervisory regulations.
  In 2020, the "Line A" portfolio was finalised, which involves the issue of collateral on the junior tranche by Finpiemonte S.p.A. to cover the credit risk relating to a portfolio of around 109 million euro of loans to around 500 companies in Piedmont. For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

Securitisations for which the Group acts a sponsor

- ***Muttley and Setafia Securitisations***
  In 2015, Banca IMI (now incorporated into Intesa Sanpaolo) sponsored two securitisations of trade receivables, respectively in the furniture and furnishing sector for 55 million euro (later reduced to 48 million euro) and in the pharmaceutical sector for 80 million euro (later reduced to 40 million euro). Receivables generated by primary customers of the Group were purchased by special purpose vehicles established pursuant to Law 130/99 (Muttley and Setafia respectively) which proceeded to securitise the risk by issuing securities. The vehicles Muttley S.r.l., Setafia SPV S.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc were used for these transactions. All the securities issued are unrated.
  In 2020, there were no significant changes for the Setafia transaction, whereas the Muttley transaction was restructured, as a result of which the Intesa Sanpaolo Group ceased to be a sponsor and the amount of the programme was reduced to 42 million euro.
  In line with 2021, during 2022, there were no significant changes for the Setafia transaction.

- ***Bayon Securitisation***
In 2018, Banca IMI (now merged into Intesa Sanpaolo) and the Parent Company sponsored a securitisation of trade receivables in the telephony sector for 200 million euro. Receivables generated by primary customers of the Group were purchased by a special purpose vehicle established pursuant to Law 130/99 (Bayon S.r.l.) which proceeded to securitise the risk by issuing various classes of notes subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc and Luxembourg-registered vehicles. All the securities issued are unrated.
In 2019, the Telefonia 3 transaction was restructured and fully transferred to the Bayon programme, whose securitised portfolio increased to 663 million euro. In 2020, the transaction was increased to a total of 800 million euro, while in 2021 there were no significant changes. During 2022, the programme was decreased to 700 million euro.

- ***Food & Beverages Securitisation***
The transaction was initially carried out in several tranches starting from 2012, on portfolios of trade receivables in the food & beverages sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group. The risk of the portfolio was subsequently securitised. In relation to the receivables, limited recourse loans were disbursed with different levels of subordination. At the end of 2017, the nominal value of the securitised loans was 626 million euro. For these transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2018, this transaction was restructured so that the Intesa Sanpaolo Group could act as sponsor. The new structure involves: i) the sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from the sellers to Intesa Sanpaolo and the sale of the loans by Intesa Sanpaolo to a vehicle company pursuant to Law 130/99 (Massi S.r.l) or ii) the sale without recourse pursuant to Law 130/99 (securitisation law), which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicles.
At the end of 2021, the platform had reached a total amount of 561 million euro, slightly down on the previous year, due to an originator that left the platform.
At the end of 2022, the total amount of the programmes was 580 million euro.

- ***Electricity Securitisation***
This transaction was conducted in 2011 on a portfolio of trade receivables in the electricity sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group.
The risks of the portfolio of receivables were subsequently securitised. In relation to these receivables, limited recourse loans were disbursed and/or tranches of securities without ratings were issued with different levels of subordination.
In March 2018, the programme was increased from 900 million euro to around 1,500 million euro. To close the transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2019, this transaction was restructured so that the Intesa Sanpaolo Group could act as sponsor and was further increased to 1,620 million euro. In the second half of 2019, the seller of the Fuel 2 transaction, which operates in the gas sector, both for retail and large customers, was added, increasing the amount of the transaction to 1,640 million euro at the end of 2021.
The new structure involves the sale without recourse pursuant to Law 52/91 on factoring of loan portfolios from the sellers to Intesa Sanpaolo, which in turn sells the loans to a vehicle company pursuant to Law 130/99 (Mawala S.r.l.), which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicle companies.
At the end of 2022, the maximum amount of the programme was raised to 2,440 million euro.

- ***Automotive, Electronics and Mechanics Securitisation***
The transaction has been carried out in several tranches starting from 2012, on portfolios of trade receivables in the automotive, electronics & mechanics sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group. The risk of the portfolio was subsequently securitised. In relation to the sale of the receivables, recourse loans were disbursed with different levels of subordination. At the end of 2018, the nominal value of the securitised loans was 457 million euro. For these transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2019, this transaction was restructured so that Banca IMI (now Intesa Sanpaolo) could act as sponsor and comply with the minimum requirements of the retention rule laid down by the supervisory regulations. The new structure involves: i) the sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from the originators to Intesa Sanpaolo, which in turn sells the loans to a vehicle company pursuant to Law 130/99 (Manno SPV S.r.l.), or ii) the sale without recourse pursuant to Law 130/99 (securitisation law) of loan portfolios from the originators to the vehicle company Manno SPV S.r.l., which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicle companies. At the end of 2021, the platform had reached a total amount of 758 million euro, due to the addition of other originators. At the end of 2022, the total amount came to 968 million euro, due to the further addition of other originators.

- ***Steel Securitisation***
  In 2019, a new transaction was structured for the revolving disposal of trade receivables from Italian industrial customers and arising from the transformation of steel into processed products, for a maximum amount of the programme of 100 million euro. The seller for the transaction is a company belonging to a leading group in the steel sector in Italy. The structure involves the sale without recourse of receivables to a securitisation vehicle established pursuant to Law 130/99 (Massi S.r.l.). In relation to these receivables, tranches of securities without ratings were issued with different levels of subordination subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo as sponsor and Luxembourg-registered vehicle companies. During 2021, the amount of the programme was increased to 200 million euro.
  In 2022, there were no significant changes.

- ***Electricity 2 Securitisation***
  In 2019, a new transaction was structured for the revolving disposal of trade receivables from leading Italian companies in the distribution of electricity in Italy.
  The receivables are of two types: receivables deriving from the transport of electricity billed monthly to several selected debtors and receivables that the originator accrues annually following investments made to improve the distribution grid.
  The structure of the transaction involves the sale of trade receivables pursuant to Law 52/91 (factoring law) to Intesa Sanpaolo, which simultaneously sells those receivables to a vehicle company set up pursuant to Law 130/99 (Mawala S.r.l.), which finances the purchase of the receivables through the issue of tranches of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo as sponsor and Luxembourg-registered vehicle companies.
  In 2021, the transaction was increased to 780 million euro. During 2022, the programme was further increased to 950 million euro.

- ***Sole Debtor Securitisation***
  In 2020, a transaction was carried out involving the securitisation of trade receivables originating from sundry sellers operating in the tertiary and services sector due from entities of the Intesa Sanpaolo Group up to a maximum financed amount of 192 million euro.
  The structure of the transaction involves the sale of the receivables to a vehicle company set up pursuant to the Securitisation Law 130/99 (Massi S.r.l.), which finances the purchase of the receivables through the issue of tranches of asset-backed securities subscribed by Duomo Funding Plc, Intesa Sanpaolo (as sponsor, which also complies with the minimum requirements of the retention rule laid down by the supervisory regulations) and Luxembourg-registered vehicle companies. In line with 2021, in 2022, there were no significant changes.

- ***ABB Securitisation***
  In 2022, Intesa Sanpaolo sponsored a securitisation of a revolving portfolio of trade receivables for a target maximum amount of 200 million euro, due from customers of Intesa Sanpaolo defined as "High Risk". The receivables were purchased by a vehicle established pursuant to Law 130/99 (ABB SPV S.r.l.) which, as part of the securitisation, finances its operations by issuing asset-backed securities subscribed by Intesa Sanpaolo which - as sponsor - also complies with the minimum requirements of the retention rule laid down by the supervisory regulations and by a third party investor.

Asset-Backed Commercial Paper (ABCP) programmes

Intesa Sanpaolo controls and consolidates the following line-by-line, pursuant to the IAS/IFRSs:

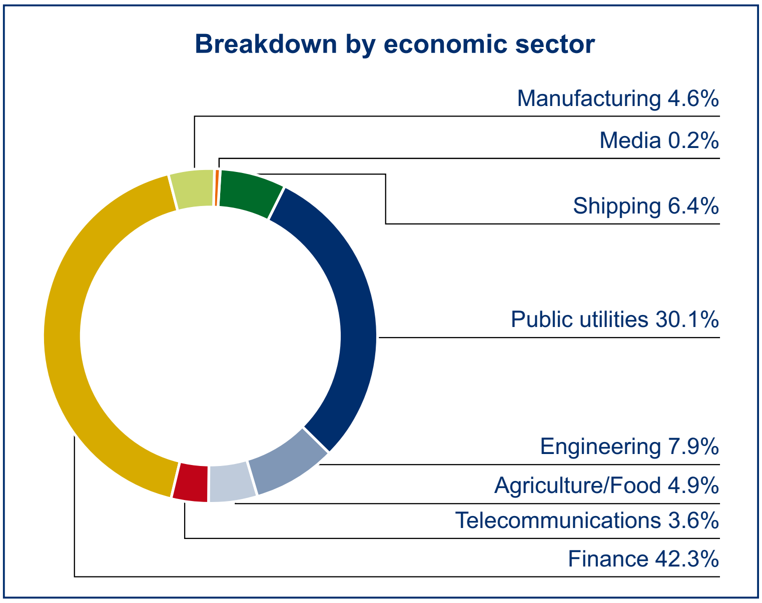
- ***Romulus Funding Corporation***
  a company based in the USA with the mission of purchasing financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and financing purchases by issuing Asset-Backed Commercial Papers;

- ***Duomo Funding PLC***
  an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

Romulus Funding Corporation and Duomo Funding Plc are asset-backed commercial paper conduits of the Intesa Sanpaolo Group, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international asset-backed commercial paper market. The assets originated by European customers are purchased by Duomo, whereas Romulus is responsible for U.S. assets and fund-raising on the U.S. market through the issuance of asset-backed commercial paper. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, U.S. investors gradually divested without the vehicle being able to find new third-party investors with which to place the asset-backed commercial papers.
The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
Companies are not generally permitted to take foreign-exchange positions.
As at 31 December 2022, the assets of Romulus included 6.8 billion euro in loans to the vehicle Duomo.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 6.8 billion euro, almost all of which has been subscribed by the Parent Company, Intesa Sanpaolo.

With regard to the portfolio of the vehicle Duomo, at the end of 2022 this portfolio mainly consisted of securities of 9.9 billion euro.
The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up approximately 1% of the total consolidated assets.
The portfolio risk of the two vehicles is approximately 54.4% accounted for by trade receivables and the remainder by consumer loans (19.0%), loans deriving from lease contracts (3.1%), factoring contracts (2.6%), mortgage loans (0.1%), loans to SMEs (14.2%), loans/lease contracts to pharmaceutical companies (0.6%) and VAT credits (1.2%).
The eligible assets held by the vehicles are mainly expressed in euro (97.6% of the total portfolio). The remainder is broken down into British pounds (2.72%), US dollars (0.11%), Polish zloty (0.006%), Australian dollars (0.01%) and Mexican pesos (0.03%).

The following information is provided concerning the portfolio of eligible assets.



With regard to the rating breakdown of the loan portfolio, 98% does not have a rating and the remaining 2% is rated above "A".
With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 93% of the debtors are located in Italy.

Self-securitisations

A summary of the securitisations originated by the Intesa Sanpaolo Group outstanding as at 31 December 2022 is shown below, in which the Group subscribed all the securities issued by the related vehicle (self-securitisations).

– ***Brera Sec S.r.l.***
  In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018 and Cassa di Risparmio in Bologna). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group's first Multi-Originator Residential Mortgage Backed Security ("RMBS") securitisation.
  Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
  Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
  The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
  Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio, and therefore today they have been fully subscribed by Intesa Sanpaolo.
  The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
  The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.
  The senior securities are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.
  As at 31 December 2022, the value of the outstanding subscribed securities was 2,831 million euro for the senior securities and 1,067 million euro for the junior securities.

- ***Brera Sec S.r.l. (SEC 2)***
  In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.
  The transaction involved the issuance on 27 November 2019 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
  Both the senior and junior securities were subscribed by Intesa Sanpaolo.
  The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
  Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
  The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.
  The senior securities are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.
  As at 31 December 2022, the value of the outstanding securities was 4,523 million euro for the senior securities and 860 million euro for the junior securities.

- ***Brera Sec S.r.l. (SEC 3)***
  In October 2021, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.
  The transaction involved the issuance on 1 December 2021 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
  Both the senior and junior securities were subscribed by Intesa Sanpaolo.
  The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
  Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
  The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.
  The senior securities are listed with an A1 Moody's and an A (High) DBRS Morningstar rating.
  As at 31 December 2022, the value of the outstanding securities was 6,515 million euro for the senior securities and 725 million euro for the junior securities.

- ***Clara Sec S.r.l.***
  In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.
  The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
  The transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.
  Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).
  Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
  The transaction involved the issuance by the vehicle company of two tranches of securities on 23 June 2020: a listed senior tranche with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without a rating.
  Both the senior and junior securities were subscribed by Intesa Sanpaolo.
  The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
  The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.
  The senior securities are listed with an A1 Moody's and an A DBRS Morningstar rating.
  A sale of 1.4 billion euro was finalised in February 2022, followed by a repurchase of 88 million euro in April and a sale of 1.5 billion euro in October.
  As at 31 December 2022, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

- ***Giada Sec S.r.l.***
  In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.
  The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 10.1 billion euro.
The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.
A sale of 1.7 billion euro was finalised in May 2022.
As at 31 December 2022, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

– ***Giada Sec S.r.l. (Giada BIS)***
In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the "large corporate" segment, to the special-purpose vehicle Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 15.2 billion euro.
The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.
As at 31 December 2022, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

The Adriano Lease SEC S.r.l. and Brera Sec S.r.l. (SME) self-securitisations were terminated during 2022.
The former UBI Leasing, merged into Intesa Sanpaolo S.p.A. in 2022, had entered into the UBI SPV Lease 2016 securitisation, which was also terminated in 2022.

List of securitisation vehicles based on the provisions of Art. 449 (d) of the CRR

SPECIAL PURPOSE VEHICLE	ROLE AT GROUP LEVEL	REGISTERED OFFICE	INCLUDED IN THE REGULATORY SCOPE OF CONSOLIDATION	TYPE OF EXPOSURE
Augusto S.r.l.	Originator	Milano	NO	Equity investments
Berica ABS 3 S.r.l. (b)	Originator	Vicenza	NO	Equity investments Debt securities Loans Derivatives contracts
Brera Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Clara Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Diocleziano S.r.l.	Originator	Milano	NO	Equity investments
Giada Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Grogu SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
Iseo SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Kerdos SPV S.r.l.	Originator	Milano	NO	Debt securities
Kerma SPV S.r.l.	Originator	Milano	NO	Debt securities Derivatives contracts
Maior SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Norma SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities
Organa SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
Penelope SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Pillarstone Italy SPV S.r.l.	Originator	Milano	NO	Debt securities
Portland SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities
Sirio SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Teseo SPV S.r.l. (b)	Originator	Conegliano Veneto (TV)	NO	Debt securities
Towers Consumer S.r.l.	Originator	Milano	NO	Debt securities
Towers CQ S.r.l.	Originator	Milano	NO	Debt securities
Yoda SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
ABB SPV S.r.l.	Sponsor	Milano	NO	Debt securities
Duomo Funding PLC	Sponsor	Dublin	NO	Liquidity facility Derivatives contracts
Lana Trade Receivables S.a.r.l.	Sponsor	Luxembourg	NO	Debt securities
Manno S.r.l.	Sponsor	Milano	NO	Debt securities
Massi S.r.l.	Sponsor	Milano	NO	Debt securities
Mawala I S.r.l.	Sponsor	Milano	NO	Debt securities
Romulus Funding Corporation	Sponsor	New York	NO	ABCP Debt securities

(a) Self-securitisation vehicle

(b) Vehicle for which the Intesa Sanpaolo Group acts as servicer

With regard to the disclosure required pursuant to point (e) of Article 449 of the CRR, it is specified that the Intesa Sanpaolo Group did not provide, in Sponsor or Originated securitisations, any implicit support as defined in Article 250 of the CRR.
Based on the requirements of point (f) of Article 449 of the CRR, it is noted that the only relevant case for the Intesa Sanpaolo Group is the securitisation named Portland, whose underlying receivables originated by the subsidiaries Provis S.p.A. and UBI Leasing S.p.A. (the latter merged into Intesa Sanpaolo during 2022) were securitised and the notes issued by the vehicle were partly subscribed by the Parent Company Intesa Sanpaolo.

"Third-party" securitisations
The Intesa Sanpaolo Group also operates in the market of traditional and STS securitisations as an investor, although the volume of the existing investments, in both banking and trading books, represents a very small part of the assets. Those transactions are attributable to the diversification of the risk profile of the portfolio managed and the maximisation of the risk-return target.

Nature of the risks relating to the securitised assets
Securitisations are exposed to the risks generally inherent in bonds, such as credit, interest rate, exchange rate and liquidity risk, appropriately broken down according to the specific characteristics of this asset class.
The nature and scope of the different risks vary based on the type of transaction executed. Generally, the interest rate and exchange rate risks of the primitive assets are low and are subject to hedging transactions by the SPV.
All securitised assets are also subject to different degrees of operational risk associated with the documentation and the collection of cash flows. In the securitisations that meet the STS requirements, operational risks are mitigated and the analysis and collection of information flows are simplified.
With regard to the valuation for accounting purposes, interest, exchange rate and liquidity risks are factored in pursuant to the methodology described in the Group Fair Value Policy. Usually, higher seniority of the tranche being valued is associated with better credit quality and improved liquidability, when the note is traded on the secondary market. An STS compliant securitisation is usually better received by market players, due to the specific characteristics that this classification represents, without prejudice to all other aspects.

With regard to regulatory market risk, the ABS risk factor is not included in the Internal Model, as the product is securitised; therefore, neither the regulatory VaR nor the IRC are included. Instead, as regards monitoring of the management market risk, the ABS risk factor, as the interest rate and exchange rate risk, is fully included in the ordinary process laid down by the Market Risk Charter (an internal Group document that outlines the set of principles, instruments and purposes applied to measure, control and manage market and counterparty risks).
In particular, for the positions in ABS securities issued by third parties belonging to the trading book and the HTCS book, the Market and Financial Risk Management Head Office Department carries out the calculation of the managerial VaR to monitor the market risks with the "illiquid parameters" method, given the specific characteristics of the risk factor considered, and monitors their absorption according to the set VaR limits. In addition, the exposure to ABS is within the monitoring scope of the issuer risk (credit ceiling and concentration limits), as well as in other possible second level limits.

With regard to credit risk, in synthetic securitisations, the assets underlying the securitisation cease to contribute to the determination of the risk-weighted assets and the related capital requirements. This may also be achieved through traditional (or cash) securitisations, which may also enable the accounting deconsolidation of the securitised assets.
According to regulatory provisions (Article 405 of Regulation (EU) no. 575/2013 of the European Parliament and Council), the originator, sponsor or original lender is required to retain, on an ongoing basis and at consolidated level, at least 5% of the material net economic interest generated by the securitisation.
Where, in synthetic securitisations, the protection purchased on the tranches subject to hedging and issued by providers eligible for credit protection pursuant to Article 249, paragraph 3, the bank takes account of the related credit exposure in calculating capital absorption.
The bank also retains the full risk on securitisation positions kept in the financial statements. In the case where a level of default and losses on the portfolio arise that are higher than expected, the risk of the transaction increases, which induces a corresponding increase in the capital requirement. The payoff of the tranches is always impacted in relation to the respective level of subordination (the Junior tranche first, then the Mezzanine tranche and, lastly, the Senior tranche) reflected in the waterfall mechanism.
For the purposes of risk mitigation, Intesa Sanpaolo benefits from the presence of government-backed guarantees (GACS) on the exposures of the Senior tranches of the traditional securitisations - Yoda, Sirio, Penelope, Grogu and Organa - in accordance with the requirements of Law 49/2016, where it is verified that the assets sold are exposures in bad loan status and the securities have been assigned an investment grade rating by specialist agencies.
Given the stricter requirements defined by Regulation EU 2402/2017 regarding STS securitisations, credit risk is mitigated in these transactions compared to non-STS securitisations.

The representation for the purposes of liquidity risk of third party securitisations considers the classifications and assessments made based on the fair value policy (see Section on Market risks), as well as their eligibility as high-quality liquid assets (HQLA) in accordance with the rules established by the Delegated Regulation 2015/61 and their eligibility for refinancing with Central Banks and liquidability, in the absence of which the securities are classified by residual maturity, based on their repayment plans.
Originated securitisations are, instead, considered for the purposes of the "other Liquidity Reserves" (other than HQLA) based on their characteristics of eligibility for refinancing with Central Banks and liquidability on the markets. Accordingly, in the event of their use, the restrictions on the underlying assets are suitably assessed for the purposes of structural liquidity and asset encumbrance measures.
Also with regard to own securitisations, stress tests considered the possible presence of downgrade trigger clauses with possible additional outflows on the Group's liquidity position if they are activated.

Exposures to originated and third-party re-securitisations: type of risk

The Group's re-securitisations portfolio shows, in general, immaterial amounts in terms of value of the exposures (See Quantitative Disclosure of this Section).

Risk hedging policies for exposures to securitisations and re-securitisations

Protection purchase strategies are not currently active. In the past, for hedging strategies, listed indices (such as LCDX) or Credit Default Swaps were used.

External rating agencies used

The external rating agencies (ECAI) used by the Intesa Sanpaolo Group for the purpose of calculating the risk-weighted exposures of securitisation positions (as reported in Section 8 of this document) are the following (with reference both to positions with short-term ratings and positions with ratings other than short-term):

- Moody's Investors Service;
- Standard & Poor's Rating Services;
- Fitch Ratings.

Securitisations: methods for calculating the risk-weighted exposures

Based on Regulation (EU) 2401/2017, from 1 January 2020 Intesa Sanpaolo applies the SEC-IRBA (Securitization – Internal Rating Based Approach), the SEC-SA (Securitization – Standard Approach) and the SEC-ERBA (Securitization – External Rating Based Approach) to calculate the capital requirements for purchased or originated securitisations.
With the entry into force of the above regulation, a new risk-weight floor for securitisation positions is applied: 15% for all securitisation positions and 10% for STS securitisations.
The regulation requires that the risk-weight for all positions relating to the same securitisation cannot exceed the risk weight that those positions would have had if they had not been securitised (Cap test). If the cap is exceeded, the capital requirement will be equal to this maximum value, equivalent to the calculation of the unsecuritised underlyings.
With the entry into force of Regulation (EU) 558/2021, the regulatory framework on securitisations was adjusted in order to support the economic recovery from the COVID-19 pandemic. Specifically, the measures regarding the treatment of securitisations of NPLs raise the risk-weight floor on tranches of securitisations to 100%, except in case of the application of the SEC-ERBA.
The above-mentioned Regulation also introduces a distinction between qualifying traditional NPE securitisations and non-qualifying securitisations: a securitisation is qualifying when the non-refundable purchase price discount (NRPPD) is equal to at least 50% of the amount of the underlying exposures at the time they are transferred to the securitisation vehicle. With specific regard to the less subordinate tranches (senior) of qualifying traditional securitisations of non-performing exposures, the regulation in question requires the application of a fixed risk weight of 100%, except where the SEC-ERBA is used. In derogation from the attribution of that fixed risk-weight to tranches of senior qualifying traditional securitisations, if the ratio of risk-weighted assets to underlying exposures is less than 100%, that new ratio shall be applied to the senior tranche, with a risk-weight floor of 50%.
Lastly, based on the disclosure required in point (i) of Article 449 of the CRR, it is specified that the Intesa Sanpaolo Group does not use the Internal Assessment Approach to calculate the risk-weighted exposure amounts for unrated positions in ABCP programmes or ABCP transactions (in accordance with Article 266 of the CRR – "Calculation of risk-weighted exposure amounts under the Internal Assessment Approach" – where the conditions set out in Article 265 (2) of the CRR are met).

Securitisations: accounting policies

The securitisation transactions, whose accounting treatment is governed by IFRS 9 (in particular in the paragraphs relating to derecognition), are divided into two types depending on whether the underlying assets must be derecognised from the seller's financial statements or not.

In the event of derecognition

When all the risks and benefits from the ownership of the securitised asset are effectively transferred, the originator shall derecognise those assets from its financial statements and record offsetting entries for the consideration received and any profit or loss from the sale.
If the consideration received is not made up entirely of an amount of cash, but consists partly of financial assets, these are initially recognised at fair value and that fair value is also used to calculate the profit or loss from the sale.
If the transferred asset is part of a "greater" financial asset (for example, if only part of the cash flows that derive from a receivable is subject to disposal) and the transferred part meets the requirements for derecognition, the book value of the "greater" financial asset must be divided between the part that continues to be recognised and the part subject to derecognition based on the corresponding fair values at the transfer date.
Moreover, in case of derecognition, any arrangement costs incurred by the originator are recorded in the income statement when incurred as they are not attributable to any financial assets appearing in the financial statements.
Therefore, in light of the above, the assets sold are derecognised from the balance sheet, and the consideration from the sale, as well as the connected profit or loss, are normally recorded in the financial statements at the date of completion of the sale. More generally, the entry date for the transfer in the financial statements depends on the contractual clauses. For example, if the cash flows from the assets sold are transferred after the execution of the agreement, the assets are derecognised and the proceeds of the sale are recognised at the time of the transfer of the cash flows. Instead, in the case a sale is subject to conditions precedent, the assets are derecognised and the profit or loss from the sale is recognised when the condition precedent clause ceases.

The profit or loss, recognised in the income statement, is classified, in principle and net of any other components, as the difference between the consideration received and the book value of the assets sold.

In the event of no derecognition
If a transfer does not require derecognition because the seller essentially maintains all the risks and benefits associated with the ownership of the transferred assets, the seller continues to recognise in its financial statements the assets transferred in total and recognises a financial liability against the consideration received.
A common example of sale that does not require derecognition is when the originator sells a loan portfolio to a special purpose vehicle, but fully subscribes the junior class of notes issued by the SPV (therefore retaining the majority of the risks and benefits of the underlying assets) and/or provides collateral for the transaction.
Thus, in the event of no derecognition, the securitised loans continue to be recorded in the originator's financial statements. Following the sale, the originator must also recognise any income from the asset transferred and any charges incurred on the liability recorded without offsetting any of the costs and revenues.
The transferred loan portfolio continues to be classified in the loan category that it originally formed part of and, consequently, if it meets the adequate requirements, it continues to be measured at amortised cost and valued (individually or on a collective basis) as if the transaction had never taken place.
In this case too, considering the provisions of IFRS 9 on the matter, the arrangement costs directly incurred by the originator are recorded in the income statement when they are incurred.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, related to estimated possible disbursements connected to credit risk relative to guarantees and commitments, possibly included in the securitisation transactions, determined applying the same criteria set out with respect to other types of loans and receivables, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Assessment of exposures to securitisations - banking book
For securitisations, the need to recognise impairment is assessed if the fair value is lower than the carrying amount by a percentage set a priori (30%), or if there is potential evidence of impairment. That process has not changed in relation to the previous year.
If one of these conditions is in place, the securitisation is analysed to verify whether the reduction in fair value is due to a generic increase in the spread on the secondary market or impairment of the collateral. In the former case the conditions are not met to recognise the impairment; instead, in the latter the analysis focuses on the performance of the underlying elements, which constitute the vehicle's assets, and the methods with which such performance is reflected on payment waterfall for the securities analysed.
Specifically, the procedure involves the following steps:
- monitoring the parameters/triggers/covenants envisaged at issue, which is the basis of the regulation of the payment waterfall or, as an extreme measure, the advance termination of the deal. That analysis is based on the information set composed of the periodic reports from the vehicle administrators and rating agencies, along with the issue documents (prospectus, master receivables agreement, etc.);
- specifically for securitisations originated by Intesa Sanpaolo, which have reliable business plans, the analysis is conducted on available cash flows. For non-performing products, reference is made to adjustments to the underlying loans, the recovery plans set up and updated by the servicer and the features of the payment waterfall.

If, as a result of said analysis, there is no evidence of breaches which could compromise payments of principal and interest, it is not necessary to record impairment of the security in the portfolio. Otherwise, if there is the possibility of (full or partial) non-payment of the principal or interest, due to a change in the payment priority and/or impairment of the collateral, the security must necessarily be written down.
Impairment is assessed:
- by comparing the residual market value of the collateral and the outstanding amounts of the notes based on the attachment and detachment points, in the event of credit events that result in advance termination of the transaction;
- in the event that triggers or covenants are activated, the fair value is recalculated based on the new rules and the new available cash flows are allocated to the tranches in the portfolio, according to the new payment priorities.

In summary, for all the securitisations classified in the banking book, the impairment analysis is carried out based on the valuation of the collateral to determine the overall flows deriving from the primitive assets. These flows are allocated to the tranches of the securitisation based on all the structuring and performance characteristics of the collateral (waterfall, trigger, CDR, CPR, etc.). The Intex and Bloomberg software is used for the allocation of the cash flows to the individual tranches, except for a small number of private securitisations only, where cash flow models are used. They are developed internally during the structuring of the deal and duly updated with the performance of the collateral.

Assessment of exposures to securitisations - trading book
Exposures included in the trading book are measured at fair value. For an illustration of the valuation techniques used to determine fair value, see the relevant chapter (see Section 13 - Market risk).

Synthetic securitisations
The Group actively manages risk-weighted assets (RWAs) in line with international best practice. Therefore, it activates initiatives to align the overall risk of the loan portfolio to aspects and scopes in line with the Group's objectives and in compliance with the Risk Appetite Framework. The synthetic securitisations' GARC (Active Credit Risk Management) project falls within this context. It has the purpose of monitoring credit risk in performing portfolios and the objective to optimise regulatory and economic capital absorption, as well as support business activities on newly disbursed loans. The initiative involves the systematic acquisition of both personal guarantees and collateral for the synthetic hedging of default risk on the loan portfolios, achieving "significant risk transfer" pursuant to the current Supervisory regulations on the matter (Regulation EU 575/2013, as amended). In that context, though the securitised exposures continue to be recorded under the assets of the

bank that retains their full ownership, they are excluded from the calculation of capital absorption, while securitisation positions retained by the bank are included in the calculation of risk-weighted assets.
The premium paid by the bank to the protection seller for the purchase of the protection contract is recorded under commission expense in the income statement, where the premiums relating to the guarantees received are recorded. The financial guarantee received from the protection seller also contributes to the determination of the adjustments made to the loans subject to the guarantee (overall and, where applicable, specific).
Any deposit liabilities received by the bank, also as a result of the possible issue of notes by securitisation vehicles, are recorded under payables in the balance sheet liabilities.

Securitisations: recognition criteria for prudential purposes

Prudential regulations on securitisations are governed by the CRR, as amended by Regulation (EU) 2017/2401, which mainly replaced Chapter 5 - Securitisations, in Part Three - Title II.
The following main provisions were added to the above regulatory framework:

- Regulation (EU) 2021/558 of 31 March 2021 amending Regulation (EU) 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis, specifically regulating the prudential treatment to be reserved for securitisations of non-performing exposures;
- Regulation (EU) 2017/2402, as amended, which lays down a general framework for securitisation and creates a specific framework for simple, transparent and standardised securitisations (STS);
- Regulation (UE) 2021/557 of 31 March 2021 amending Regulation (EU) 2017/2402 to help the recovery from the COVID-19 crisis and to extend, with suitable adaptation, the framework of simple, transparent and standardised securitisations also to synthetic securitisations in the financial statements;
- Commission Delegated Regulation (EU) 2019/885 of 5 February 2019 supplementing the above-mentioned Regulation (EU) 2017/2402 with regard to the regulatory technical standards specifying information to be provided to a competent authority in an application for authorisation of a third party assessing STS compliance;
- Commission Delegated Regulation (EU) 2019/1851 of 28 May 2019 supplementing Regulation (EU) 2017/2402 with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation;
- Delegated Regulation 625/2014 of 13 March 2014 which concerns the regulatory technical standards specifying the requirements for investor, sponsor, original lender and originator institutions relating to exposures to transferred credit risk, of which only several specific provisions are in force for securitisations whose notes were issued before 1 January 2019;
- Implementing regulation (EU) 602/2014 of 4 June 2014 laying down implementing technical standards for facilitating the convergence of supervisory practices with regard to the implementation of additional risk weights relating to securitisation transactions.
- Implementing regulation (EU) 2016/1801 (as amended) of 11 October 2016 on laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with the CRR;
- EBA Guidelines on implicit support for securitisation transactions (GL/2016/08) aimed at providing guidelines on arm's length conditions and when a transaction is not structured to provide implicit support, according to Article 250 of Regulation 2017/2401 (former Article 248 of the CRR); a subject that is also referred to in the ECB's letter of July 2017, which provides guidance on the additional requirements relating to the notification and the documentation referred to in that article;
- EBA Guidelines on significant risk transfer (SRT) for securitisation transactions (GL/2014/05) pursuant to Articles 244 and 245 of Regulation 2017/2401 (former Articles 243 and 244 of the CRR); a subject that is also referred to in the ECB's letter of 24 March 2016, which provides additional guidance to the industry regarding the recognition of the significant credit risk transfer.

Although the prudential regulations indicated clearly have similarities with the IAS/IFRS measurement criteria, the accounting treatment of securitisations is not relevant for the purposes of recognition for prudential purposes. As a result, the accounting and prudential treatment applied by intermediaries may differ.

Exposures to originated and third-party re-securitisations – exposures covered by credit risk mitigation techniques

It is specified that the exposures referring to re-securitisations did not benefit from credit risk mitigation techniques.

Total amount of assets awaiting securitisation

In 2011, Mediocredito Italiano entered into two agreements with the Ministry of Economic Development, which provide subsidies in the form of cash collateral provided as pledge to the bank for two portfolios of credit exposures to be disbursed to SMEs for purposes envisaged by the Italian National Innovation Fund (FNI).
For each of the agreements signed, the loan portfolio was divided into two separate tranches: a junior tranche, exposed to initial losses, and a senior tranche, with a rating equivalent to A-. As a guarantee for the two portfolios, the Bank has received a total cash collateral amount of 16.4 million euro, into an interest-bearing deposit account, provisionally calculated based on the estimate of available portfolios.
The construction of portfolios regarding the first and second agreement was developed starting from 2011 and from 2012 and it was completed, as contractually agreed, on 31 October 2014.
Given the specific investment objectives indicated by the aforementioned agreements, applications for special-purpose loans were limited and a limited number of transactions could be carried out (overall, a total of 23 transactions were finalised – including 14 redeemed in advance or matured and 2 in default and 1 sold – with a total residual value at 31 December 2022 of 350 thousand euro.
This cash collateral, due to the pledge agreements entered into on 18 April 2016 between the Ministry of Economic Development and MCI and to ministerial decrees no. 3555 and 3556 of 16 June 2016, was decreased in 2016 and 2017, to be replaced by two pledges guaranteeing the residual portfolios, originally totalling 1.6 million euro.

Quantitative disclosure

This section provides the quantitative disclosure for securitisations, as required by the new Regulation (EU) 2021/637, applicable since June 2021.

Securitisation exposures in the non-trading book (EU SEC1 Reg. 2021/637) *(Table 1 of 3)*

(millions of euro)

		INSTITUTION ACTS AS ORIGINATOR						
		Traditional				Synthetic		SUB-TOTAL
		STS (*)		Non-STS (**)				
			of which SRT		*of which SRT*		*of which SRT*	
1	**Total exposures**	**-**	**-**	**50,142**	***4,960***	**23,581**	***23,581***	**73,723**
2	**Retail (total)**	**-**	**-**	**23,261**	***13***	**3,394**	***3,394***	**26,655**
3	Residential mortgage	-	-	16,738	*7*	3,394	*3,394*	20,132
4	Credit card	-	-	-	-	-	-	-
5	Other retail exposures	-	-	6,523	*6*	-	-	6,523
6	Re-securitisation	-	-	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**26,881**	***4,947***	**20,187**	***20,187***	**47,068**
8	Loans to corporates	-	-	23,656	*1,722*	16,389	*16,389*	40,045
9	Commercial mortgage	-	-	-	-	1,498	*1,498*	1,498
10	Lease and receivables	-	-	3,225	*3,225*	2,300	*2,300*	5,525
11	Other wholesale	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-

(*) Simple, Transparent and Standardised Securitisations (STS) according to Regulation 2017/2402.

(**) For traditional securitisation transactions for which the Significant Risk Transfer (SRT) conditions have not been met, the table shows the loans underlying the securitisation.

In the table above, traditional securitisation transactions for which the Significant Risk Transfer (SRT) conditions have not been met essentially relate to self-securitisations with an amount of underlying loans of around 44.9 billion euro (33.6 billion euro in June 2022). Compared to June 2022, a new self-securitisation was structured - Giada BIS - for an amount of 14.4 billion euro, offset by the termination of the Adriano Lease SEC self-securitisation for an amount of 1.7 billion euro and the redemptions carried out on other transactions of the same type.

The events concerning the own traditional non-STS securitisations with SRT during the half year included the following:

– the sale of a portfolio of performing lease receivables of Intesa Sanpaolo and UBI Leasing (now incorporated into Intesa Sanpaolo) to a vehicle pursuant to Law 130/99 named Teseo SPV, for a nominal amount of 3.7 billion euro and 2 billion euro in RWAs. On the sale of the assets, the securitisation tranches were subscribed for a total amount of around 3.2 billion euro, equal to around 0.6 billion euro in RWAs;
– the sale of a portfolio of unlikely-to-pay exposures (UTP) to the vehicle pursuant to Law 130/99 Kerdos SPV, for a total nominal amount of 1.9 billion euro and 0.7 billion euro in RWAs. That sale was comprised in the own traditional securitisation known as Kerdos, existing since December 2021. Concurrent with the sale of the assets, the securitisation tranches were subscribed for a total amount of 0.3 billion euro, equal to around 0.2 billion euro in RWAs, with the total securitisation exposure standing at 0.8 billion euro and 0.7 billion euro in RWAs.

Within the active credit risk management (GARC) programme, the following own synthetic non-STS transactions with SRT were structured:

– GARC Infrastructure-1, a transaction carried out on a portfolio of performing corporate and project finance loans in the infrastructure segment to customers in the Corporate and Corporate SME regulatory segments, for a value of around 2.3 billion euro. The junior tranche is fully covered by collateral, while the senior tranche is subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 1.8 billion euro, equal to RWAs of 0.3 billion euro;
– GARC CORP-5, a transaction carried out on a portfolio of performing loans to customers in the Corporate and Corporate SME regulatory segments, for a value of around 7.5 billion euro. The junior tranche is fully covered by collateral, while the senior tranche is subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 6.3 billion euro, equal to RWAs of 0.9 billion euro.

Moreover, during the half year, the early terminations of the GARC SME-7 and GARC RegCap-2 transactions were carried out, which led to a reduction in the securitisation exposures of around 1.3 billion euro, equal to a decrease in RWAs of 0.3 billion euro.

Securitisation exposures in the non-trading book (EU SEC1 Reg. 2021/637) *(Table 2 of 3)*

(millions of euro)

		INSTITUTION ACTS AS SPONSOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**718**	**9,628**	**-**	**10,346**
2	**Retail (total)**	**-**	**1,940**	**-**	**1,940**
3	Residential mortgage	-	14	-	14
4	Credit card	-	-	-	-
5	Other retail exposures	-	1,926	-	1,926
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**718**	**7,688**	**-**	**8,406**
8	Loans to corporates	-	982	-	982
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	210	5,768	-	5,978
11	Other wholesale	508	938	-	1,446
12	Re-securitisation	-	-	-	-

(*) Simple, Transparent and Standardised Securitisations (STS) according to Regulation 2017/2402.

With regard to the traditional securitisations in which the bank acts as sponsor, the Intesa Sanpaolo Group uses the special purpose entities Duomo Funding Plc and Romulus Funding Corporation as the Group's asset-backed commercial paper conduits. Compared to June 2022, there was an increase in volumes for around 1.3 billion euro, mainly attributable to transactions with loans to corporates, trade receivables and other wholesale exposures as underlyings.

Securitisation exposures in the non-trading book (EU SEC1 Reg. 2021/637) *(Table 3 of 3)*

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**446**	**2,490**	**-**	**2,936**
2	**Retail (total)**	**417**	**727**	**-**	**1,144**
3	Residential mortgage	253	427	-	680
4	Credit card	-	-	-	-
5	Other retail exposures	164	300	-	464
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**29**	**1,763**	**-**	**1,792**
8	Loans to corporates	25	1,287	-	1,312
9	Commercial mortgage	-	47	-	47
10	Lease and receivables	4	-	-	4
11	Other wholesale	-	429	-	429
12	Re-securitisation	-	-	-	-

(*) Simple, Transparent and Standardised Securitisations (STS) according to Regulation 2017/2402.

The volumes of the securitisations in the banking book for which the Intesa Sanpaolo Group acts as an investor decreased by around 108 million euro, substantially in line with June 2022.

Securitisation exposures in the trading book (EU SEC2 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		INSTITUTION ACTS AS SPONSOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**-**	**3**	**-**	**3**
2	**Retail (total)**	**-**	**-**	**-**	**-**
3	Residential mortgage	-	-	-	-
4	Credit card	-	-	-	-
5	Other retail exposures	-	-	-	-
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**-**	**3**	**-**	**3**
8	Loans to corporates	-	-	-	-
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	-	3	-	3
11	Other wholesale	-	-	-	-
12	Re-securitisation	-	-	-	-

(*) Simple, Transparent and Standardised Securitisations (STS) according to Regulation 2017/2402.

Securitisation exposures in the trading book (EU SEC2 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**128**	**687**	**-**	**815**
2	**Retail (total)**	**103**	**231**	**-**	**334**
3	Residential mortgage	61	227	-	288
4	Credit card	-	-	-	-
5	Other retail exposures	42	4	-	46
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**25**	**456**	**-**	**481**
8	Loans to corporates	-	337	-	337
9	Commercial mortgage	-	111	-	111
10	Lease and receivables	5	8	-	13
11	Other wholesale	20	-	-	20
12	Re-securitisation	-	-	-	-

(*) Simple, Transparent and Standardised Securitisations (STS) according to Regulation 2017/2402.

Table EU SEC2 above does not show the part relating to securitisations in the trading book where the institution acts as an originator because the Intesa Sanpaolo Group did not have any securitisations of this kind as at 31 December 2022.
Additional information on market risks of the trading book, including the capital requirement in relation to the securitisations included in that book, is set out in the Section of this document on market risks, which also presents separately the requirements relating to exposures to securitisations in the trading book.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (EU SEC3 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		≤ 20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	**Total exposures**	**31,786**	**2,567**	**2,651**	**1,825**	**58**	**25,613**	**-**	**13,216**	**58**
2	**Traditional transactions**	**11,088**	**2,261**	**103**	**1,825**	**29**	**2,590**	**-**	**12,687**	**29**
3	Securitisation	11,088	2,261	103	1,825	29	2,590	-	12,687	29
4	Retail	1,940	-	-	1	12	-	-	1,941	12
5	of which STS	-	-	-	-	-	-	-	-	-
6	Wholesale	9,148	2,261	103	1,824	17	2,590	-	10,746	17
7	of which STS	718	-	-	-	-	-	-	718	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	**20,698**	**306**	**2,548**	**-**	**29**	**23,023**	**-**	**529**	**29**
10	Securitisation	20,698	306	2,548	-	29	23,023	-	529	29
11	Retail underlying	925	-	2,469	-	-	2,865	-	529	-
12	Wholesale	19,773	306	79	-	29	20,158	-	-	29
13	Re-securitisation	-	-	-	-	-	-	-	-	-

(*) Starting from 2016 the exposures towards securitisations that meet the requirements for the application of the weighting factor at 1250% are deducted from own funds. For details see Section Own Funds.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (EU SEC3 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		RWEA (by regulatory approach) before application of cap				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**7,129**	**-**	**2,788**	**-**	**483**	**-**	**183**	**-**
2	**Traditional transactions**	**2,302**	**-**	**2,703**	**-**	**172**	**-**	**176**	**-**
3	Securitisation	2,302	-	2,703	-	172	-	176	-
4	Retail	-	-	292	-	-	-	24	-
5	of which STS	-	-	-	-	-	-	-	-
6	Wholesale	2,302	-	2,411	-	172	-	152	-
7	of which STS	-	-	72	-	-	-	4	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	**4,827**	**-**	**85**	**-**	**311**	**-**	**7**	**-**
10	Securitisation	4,827	-	85	-	311	-	7	-
11	Retail underlying	1,632	-	85	-	55	-	7	-
12	Wholesale	3,195	-	-	-	256	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

Table EU SEC3 shows the aggregate as at 31 December 2022 of securitisation exposures in the non-trading book and associated regulatory capital requirements for which the institution acts as originator or as sponsor.
Volumes increased by 9.1 billion euro and capital requirements by 98 million euro (around 1.2 billion euro in RWA equivalent). The performance of capital requirements is attributable to the increase in exposures weighted using the SEC-IRBA for 115 million euro (around 1.4 billion euro in RWA equivalent), partially offset by the decrease in the requirements using the SEC-SA for 17 million euro (around 0.2 billion euro in RWA equivalent).
For more details on the evolution of the aggregate of securitisation exposures, refer to that described in Table EU SEC1.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (EU SEC4 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		≤ 20% RW	>20 % to 50 % RW	>50 % to 100 % RW	>100 % to 1250 % RW	1,250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	**Total exposures**	**2,252**	**42**	**36**	**604**	**2**	**-**	**132**	**2,802**	**2**
2	**Traditional securitisation**	**2,252**	**42**	**36**	**604**	**2**	**-**	**132**	**2,802**	**2**
3	Securitisation	2,252	42	36	604	2	-	132	2,802	2
4	Retail underlying	823	4	4	313	-	-	41	1,103	-
5	of which STS	417	-	-	-	-	-	-	417	-
6	Wholesale	1,429	38	32	291	2	-	91	1,699	2
7	of which STS	25	4	-	-	-	-	4	25	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Securitisation	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-

(*) Starting from 2016 the exposures towards securitisations that meet the requirements for the application of the weighting factor at 1250% are deducted from own funds. For details see Section Own Funds.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (EU SEC4 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		RWEA (by regulatory approach) before application of cap				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**-**	**152**	**3,662**	**-**	**-**	**8**	**173**	**-**
2	**Traditional securitisation**	**-**	**152**	**3,662**	**-**	**-**	**8**	**173**	**-**
3	Securitisation	-	152	3,662	-	-	8	173	-
4	Retail underlying	-	95	1,692	-	-	4	135	-
5	of which STS	-	-	42	-	-	-	3	-
6	Wholesale	-	57	1,970	-	-	4	38	-
7	of which STS	-	1	3	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

The securitisations in the banking book for which the Intesa Sanpaolo Group acts as an investor remained substantially in line with June 2022: the volumes decreased by around 108 million euro and the capital requirements by around 16 million euro (around 200 million euro in RWA equivalent). The changes are mainly concentrated in the SEC-SA.

Exposures securitised by the institution – Exposures in default and specific credit risk adjustments (EU SEC5 Reg. 2021/637)

(millions of euro)

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period (*)
			Of which exposures in default	
1	**Total exposures**	**117,674**	***26,311***	**118**
2	**Retail (total)**	**31,846**	***2,659***	**55**
3	Residential mortgage	21,214	*782*	-
4	Credit card	-	-	-
5	Other retail exposures	10,632	*1,877*	55
6	Re-securitisation	-	-	-
7	**Wholesale (total)**	**85,828**	***23,652***	**63**
8	Loans to corporates	64,825	*22,534*	67
9	Commercial mortgage	1,683	-	-
10	Lease and receivables	15,682	*1,064*	-4
11	Other wholesale	3,638	*54*	-
12	Re-securitisation	-	-	-

(*) This column reports the adjustments and recoveries for securitisation where the loans are still on the balance sheet, i.e. self-securitisations and synthetic securitisations. The adjustments are conventionally reported as a positive figure, while the recoveries are reported as a negative figure.

Table EU SEC5 above includes:

- loans originated by the Intesa Sanpaolo Group and not derecognised, mainly relating to self-securitisations and synthetic securitisations totalling 71.3 billion euro, of which 0.3 billion euro in default. In the second half of 2022, the Adriano Lease SEC self-securitisation was terminated for an amount of 1.7 billion euro, and the GARC RegCap-2 and GARC SME-7 synthetic securitisations were terminated for a total of 1.6 billion euro. Moreover, the synthetic securitisations called GARC CORP-5 and GARC Infrastructure-1 (Loans to corporates) were structured, for a total of 8.7 billion euro, and the self-securitisation called Giada BIS (Loans to corporates) was structured for 14.4 billion euro;
- loans originated by the Intesa Sanpaolo Group and derecognised relating to traditional securitisations totalling 29.8 billion euro, of which 25.9 billion euro in default, with the latter consisting of securitisations of portfolios of non-performing exposures.
  With regard to the securitisations of non-performing exposures, around 19.7 billion euro refers to securitisations covered by government guarantees (GACS). Overall, the Intesa Sanpaolo Group recognised assets for 4.2 billion euro of senior notes (of which 2.5 billion euro are fully backed by government guarantee through GACS), and a total of 0.1 billion euro of mezzanine and junior notes.
  During the second half of 2022, the securitisation of performing lease receivables called Teseo was structured for an amount of 3.7 billion euro;
- loans originated by third parties totalling 16.6 billion euro, of which 0.1 billion euro in default.

Section 13 - Market risk

MARKET RISK/TRADING BOOK

Risk management strategies and processes

The allocation of capital for trading activities and, more generally, for all items measured at fair value, is set by the Parent Company's Board of Directors, through the attribution of operating limits in terms of VaR at the level of the Group, Legal Entities, Divisions and/or Governance Areas.
In particular, the overall limits of the Group and of Intesa Sanpaolo and the IMI C&IB Division are included in the Group's Risk Appetite Framework. At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal.
The Group Financial Risk Committee monitors the risks of all the Group companies on a monthly basis, with specific reference to the absorption of VaR limits, and indicates any corrective measures. The situation is also regularly examined by the Board of Directors and the Steering Committee in order to propose any changes to the strategies for trading activities to the Management Bodies.

Structure and organisation of the associated risk management function

The Chief Risk Officer is responsible, at Group level, for setting out the system of operating limits, the capital allocation system, and the system of binding policies and procedures. In particular, coordination is carried out through the Group Financial Risk Committee, which discusses the guidelines for managing market risks.
As part of its functions, the Market and Financial Risk Management Head Office Department is responsible for:

- calculation, development and definition of the operational risk indicators: Value at Risk, sensitivity and greeks, level measures, stress tests and scenario analyses;
- monitoring of operating limits;
- monitoring of regulatory risks;
- comparison of the P&L with the risk indicators and in particular with the VaR (so-called backtesting);
- establishment of the parameters and rules for the valuation of assets subject to mark-to-market and fair value at Group level, as well as their direct valuation when this cannot be obtained from instruments available to the business units.

The structure of the Market and Financial Risk Management Head Office Department is based on the following guidelines:

- structuring of the responsibilities according to the main risk-taking centres and to "Risk Type";
- focusing and specialisation of the resources on the "Risk Owners";
- compliance with the instructions and proposals of the Supervisory Authorities;
- sustainability of the operating processes, including:
  - the methodological development;
  - the collection, processing and production of data;
  - the maintenance and refinement of the instruments and application models;
  - the general consistency of the data produced.

Scope of application and characteristics of the risk measurement and reporting system

The quantification of trading risks and, more generally, of all items measured at fair value (managerial calculation scope) is based on daily and periodic analysis of the vulnerability of the trading book of Intesa Sanpaolo (including the IMI C&IB Division), which represents the main portion of the Group's market risks, to adverse market movements of the following risk factors:

- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

The monitoring scope for the managerial VaR regarding the above risk factors is calculated at the level of the banking group both on the trading book and on the HTCS book (areas consistent with the market risk rules, defined in the internal Market Risk Charter document, for the scope measured at fair value).

The regulatory requirements for the trading book are established in Regulation EU 575/2013 (CRR - Part Three, Title I, Chapter 3, in Articles 102, 103, and 104 respectively). The combined provisions of those articles lay down the set of minimum requirements for the identification of the trading strategies and the measurement and control of the associated risks. This set of requirements consists of the need to:

- define, formalise and monitor the trading strategies, both quantitatively and qualitatively;
- ensure a clear reporting line along which powers, responsibilities and information are correctly transferred;
- ensure an effective system of control and limitation of the risks connected with the holding of the trading book;
- ensure that the positions meet the minimum requirements for recognition in the trading book.

Based on the requirements of the applicable regulations, Intesa Sanpaolo has established a policy (the document “Rules on the identification and management of the prudential trading book”), which identifies the trading book based on the following elements:

- measurement at fair value through profit or loss of the instruments held for trading;
- the strategies defined
- the risk-taking centres identified
- the monitoring, limitation and management of the risks defined in accordance with the internal regulations on market risk.

In particular, the assets classified in the regulatory trading book coincide – apart from some specific exceptions – with the financial assets held for trading (Bank of Italy Circular 262). This association derives from the set of strategies, powers, limits and controls that feed and guarantee the adjacency and consistency between the accounting and prudential portfolios.
A metric of verification of consistency of the inclusion in the trading book has also been established, consisting of the indicator of average vintage, which is subject to a monitoring and escalation process, provided for in the above-mentioned internal policy.
The risk indicators used for the trading risks may be divided into six main types:

- Value at Risk (VaR), which represents the backbone of the whole risk management system due to its characteristics of uniformity, consistency and transparency in relation to both economic capital and the Group Finance operations;
- sensitivity and greeks, which are the essential accompaniment to the VaR indicators due to their ability to capture the sensitivity and the direction of the existing financial trading positions in relation to the various individual risk factors;
- level measures (such as notional and Mark-to-Market), which are a useful aid to the above indicators as an immediately applicable solution;
- stress tests and scenario analyses that enable the completion of the analysis of the overall risk profile, capturing changes in predetermined assumptions relating to the evolution of the underlying risk factors, also simulating anomalous market conditions (opening of the basis risks, worst case);
- Incremental Risk Charge (IRC), an additional measure to VaR (contributing to determining capital absorption) that enables the correct representation of the specific risk on debt securities and credit derivatives because it also captures event and default risk, in addition to idiosyncratic risk;
- Stressed VaR (from 31 December 2011 it contributes to the determination of capital absorption), which represents the VaR associated with a market stress period, identified on the basis of the indications presented in the Basel document “Revision to the Basel II market risk framework".

The reporting system is continuously updated in order to take into account the evolution of the operations, the organisational structures and the analytical methods and tools available.

Policies for hedging and mitigating risk

In Intesa Sanpaolo, weekly managerial committee meetings are held during which the main risk factors of the portfolios are discussed. The monitoring and discussions take place on the basis of a series of reports by the Market, Financial and C&IB Risk Coordination Area based on standard quantitative indicators (VaR, greeks, and issuer risk) and stress indicators (what if analysis, stress tests on particular macroeconomic scenarios/risk factors, and marginal VaR).
That information set constitutes an effective method for deciding on any policies for hedging and mitigating risk, as it makes it possible to provide detailed indications to the offices on the books risk profiles, as well as to identify any idiosyncratic risks and concentrations and suggest hedging methods for exposures considered as a potential source of future impairment in the value of the portfolios.

Strategies and processes for continuous verification of their effectiveness

At operational level, in addition to the daily reporting (VaR, sensitivities, level measures, control of assigned limits), information is exchanged between the heads of the Business Departments during the abovementioned managerial committee meetings called by the heads of the Departments.
More specifically, during the managerial committee meetings the risk profile is examined in detail, with the aim of ensuring that operations are conducted in an environment of controlled risk, and the appropriate use of the capital available.

MARKET RISKS/BANKING BOOK

Risk management strategies and processes

Market risk originated by the banking book arises primarily in the Parent Company and in the main other subsidiaries that carry out retail and corporate banking.
Specifically, in managing interest rate risk in the banking book (illustrated below), the Intesa Sanpaolo Group seeks to maximise profitability, by adopting operating methods consistent with the general stability of the financial results over the long term. To that end, positions are adopted in line with the strategic views processed in the periodic meetings of the Group Financial Risks Committee, which is also in charge of verifying the overall financial risk profile of the Group and its main operating units.
"Foreign exchange risk" is defined as the potential adverse effect resulting from changes in the exchange rate between currencies that could have a negative impact on the valuation of the assets and liabilities in the financial statements and on earnings and capital ratios.
Two types of Foreign Exchange Risk are identified: *Structural* and *Transaction risk.*

Structural Foreign Exchange Risk is defined as the potential adverse effect of changes in the exchange rate that could have a negative impact on the foreign exchange reserves that are part of the Group's consolidated shareholders' equity.

Transaction Foreign Exchange Risk is defined as the potential loss resulting from changes in the currencies exchange rate that may have negative impacts both on the valuation of the assets and liabilities in the financial statements when converted into the reporting currency and on the earnings from funding, lending and investment/disinvestment transactions in currencies other than the euro. The main sources of this foreign exchange risk consist of: non-euro loans and deposits held by corporate and/or retail customers; conversion into domestic currency of assets, liabilities and income of the international branches; trading of foreign currencies; collection and/or payment of interest, commissions, dividends and administrative expenses in foreign currencies; purchase and sale of securities and financial instruments for the purpose of resale in the short term; etc. Transaction foreign exchange risk also includes the risk of transactions related to operations that generate the type of structural foreign exchange risk represented, for example, by dividends approved by international subsidiaries and that relating to the management of foreign exchange risk tied to the management of equity investments, also including the gains/losses of international branches (*Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk*).
The Market and Financial Risk Management Head Office Department measures and controls the Parent Company and Group's exposure to Structural Foreign Exchange Risk; it performs the management calculation of the optimal position. It represents the open position in foreign currency designed to neutralise the sensitivity of the capital ratio to foreign exchange movements. The Market and Financial Risk Management Head Office Department also produces sensitivity analyses on capital ratios for management control and monitoring of Structural Foreign Exchange Risk, based on that set out in the EBA LGs and sets its own Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk within the framework of market risk VaR.

Structure and organisation of the associated risk management function

Within the Market and Financial Risk Management Head Office Department, the market risks of the banking book and the liquidity risk (discussed in specific sections) are overseen by the Banking Book Financial Risks Function, which is responsible for:
- setting out the criteria and methods for the measurement and management of the financial risks of the banking book (interest rate, foreign exchange, minority equity investments) and liquidity risk of the Group;
- proposing the system of operational limits and the guidelines for the management of financial risks for the operational units of the Group involving the operations of the banking book;
- measuring the financial risks of the banking book assumed by the Parent Company and the other Group companies, both directly, through specific outsourcing agreements, and indirectly, by consolidating the information deriving from the local control units, and verifying compliance by the Group companies with the limits set by the corporate bodies, reporting on their evolution to the top management and operating structures of the Parent Company;
- analysing the overall financial risk profile of the Group's banking book, proposing any corrective measures, within the more general context of the guidelines set out at strategic planning level or by the Corporate Bodies;
- managing the assessment and measurement, for the Parent Company and all the other Group Companies governed by outsourcing contracts, of the effectiveness of the hedging relationships (hedge accounting) required by the IAS/IFRS regulations (for the main Group companies the structures of the Parent Company centralise these activities in order to achieve operational efficiencies and the most effective governance of the process. For the other subsidiaries, it provides direction and guidance);
- supporting the structure Strategic Asset & Liability Management in relation to strategic ALM.

Scope of application and characteristics of the risk measurement and reporting system

The following metrics are used to measure the interest rate risk generated by the banking book:
1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (ΔNII);
3. Credit Spread Sensitivity in Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **sensitivity of the economic value** (or fair value sensitivity) measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the contractual rate, FTP (internal fund transfer price) or risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the Bank does not expect to recover on a given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the "cash flow adjustment" ("CFA") method.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.
The GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for sensitivity.

The **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in the price of credit risk, liquidity premium and potentially other components of instruments with credit risk that cause fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by the interest rate risk of the banking book. The reference area is represented by the HTCS securities portfolio, whose changes in value have an immediate impact on the Group’s capital.

Value at Risk (VaR) is a probability-based metric that expresses the maximum potential loss of portfolio value that could be incurred within a specific time horizon, at a pre-defined confidence level. VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, also taking into account the benefits of diversification and the correlation between various risk factors and different currencies. This measure is calculated and monitored, for the entire scope, by the Financial and Market Risks Head Office Department.

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at least annually and are subject to periodic backtesting, appropriately documented in the specific model change document to ensure that the operating situation adheres to the assumptions made and incorporate any legislative and/or behavioural changes.
For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.

Policies for hedging and mitigating risk

In addition, within the framework of the dynamic simulation of net interest income, an additional behavioural model is adopted to simulate the effects of potential renegotiations of the contractual conditions of medium-/long-term assets. In terms of risks, renegotiations modify the duration of the portfolio of medium-/long-term loans and entail a decline in net interest income due to the revision of the contractual rates/spreads to include conditions more advantageous to customers. Specific models have been estimated to ensure a proper representation of the renegotiations phenomenon in terms of the percentages of mortgage loans renegotiated and their financial characteristics.
Interest rate risk hedging is undertaken with the aim of protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales of debt securities and options on interest rates concluded with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, in order to preserve the economic value of a portion of the HTCS portfolio, by protecting the price of the securities against adverse market movements, the Group negotiates forward sales of the debt securities held in portfolio on a fair value hedging basis. Finally, on the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of floating-rate loans and on a portion of fixed-rate loans. For this last type, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics. Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both floating-rate funding, to the extent that the latter finances fixed-rate investments, and on variable-rate investments to cover fixed-rate funding (macro cash flow hedges).
The Market and Financial Risk Management Head Office Department of the Parent Company is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.

Qualitative and quantitative disclosure regarding the trading book

The quantification of trading risks (managerial calculation scope) is based on daily and periodic vulnerability of the trading books of Intesa Sanpaolo, which represent the main portion of the Group’s market risks, to adverse market movements of the risk factors already listed above.
Some other Group subsidiaries hold smaller trading books with a marginal risk (approximately less than 1% of the Group’s overall management risk): in particular, the risk factors of the international subsidiaries’ trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.
Conversely, the table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which managerial VaR is the main risk measurement metrics and those for which the risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

(millions of euro)

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS		
		VaR	Other	Risk factors measured using metrics included under Other
Assets subject to market risk	**645,478**	**93,608**	**551,870**	
Financial assets held for trading	42,614	42,260	354	Interest rate risk, credit spread, equity
Financial assets designated at fair value	1	1	-	-
Other financial assets mandatorily measured at fair value	5,706	176	5,530	Interest rate risk, credit spread, equity
Financial assets measured at fair value through other comprehensive income (ifrs 7 par. 8 lett. h))	49,716	48,342	1,374	Interest rate risk, credit spread, equity
Due from banks	32,887	-	32,887	Interest rate risk
Loans to customers	495,952	-	495,952	Interest rate risk
Hedging derivatives	10,062	2,829	7,233	Interest rate risk
Investments in associates and companies subject to joint control	8,540	-	8,540	Equity risk
Liabilities subject to market risk	**731,920**	**55,340**	**676,580**	-
Due to banks	137,217	-	137,217	Interest rate risk
Due to customers	456,640	-	456,640	Interest rate risk
Securities issued	77,389	-	77,389	Interest rate risk
Financial liabilities held for trading	46,533	46,462	71	Interest rate risk
Financial liabilities designated at fair value (ifrs 7 par. 8 lett. e))	8,795	8,795	-	-
Hedging derivatives	5,346	83	5,263	Interest rate risk

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the capital requirement for the market risk of the legal entity Intesa Sanpaolo.
Concerning market risk, the profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of CIU with daily liquidity and (iii) commodity risk.
The VaR and the Stressed VaR used to determine the capital requirement use the same calculation engine and the same pricing libraries for the full evaluation of the managerial measures. With regard to the latter, however, there is no decay factor in the application of the scenarios.
The observation window for the VaR and SVaR is 1 year and the figure is updated on a daily basis.
The daily measures are turned into ten-day measures through the square root of time formula to obtain data that can be used to determine the requirement.
See the paragraph below for more details on the Incremental Risk Charge.

Incremental Risk Charge (IRC)

Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure, which is additional to the VaR, is applied to the entire trading book of Intesa Sanpaolo (just as for the other regulatory metrics, it is not applied to the sub-portfolios).
The IRC enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.
This measure applies to all financial products that are sensitive to credit spreads included in the trading book except for the securitisations.
Method: The simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.
A regular stress program is applied to the model's main parameters (correlation, and transition, default and credit spread matrices).

Market risk under the standardised approach (EU MR1 Reg. 2021/637)

(millions of euro)

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	137
2	Equity risk (general and specific)	321
3	Foreign exchange risk	1,917
4	Commodity risk	1
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation (specific risk)**	**511**
9	**Total**	**2,887**

The main sources contributing to market RWEAs under the standardised approach are the following:
- currency exposure (foreign exchange risk)[29],
- securitisations,
- debt securities not included in the internal model,
- CIUs (to a smaller extent).

The RWEAs of the trading book securitisations were 511 million euro at the end of 2022, down sharply on 1,330 million euro at the end of June 2022. The total exposure of the portfolio decreased to 818 million euro in EAD from 1,188 million euro at the end of June 2022. Indeed, the reduction of 200 million euro for CLOs exposure (mezzanine tranche - rating BB-B) contributes to a savings of 600 million euro in RWEAs.
The RWEAs relating to foreign exchange risk at the end of 2022 amounted to 1,917 million euro, in line with the figure of the end of June 2022, equal to 2,004 million euro.

Market risk under the Internal Model Approach (IMA)[30] (EU MR2-A Reg. 2021/637)

(millions of euro)

			RWEAs	Own funds requirements
1		**VaR (higher of values a and b)**	**2,369**	**190**
	a)	Previous day's VaR (VaRt-1)		48
	b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		190
2		**SVaR (higher of values a and b)**	**3,657**	**292**
	a)	Latest available SVaR (SVaRt-1)		81
	b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		292
3		**IRC (higher of values a and b)**	**1,425**	**114**
	a)	Most recent IRC measure		111
	b)	12 weeks average IRC measure		114
4		**Comprehensive risk measure (higher of values a, b and c)**	**-**	**-**
	a)	Most recent risk measure of comprehensive risk measure		-
	b)	12 weeks average of comprehensive risk measure		-
	c)	Comprehensive risk measure - Floor		-
5		**Other**	**-**	**-**
6		**TOTAL**	**7,451**	**596**

At the end of December, capital absorption, down on the previous half year, reflects lower risk of the trading book. Specifically, the reduction in exposure to spread risk caused a decrease of Stressed VaR and IRC. The increase in VaR has driven by the increase in volatility of the financial markets during 2022.

[29] Starting from 1 January 2022, the figure included the effects of the introduction of the new EBA Guidelines for foreign exchange risk.
[30] The VaR figure in the table includes the Risk Not In Model requirement.

Stressed VaR

Definition: the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.

Method: that period was identified considering the following guidelines:

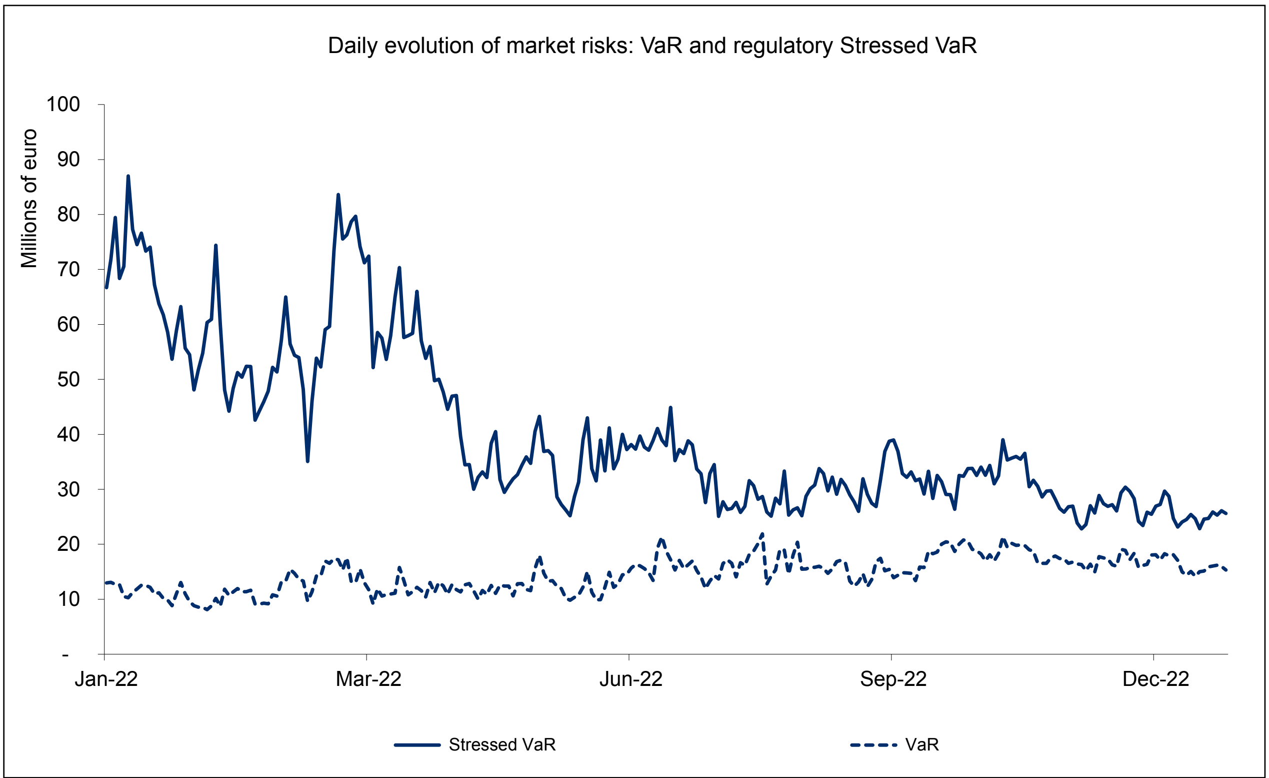
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolio of Intesa Sanpaolo;
- the period must allow real time series to be used for all portfolio risk factors.

While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of the 2022 Financial Statements, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.

For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

The graph below shows the trend of the regulatory measures.



The table below shows the breakdown of the capital requirements for current VaR, Stressed VaR and IRC measures

IMA values for trading portfolios (EU MR3 Reg. 2021/637)

(millions of euro)

VaR (10 day 99%)		
1	Maximum value	69
2	Average value	53
3	Minimum value	38
4	Period end	48
SVaR (10 day 99%)		
5	Maximum value	123
6	Average value	93
7	Minimum value	72
8	Period end	81
IRC (99.9%)		
9	Maximum value	263
10	Average value	146
11	Minimum value	85
12	Period end	111
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

The risk metrics are driven by the exposure to spread risk and euro rates. During the half year, the measures decreased overall, especially Stressed VaR and IRC

Managerial VaR

Definition: Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.
Method: the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.
Specifically, the approach used in Intesa Sanpaolo has the following characteristics:

- historical simulation model based on the mark-to-future platform;
- a 99th percentile confidence interval;
- disposal period of 1 day;
- full revaluation of existing positions.

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.
Please note that, in the first quarter of 2022, on approving the ordinary annual update of the market risk managerial framework (as part of the 2022 Group Risk Appetite Framework), the Board of Directors confirmed a specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks

Definition: sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of risk factors connected thereto. It therefore summarises:

- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

Method: the sensitivity indicator can be constructed using the following techniques:

- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures

Definition: Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.
The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.
Method: nominal (or equivalent) position is determined by identifying:

- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is “equivalent” in terms of sensitivity to the change in the risk factors investigated.
At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests

Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.
Method: Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:

- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group’s Stress Testing Programme:

- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management’s reaction capacity;
- regulatory multi-risk exercise, ordered and coordinated by the supervisor/regulator which defines its general assumptions and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Daily managerial VaR evolution

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)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	26.6	21.5	31.0	26.0	22.8	21.4
of which: Group Treasury and Finance Department	*6.6*	*4.9*	*9.4*	*7.2*	*6.1*	*3.8*
of which: IMI C&IB Division	*24.7*	*18.7*	*31.0*	*26.0*	*21.2*	*17.5*

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

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

During the fourth quarter of 2022, as shown in the table above, compared to the averages for the third quarter of 2022, trading managerial risks were substantially stable (26.6 million euro in the fourth quarter of 2022 and 26 million euro in the third quarter of 2022).
Instead, with regard to the overall performance in 2022, compared to the same period of 2021, the trading managerial VaR decreased slightly, also due to lower market volatility compared to the exceptional market shocks connected with the spread of the COVID-19 pandemic. In particular, there was a reduction from 26.7 million euro in 2021 to 24.1 million euro in 2022.

Daily managerial VaR of the trading book - Comparison 2022 – 2021

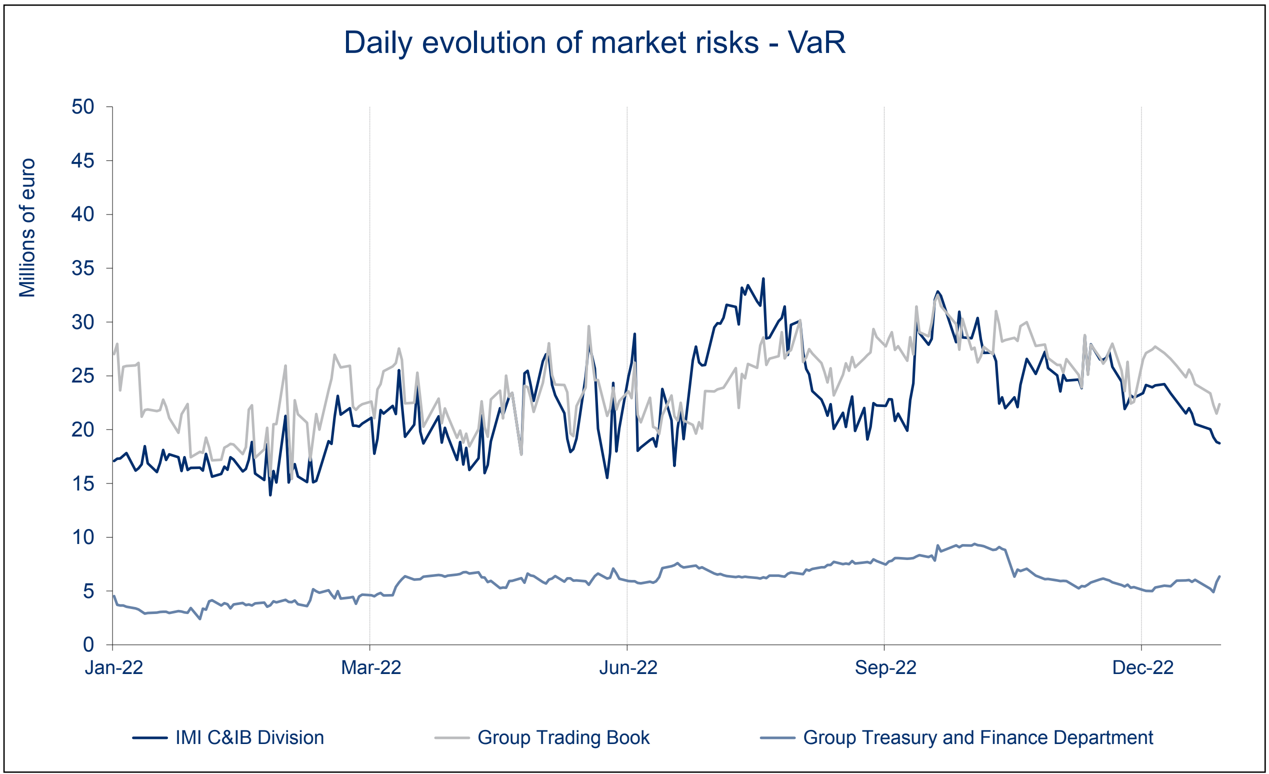
(millions of euro)

	2022				2021		
	average	**minimum**	**maximum**	**last day**	**average**	**minimum**	**maximum**
Total GroupTrading Book (a)	24.1	15.4	32.5	22.4	26.7	16.9	57.8
of which: Group Treasury and Finance Department	*5.9*	*2.4*	*9.4*	*6.4*	*2.8*	*2.3*	*5.6*
of which: IMI C&IB Division	*22.3*	*13.9*	*34.1*	*18.7*	*25.7*	*16.0*	*51.9*

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

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

The trend in the trading VaR in the fourth quarter of 2022 was mainly marked by transactions conducted by the IMI C&IB Division. Specifically, as shown in the chart below, there was a gradual decrease attributable to activities in developed market government securities and credit indices. The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the fourth quarter of 2022 shows a prevalence of credit spread risk and interest rate risk, accounting for 34% and 29%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (46% and 44%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (40% and 29%, respectively).

Contribution of risk factors to total managerial VaR

4th quarter 2022	Shares	Rates	Credit spread	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	4%	44%	6%	46%	0%	0%
IMI C&IB Division	13%	29%	40%	5%	8%	5%
Total	**11%**	**29%**	**34%**	**15%**	**7%**	**4%**

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

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

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish
Total Trading Book	55	15	17	10	-16	19	22	-13	-17	6

In particular:
- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
- for positions in interest rates, there would not be potential losses either in the case of sudden increases or decreases therein;
- for positions in credit spreads, a tightening of credit spreads of 25 bps would result in an overall loss of 16 million euro;
- for positions in exchange rates, there would be potential losses of 13 million euro in the event of appreciation in the Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 17 million euro in the event of a fall in prices of commodities other than precious metals.

With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the fourth quarter of 2022 from 207 million euro (average managerial VaR third quarter 2022) to 155 million euro (average managerial VaR fourth quarter 2022).

Backtesting

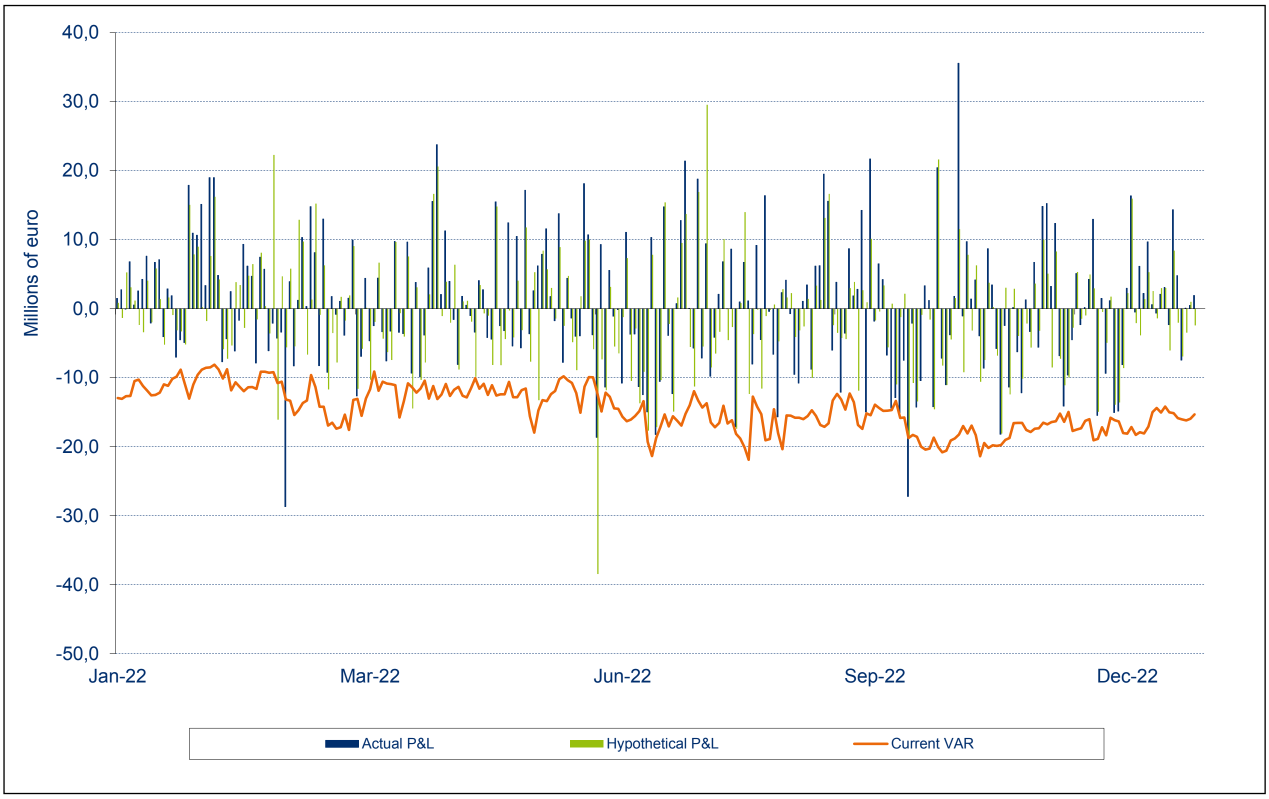
The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

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

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

Comparison of VaR estimates with gains/losses (EU MR4 Reg. 2021/637)

During the last year there were three backtesting exceptions for the regulatory VaR measure of Intesa Sanpaolo. The breaches were not due to portfolio movements but to peaks of volatility in the interest rate and credit risk factors.



Issuer risk

Issuer risk in the trading portfolio is analysed through level measures, i.e. in terms of mark to market, with exposures aggregated by rating class and sector, and is monitored through a system of operating limits based on both sector/rating classes and concentration indexes.

Breakdown of exposures by type of issuer

	Total	Of which					
		Corporate	Financial	Emerging	Covered	Government	Securities.
Group Treasury and Finance Department	0%	0%	0%	0%	0%	0%	0%
IMI C&IB Division	100%	8%	40%	12%	3%	5%	32%
Total	**100%**	**8%**	**40%**	**12%**	**3%**	**5%**	**32%**

The table sets out in the Total column the contribution of the Group Treasury and Finance Department and the IMI C&IB Division to overall issuer risk exposures, breaking down the exposure by type of issuer. The scope corresponds to the trading portfolio with an issuer ceiling (excluding Italian Government bonds, AAA and own bonds) and including CDS (absolute value).

The breakdown of the portfolio subject to issuer risk shows, in the fourth quarter, the prevalence of an exposure attributable solely to the IMI C&IB Division and mainly in securities in the financial and securitisation segments.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

- **first-level limits (VaR)**: the overall limits of the Group as well as those of the IMI C&IB Division and the Treasury Department of the Parent Company are included in the Group's Risk Appetite Framework. At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal. Following approval, these limits are then allocated to the desks of the individual legal entities, considering the proposals by the business units. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risk Committee and Board of Directors within the framework of the Tableau de Bord for the Group's risks;
- **second level limits** (**sensitivity and greeks**): they have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures;
- **other significant limits:** they have the objective of monitoring particular transactions (e.g. ceiling for transactions with issuer risk, Incremental Risk Charge limit).

Some of these limits may be covered by the RAF rules. See also the paragraph "The internal control system" for a more in-depth representation of the risk framework.

Incremental Risk Charge – Summary of 2022 performance

(millions of euro)

	average 4th quarter	4th quarter last one	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	114.0	111.2	84.9	141.0	177.8	278.3	140.6

Impacts from the COVID-19 pandemic

With regard to operating and regulatory market risks, during 2022 there were no changes in the risk metrics attributable to the context resulting from the COVID-19 pandemic.

Impacts of the Russia-Ukraine conflict

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

FAIR VALUE, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUE OF FINANCIAL INSTRUMENTS

The framework of financial measurement at fair value is based on three pillars: fair value measurement according to the IAS/IFRS, independent price verification (IPV) and prudent value measurement. The latter two are established by the Capital Requirement Regulation (CRR). The paragraphs below describe the methods applied by the Intesa Sanpaolo Group to implement and use those elements.

General fair value principles

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group Guidelines and Rules for Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies.

The “Guidelines for Valuation of Financial Instruments at Fair Value”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The “Rules for Valuation of Financial Instruments at Fair Value” are reviewed, revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

The “Rules for the Measurement of Unlisted Equity Investments”, drawn up by the Group M&A and Equity Investments Head Office Department and approved by the Group Financial Risk Committee, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.
The bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:

a. in the principal active market for the asset or liability;
b. in the absence of a major market, in the most advantageous active market for the asset or liability.

The bank is not required to conduct an exhaustive study of all possible markets to identify the major market or, in the absence of the major market, the most advantageous market, but must take into account all the reasonably available information. If there is no evidence to the contrary, the market that the entity normally operates in to sell the asset or transfer the liability is assumed to be the major market or the most advantageous market, if there is no major market. The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Intesa Sanpaolo Group generally operates.

In accordance with IFRS 13, the Group considers an active market to be a market where transactions in an asset or liability occur with sufficient frequency and volume to provide useful information for determining price on an ongoing basis. More specifically, a financial instrument is regarded as quoted in an active market if quoted prices are readily 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.

In specific cases, governed by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value, and despite being quoted on regulated markets, relevant research is carried out to verify the significance of the official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices must be carried out. A reduction in the volume or the level of activity alone may not indicate that the price of a transaction or the quoted price does not represent fair value or that the transaction in that market is not ordinary. If an entity determines that a transaction price or quoted price does not represent fair value (e.g., non-ordinary transactions) an adjustment to the transaction prices or listed prices is required if the entity uses those prices as the basis for fair value measurement and that adjustment may be significant with respect to the fair value as a whole.

The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm's length exchange motivated by normal business considerations.
The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

Inputs of the valuation techniques

The inputs are defined as the assumptions that market participants would have used to determine the price of the asset or the liability, including assumptions regarding risk, such as, for example, the risk relating to a particular valuation technique used to measure fair value or the risk relating to the inputs of the valuation technique. The inputs may be observable or unobservable.
Observable inputs are those produced using market data, such as publicly available information on operations or actual events, which reflect the assumptions that market participants would use in determining the price of the asset or the liability.
Unobservable inputs are those for which no market information is available and that are produced using the best available information regarding the assumptions that market participants would use to determine the price of the asset or the liability.

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy in which inputs to fair value measurement techniques are divided into three levels. That hierarchy assigns top priority to (unadjusted) quoted prices on active markets for identical assets or liabilities (level 1 data) and the lowest priority to unobservable inputs (level 3 data). Specifically:

- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs;
- fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.
The attachment "Fair Value Hierarchy Rules" to the "Rules for Valuation of Financial Instruments at Fair Value" defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.
For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
The following are considered as level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), contributed UCITS funds (covered by EU directives), spot exchange rates, and derivatives for which prices are available on an active market (for example, exchange traded futures and options).
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.
When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.
The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives (including securitised derivatives) measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;

- non-UCITS hedge funds, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured using this method:

- some transactions in derivatives, bonds, or complex structured credit instruments measured using level 3 inputs;
- hedge funds in which the level 3 assets are above a set limit;
- private equity funds, private debt funds, real estate funds and closed-end funds resulting from sales of non-performing loans valued at NAV, with possible discounts;
- shareholdings and other equities measured using models based on discounted cash flows or using equity methods;
- loans whose fair value is determined through the use of a credit spread that does not meet the criteria to be considered level 2;
- loans with underlying equity risk, whose fair value is calculated based on the discounting of expected contractual flows.

The transfer of fair value levels of financial assets and financial liabilities measured at fair value on a recurring basis occurs, as established by IFRS 13, as follows: the transfer between levels 2 and 3 occurs upon a change in the observability or significance of an input to the measurements; and the transfer between levels 1 and 2 or 3 occurs upon a change in the availability of prices in an active market.

For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of observability and significance of the parameters used to determine the risk-free component. The calculation of the counterparty/issuer default risk component may result in a transfer to level 3 when the current exposure is positive for the bank and the counterparty is in non-performing loan status, or when the determination of default risk requires unobservable inputs and the bilateral credit value adjustment (bCVA) component is significant when compared to the overall fair value of the netting set, or when the counterparty's sensitivity to downgrading is significant when compared to the overall fair value of the netting set.

For non-contributed equity instruments, the change of the level occurs:

- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Intesa Sanpaolo Group reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Intesa Sanpaolo Group uses valuation techniques that use unobservable inputs.

Valuation of financial instruments

The valuation of financial instruments entails the following phases:

- identification of the sources for valuation: for each asset class, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used;
- validation and processing of input data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of the measurement methods: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the measurement models used and at determining any adjustments necessary for measurement;
- monitoring and revision of the measurement methods: the monitoring consists of the ongoing checking of the adherence to the market of the valuation model and enables the timely discovery of any gaps, in order to initiate the necessary checks and measures.

Identification, certification and processing of the input data for the measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of measurement techniques, highlight the need to establish univocal principles in the determination of market parameters. To this end, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes needed to identify the market parameters, the contribution sources considered appropriate and how the data must be received (cut-offs) and used for the measurement of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. The same sources are used in measurements carried out for third parties under Service Level Agreements, entered into in advance. The adequacy of the input data for the measurements is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, measuring the contribution bid-ask, and lastly, for OTC products, verifying the comparability of the contribution sources.

The use of all market parameters in Intesa Sanpaolo is subordinated to their certification by the Market and Financial Risk Management Head Office Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Certification of measurement methods
The measurement methods used by the Intesa Sanpaolo Group are certified by the IMI CIB Risk Management Head Office Department, with the involvement of all relevant structures. The purpose of the certification is to verify the consistency of the methods with current market practice, to highlight any problems or limitations, and to determine any fair value adjustments, in accordance with the applicable regulations. The certification process considers all aspects of the measurement method (basic assumptions, mathematical derivation, any approximations, numerical algorithms used, inputs and outputs) but also all contextual elements that are relevant to the management, including the characteristics of the associated products (payoffs, early termination clauses, etc.), any ancillary agreements (e.g. netting or collateral agreements), the market where the products are traded, and how they are used by end users (e.g. precision vs. performance, calculation of risk measures, etc.). These aspects are subject to qualitative and quantitative analysis and are duly reported in the internal documentation.
The possibility of independent validation issued by high standing financial service companies is also envisaged in highly-complex cases and/or in presence of market turbulence (market dislocation).
At the end of the certification process, the measurement method is recorded in the Rules for Valuation of Financial Instruments at Fair Value.

Monitoring and review of measurement methods
As required by the applicable regulations, the measurement methods used are subject to ongoing monitoring of their performance with respect to the evolution of financial instruments, markets and methodological innovations developed by the scientific community, in order to ensure their continuous alignment to the market, promptly highlight any inadequacies and initiate the necessary checks and actions. The Rules for Valuation of Financial Instruments at Fair Value detail all elements considered for the periodic monitoring and revision of the measurement methods. The functions involved in the monitoring process are the same as those involved in the process of certification of the measurement methods mentioned above and in the IPV process governed by the Guidelines and Rules on Independent Price Verification.

Valuation risk: fair value adjustments
The Intesa Sanpaolo Group defines valuation risk as the risk of losses arising from the valuation uncertainty for the fair value exit price of financial instruments, due to any limitations of the measurement techniques used or particular market conditions.
The main measure of the valuation risk associated with a financial instrument are the fair value adjustments, which are designed to take into account the valuation uncertainty or the difficulty in the disposal of specific financial positions, and may relate to a single financial instrument or to the net position for a particular risk factor. The adjustments may be calculated as add-ons to the valuation or included directly in the valuation. They are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in measurement methods chosen and their implementation.
In particular, the Intesa Sanpaolo Group envisages fair value adjustments for the following categories of measurement uncertainty:
- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.) generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Rules for the Valuation of Unlisted Equity Investments with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective, consistent and systematic manner possible by the IMI CIB Risk Management Head Office Department and the Group M&A and Equity Investments Head Office Department. The introduction and release of the fair value adjustments depend on the factors described above. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the

estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.
For new products, the decision to apply the adjustments is taken during the new product approval process, upon the proposal of the IMI CIB Risk Management Head Office Department.
The application of the adjustments is subject to an authorisation procedure that, above a certain warning threshold defined for specific cases, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds, and loans), on the valuation models used.

I. Valuation of non-contributed debt securities

The fair value of non-contributed bonds is measured using the income approach, i.e. by calculating the present value of expected future cash flows using an appropriate risk premium represented by the credit spread, identified on the basis of contributed and liquid financial instruments with similar characteristics. The sources used for this measurement are the following:

- contributed and liquid debt securities of the same issuer;
- credit default swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case, the different seniority of the security to be priced is considered with regard to the issuer's debt structure.
In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.
When applying the spread for the pricing of the non-contributed instrument, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.
Finally, if the instrument includes an optional component, a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and any illiquidity of the underlying assets. This component is calculated based on the type of option, using the corresponding valuation models for derivatives mentioned below.

Similarly, Intesa Sanpaolo's credit spread for the Banking Group's financial liabilities designated at fair value is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market prices and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level. Similarly, the issued certificates are measured at fair value by breaking them down into the following two components: an issued bond, measured as described above, and an option component, measured using the corresponding derivative pricing models described below.

Finally, measurement of the financial liabilities designated at fair value of the Insurance Companies (mainly liabilities associated with unit-linked investment contracts that do not present significant insurance risk) reflects the market value of the underlying assets, which are determined in application of the various methods described herein.

II. Valuation of loans

Loans are measured at fair value through contributions from info providers when available or by calculating the present value of expected future cash flows using an appropriate credit spread, identified starting from the following sources:

- contributed loans on the market;
- sector/rating-specific loan market curves;
- contributed securities of the same issuer;
- credit default swaps on the same reference entity.

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.
When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.
Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.
In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.
Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.
In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital instruments that may be acquired following the introduction of an equity conversion clause for the position.

III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification and monitoring illustrated above.

The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk:

a. for CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows;
b. for transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black-Scholes, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer’s own credit risk.

IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).

In this case, the cash flows are obtained from infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted

using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.
After this valuation, credit analyses on underlying assets are fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

V. Valuation of non-contributed equities

Level 2 equities include:
- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions;
- equities measured using relative methods, based on multipliers: implied multiples in transactions in comparable listed or unlisted companies, within a time frame deemed sufficiently short with respect to the time of measurement and under constant market conditions (M&A multiples) or implicit multiples in the stock market prices of a sample of comparable companies (stock market multiples).

Level 3 equities for which the “relative” models described above are not applicable in significant terms, and, therefore, “absolute” valuation models are used, include:
- equities for which analytical models based on flows are used, which determine the value through estimates of the cash or income flows that the company is expected to generate over time, discounted using an appropriate rate based on the level of risk of the instrument;
- equities measured based on net worth criteria such as NAV or Adjusted Net Asset Value (ANAV), which estimates the fair value of the various components of the assets of the investee.

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.
The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.
This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

VI. The valuation of hedge funds

The fair value of a hedge fund corresponds to the Net Asset Value (NAV) provided by the fund administrator, to which an adjustment can be applied, deriving from a measurement process aimed at capturing the main risk factors that the management of the funds is subject to, which consist of the following two types:
- counterparty (broker) risk, i.e. the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, subject to the risk of default;
- illiquidity risk, i.e. the risk that the assets of the fund are illiquid due to the limited prices available or due to a lack of information on the assessment policies used by the fund.

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.
The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

VII. The valuation of private debt funds

For Private Debt AIFs (Alternative Investment Funds), the investment authorisation process involves an initial due diligence to verify the consistency between each fund's asset valuation policy and the Guidelines and Rules for Valuation of Financial Instruments at Fair Value. The fund is subsequently valued at NAV. The fair value hierarchy level is Level 3.

VIII. Valuation of closed-end private equity funds, real estate funds and closed-end funds resulting from sales of non-performing loans

Closed-end private equity funds are usually valued using the latest Net Asset Value approved by the asset management company (published half yearly or quarterly), adjusted solely to take into account events that have not yet occurred at the reference date of the NAV, such as:
- a material transaction on a portfolio company;
- the bankruptcy or liquidation of a portfolio company;
- the alignment of any listed assets to current prices;
- draw downs and distributions by the fund.

Closed-end real estate funds are valued using the last available Net Asset Value, adjusted for any subsequent call ups or distributions and, where considered necessary, applying a discount calculated using an internal model. Specifically, this model enables the calculation of a discount on the Net Asset Value based on five different factors: (i) the size of the asset management company that manages the fund; (ii) the number of subscribers; (iii) the fund’s historical return; (iv) the fund’s return for the period; and (v) the level of debt. These factors are calibrated differently based on the business model and the fund’s resulting risk profile, distinguishing between core, value added and opportunistic funds.

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying

exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators[31].
Where it is not possible to apply the approach mentioned above, for each fund a comparison is made between the expected return of the fund and a benchmark rate, defined using a model that factors in various elements, such as: i) the fund's valuation policies, verifying whether they are compliant with criteria consistent with the definition of fair value pursuant to IFRS 13, ii) verification that there is an updated business plan and of the performance of the fund compared to the available business plan, iii) the characteristics of the fund's assets, iv) the level of the cost of funding on the market for issuing liquid instruments, v) the completeness and extensiveness of the information provided by the fund, and vi) the fund management methods. Where the expected return of the fund is higher than the defined benchmark rate, the NAV communicated by the asset management company is used as the fair value measure. Where, instead, the benchmark rate is higher than the expected return of the fund, the fair value is determined based on the NAV minus a discount, which takes account of the spread between the benchmark rate and the expected return of the fund and the average residual life of the fund (Weighted Average Life or WAL).

Valuation of financial assets and liabilities not measured at fair value on a recurring basis

Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:
- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;
- for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-3	6	%	7,409	-11,764
Structured securities and loans	JD model	JD parameters	-37	13	%	134	-192
Structured securities and loans	Two-factor model	Correlation	-26	32	%	4,871	-3,413
ABSs	Discounting Cash Flows	Credit Spread	-1	3	%	611	-832
CLOs Cash	Discounting Cash Flows	Credit Spread	-6	6	%	503	-523
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	0	100	%	3,388	-2,315
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	A	Internal rating	44	-78
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-11.16	87.39	%	517	-759
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.21	76.17	%	967	-1,524
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	2.44	47.95	%	66	-43
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-71.70	71.04	%	0.44	-1.02

General Independent Price Verification principles

The Intesa Sanpaolo Group governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.
The "Guidelines on Independent Price Verification", once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The level I and II "Rules on Independent Price Verification" are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.
According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Intesa Sanpaolo Group governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.
The Intesa Sanpaolo Group has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.

[31] See Bank of Italy/Consob/Ivass Document no. 8 "Treatment in the financial statements of sales without recourse of unlikely-to-pay loans in exchange for units of investment funds", published in April 2020.

Within the IPV, the level I, II and III control functions have the following main responsibilities:
- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations and consistency between the IPV controls, accounting valuations and additional valuation adjustments (AVA) (carried out, respectively, on the basis of the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value) and supervises the level I controls and performs the level II controls;
- the level III control function carries out internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. Specifically:
- the level I controls are aimed at ensuring the validation of the market data entered into the systems and are based on an in-depth analysis of the data obtained from external providers. If the level I controls detect that certain thresholds have been exceeded for the data contained in the systems, or the data is not considered correct by the level I control functions, a comparison process (challenge) is activated with the involvement of the business function and the level II control functions, in line with the degree of complexity of the report;
- the level II controls are characterized by sequentiality and complementarity in execution with the level I controls and are designed to ensure alignment between management and accounting valuations, based on an in-depth analysis of consensus or counterparty data and, where these are not available, through the application of pricing models associated with the respective instruments.

The results of the IPV process are analysed, assessed and coordinated by the Financial Measurements Working Group, a technical body set up specifically for this purpose, with the aim of facilitating integration and comparison between the business functions and the control functions.

General prudent value principles

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value, which involves the calculation of additional valuation adjustments for prudential purposes, without impacts on the fair value calculated for accounting purposes in accordance with the IFRS.

The Intesa Sanpaolo Group governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.

The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.

The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:
- market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level;
- close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level;
- model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued;
- unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions;
- investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework;
- concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated;
- future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions;
- early termination: it considers the potential losses arising from non-contractual early terminations of customer trades;
- operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.

The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.
The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.
The "Rules for Prudent Valuation of Financial Instruments" outline, for each AVA, the definition and interpretation, the scope of application, the input data and the detailed calculation method for each class of financial instrument.

Prudent valuation adjustments (PVA) (EU PV1 Regulation 2021/637)

The table required by Regulation (EU) 2021/637 on additional prudent valuation adjustments is provided below.

(millions of euro)

		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	15	19	2	61	5	3	-	55	32	23
2	Not applicable						-	-			
3	Close-out cost	42	37	6	41	5	13	8	75	63	12
4	Concentrated positions	-	-	-	16	-	-	-	17	6	11
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	30	1	-	31	-	30	9	51	27	24
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	Not applicable										
9	Not applicable										
10	Future administrative costs	-	1	-	1	-	-	-	3	2	1
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								**201**	**130**	**71**

The table shows the value of the Additional Valuation Adjustment (AVA) that, applying the Capital Requirements Regulation (CRR) to the prudent valuation of assets and liabilities at fair value, represents the amount of necessary additional value adjustments to be deducted from Common Equity Tier 1 for capital requirements purposes. The total value of the AVA came to 201 million euro as at 31 December 2022 (235 million euro as at 31 December 2021). The change was mainly driven by the decrease in the model risk component, both as a direct contribution linked to securitised instruments and loans, and an indirect contribution linked to unrealised credit spreads.
The table also provides the opening of the category level AVA.

Section 14 – Operational risk

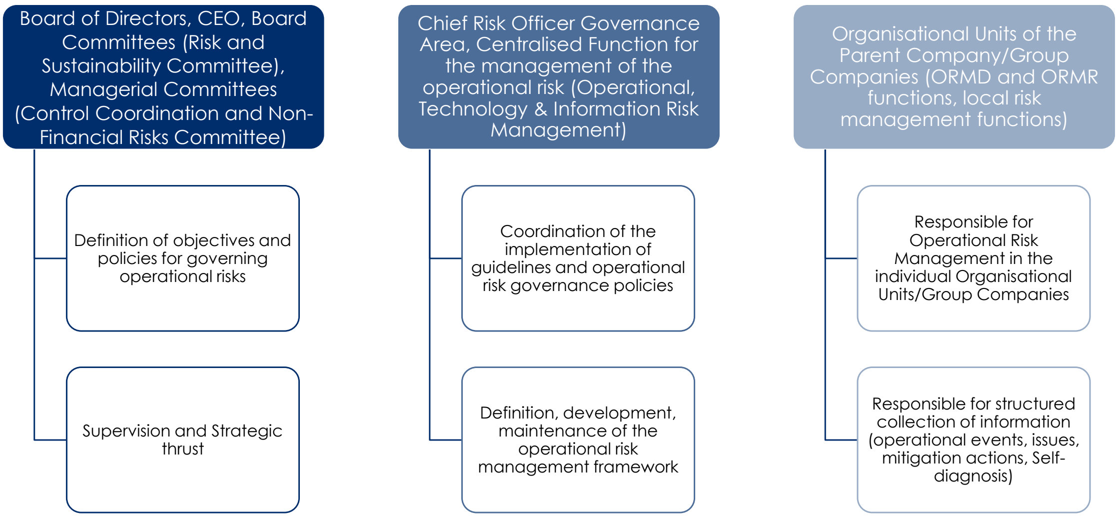
General operational risk management aspects

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[32].
The Intesa Sanpaolo Group adopts an undertaking and management strategy of operational risk based on prudent management principles and aimed at guaranteeing long-term solidity and continuity for the company. In addition, the Group pays particular attention to achieving an optimal balance between growth and profitability and the resulting risks.
In line with these objectives, the Intesa Sanpaolo Group has long since established an overall operational risk governance framework, by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

Governance Model

An effective and efficient framework for managing operational risks must be fully integrated into decision-making processes and management of business operations. Accordingly, the Intesa Sanpaolo Group has chosen to involve the organisational units (business units, central/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational risk management process.
The operational risk governance model has been developed in view of:

- optimising and maximising organisational safeguards, interrelations and information flows between the existing organisational units and integration of the operational risk management approach with other company models developed for specific risks (business continuity, IT security, etc.);
- guaranteeing transparency and spread of the models, methods and criteria of analysis, assessment and measurement criteria used to facilitate the process of cultural diffusion and comprehension of the logic underlying the choices made.



The Group has a centralised function within the Enterprise Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management. In compliance with current requirements, the individual organisational units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these organisational units to be responsible for Operational Risk Management (structured collection of information relative to operational events, detection of issues and related mitigation actions, scenario analyses and evaluation of the business environment and internal control factors). In order to support the operational risk management process on a continuous basis, a structured training programme has been implemented for employees actively involved in this process.

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

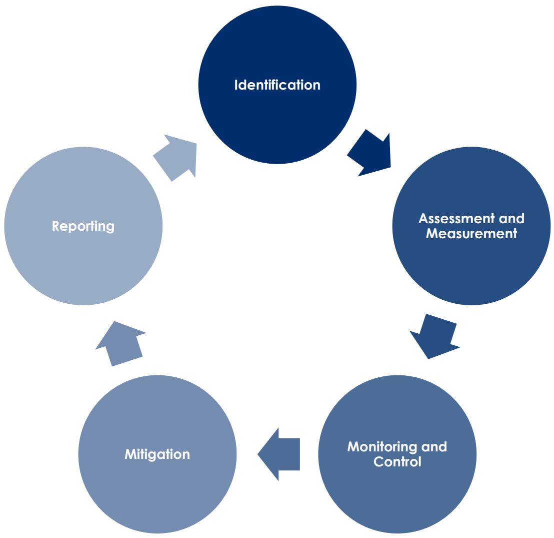
ICT risk

The Intesa Sanpaolo Group considers its information system a tool of primary importance to the achievement of its strategic, business and social responsibility objectives, including in the light of the critical nature of the company processes that depend on it. Accordingly, it undertakes to create a resilient environment and to invest in assets and infrastructure designed to minimise the potential impact of ICT events and to protect its business, image, customers and employees.
The Group has therefore adopted a system of principles and rules intended to identify and measure the ICT risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational risk management process.
In line with the methodological framework established for the governance of operational risks, the ICT Risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.
ICT (Information and Communication Technology) risk means the risk of economic, reputational or market share losses related to the use of information and communication technology. In the integrated view of corporate risk for supervisory purposes, this risk is considered, according to specific aspects, as operational, reputational and strategic risk.
ICT risk includes:

- cyber risk (including IT security risk): the risk of sustaining economic loss, reputational damage or loss of market shares due to:
  - any unauthorised access or attempt to access the IT system of the Group or the data or digital information it contains;
  - any event (intentional or unintentional), favoured or caused by the use of technology or related to it that has or could have a negative impact on the integrity, availability, confidentiality and/or authenticity of company data and information, or on the continuity of business processes;
  - the improper use and/or dissemination of data and digital information also not directly produced and managed by the ISP Group;
- IT or technology risk: the risk of sustaining economic loss, reputational damage or loss of market shares in relation to the use of the corporate IT systems and related to malfunctioning hardware, software and networks.

Group Operational Risk Management Process

The Intesa Sanpaolo Group's operational risk management process is divided into the following phases:



Identification

The identification phase includes the collection and classification of qualitative and quantitative information that allows to identify and describe the Group's potential areas of operational risk. In particular, it involves:

- the collection and updating of data on operational events (Loss Data Collection), decentralised to the Organisational Units;
- identification of the company processes and components of the IT system at highest potential risk;
- determination of the applicability and relevance of the operational risk factors defined;
- identification of projects that will involve relevant changes to the IT system or changes to critical components of the IT system;
- identification of significant risk scenarios, also based on the external context (e.g., external loss data, regulatory development, emerging trends, strategic and threat intelligence);
- identification and analysis of issues affecting the Group's areas of operation.

Assessment and measurement

The assessment and measurement phase includes the process of qualitative and quantitative determination of the Group's exposure to operational risks.

It includes:

- at least annual performance of the process of self-assessment of exposure to operational and ICT risk (Self-diagnosis);
- performance of preventive analyses of operational and ICT risks deriving from agreements with third parties (e.g., outsourcing of activities), business operations or project initiatives, introduction or revision of new products and services, launch of new activities and entry into new markets;
- the definition of the relevance of identified issues;
- transformation of the evaluations collected (e.g., internal and external operational loss data, management levels of risk factors, probability and impact in the event of occurrence of risk scenarios) into synthetic risk measures;
- determination of economic and regulatory capital for operational risk, through the internal model and the simplified methods defined by the regulations.

Monitoring and control

The purpose of the monitoring phase is to analyse and monitor on an ongoing basis:

- the development of the exposure to operational risks on the basis of the structured organisation of the results of the identification, assessment and measurement processes and the observation of indicators that represent a valid proxy of the exposure to operational risks (e.g., limits, early warnings and indicators established within the RAF);
- the development of the risk profile inherent in the use of new technologies or in the implementation of significant changes to existing systems.

Mitigation

The mitigation phase includes activities aimed at containing the exposure to operational risks, defined on the basis of the results of the identification, measurement, assessment and monitoring phases. It includes:

- identification, definition and implementation of the corrective measures (mitigation actions) necessary to solve the identified gaps or to bring back the relevance of the identified issues within the defined risk tolerance;
- promotion of initiatives designed to spread a culture of operational risk within the Group;
- definition of strategies for transferring operational risks, in terms of optimisation of insurance coverage and any other forms of risk transfer adopted by the Group from time to time.

In this regard, in addition to a traditional insurance programme (to protect against offences such as employee infidelity, theft and damage, transport of valuables, computer fraud, forgery, cyber-crimes, fire and earthquake, and third-party liability), the Group has taken out an insurance coverage policy named Operational Risk Insurance Programme, in compliance with the requirements established by the regulations and to have access to the capital benefits provided for by the policy, which provides specific cover for Companies included in the AMA scope, significantly increasing the limits and transferring the risk of significant operational losses to the insurance market.

In addition, with respect to risks relating to real estate and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

Reporting

The reporting phase includes the preparation of appropriate information flows associated with operational risk management, designed to provide disclosures useful, for example, for:

- analysis and understanding of any dynamics underlying the trend in the level of exposure to operational risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

Self-diagnosis

Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational and ICT risk. It includes the Operational Risk Assessment and ICT Risk Assessment, in turn consisting of:

- Business Environment Evaluation (VCO): activities used to identify significant risk factors and assess the related management level[33].
- Scenario analysis (SA): a method of prospective analysis that takes the form of a systematic process, which is typically repeated at predefined intervals, but which may also be conducted on an ad hoc basis, and which consists in imagining the occurrence of particular situations (or scenarios) and imagining their consequences. Once scenarios have been identified and appropriately characterised, they must be assessed: i.e., one must determine the probability of occurrence (frequency) and potential impact (average impact and worse case) in the event of occurrence of the situation described in the scenario.

[33] The applicability and significance of risk factors are assessed, in the case of ICT risk, by the technical functions, cybersecurity functions and business continuity functions, and, with regard to operational risk, by the Decentralised Operational Risk Management functions.

Methods for calculating Operational Risk

For regulatory purposes, the Group adopts the Advanced Measurement Approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement. As at 31 December 2022, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and PBZ Banka.

The capital requirement amounted to 2,039 million euro as at 31 December 2022, substantially stable on the 2,024 million euro as at 31 December 2021.

Operational risk own funds requirements and risk-weighted exposure amounts (EU OR1 Reg. 2021/637)

(millions of euro)

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	427	462	541	72	894
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,352	1,326	1,362	207	2,593
3	*Subject to TSA*	*1,352*	*1,326*	*1,362*		
4	*Subject to ASA*	*-*	*-*	*-*		
5	Banking activities subject to advanced measurement approaches AMA	17,809	17,647	17,419	1,760	21,999

With regard to the banking activities subject to the Basic Indicator and Standardised approaches, the relevant indicator is determined on the basis of audited financial statement data, apart from some companies subject to the Basic Indicator approach, which entered the prudential scope during the year as a result of corporate transactions or a change in the method of consolidation, for which estimates have been adopted on a prudential basis as envisaged by the regulations.

Breakdown of capital requirements by calculation approach

(millions of euro)

Approach	Capital requirement
Advanced Measurement Approach (AMA)	**1,760**
Traditional Standardised Approach (TSA)	**207**
Corporate Finance	37
Trading & Sales	43
Retail Banking	58
Commercial Banking	59
Payment & Settlement	-
Agency Services	2
Asset Management	6
Retail Brokerage	2
Basic Indicator Approach (BIA)	**72**
Total as at 31.12.2022	**2,039**
Total as at 31.12.2021	**2,024**

The Intesa Sanpaolo Group's internal model for calculating capital absorption is designed to combine all the main sources of quantitative information (operational losses: internal and external events, estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation), and consists of two components:

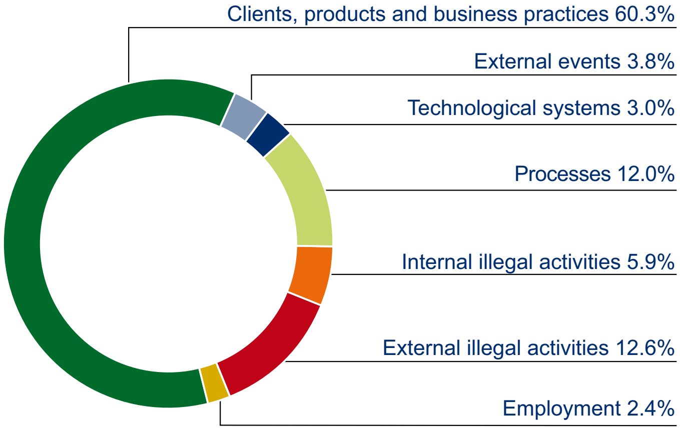
- the historical component, based on an analysis of historical data concerning internal events (recorded by the organisational units, appropriately verified by the Head Office Department and managed by a dedicated information system) and external events (provided by the Operational Riskdata eXchange Association - ORX);
- the prospective component (Scenario Analysis), focused on the forward-looking assessment of the risk exposure conducted by the Organisational Units and based on the structured, organised collection of subjective estimates expressed directly by the business experts in the Subsidiaries and Parent Company's Units with the objective of assessing the potential economic impact of operating events.

Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case). It is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk

of operational losses), applied to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.
The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

The following shows the breakdown of capital requirement relating to the Advanced Measurement Approach by type of operational event (Event Type).

Breakdown of capital requirement (Advanced Measurement Approach - AMA) by type of operational event



Impacts from the COVID-19 pandemic

During 2022, the company measures and rules adopted since the beginning of the emergency, in order to ensure business continuity and the safeguarding of the health of customers, employees and suppliers, were constantly reassessed and updated based on the evolution of the health situation and the regulatory requirements.
In terms of operational risks, no additional impacts were reported specifically due to the pandemic.

Impacts of the Russia-Ukraine conflict

As regards operational risks, the impacts of the Russia-Ukraine conflict regard several actions implemented to ensure the Group's business continuity operations, particularly the extra costs incurred for Business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone. That information is used to monitor exposure to operational risk, including that regarding the Risk Appetite Framework.

Section 15 - Equity Exposures: disclosures for positions not included in the trading book

Qualitative disclosure

Equity exposures not included in the trading book: differentiation of exposures on the basis of the objectives pursued

Investments in equity instruments present in the Intesa Sanpaolo Group - excluding those subject to line-by-line consolidation and the companies in the Insurance Group - fall into a number of categories, summarised as follows:

- Banking and financial companies;
- Non-financial companies:
  - Used for the Group's core business: these contribute directly or indirectly to developing retail and corporate banking business, also in the area of and through "new professions";
  - Debt to Equity: from restructuring transactions, managed with a view to recoverability and/or disposal;
  - Other: equity investments mainly held for sale and other minor equity interests that do not fall within the preceding categories;
- Funds: differentiated by strategic size and product nature (Private Equity, Venture Capital, Real Estate, Infrastructure and Institutional).

Recognition and valuation of the equity instruments not included in the trading book

The equity exposures not included in the trading book are classified under the balance sheet items Investments in associates and companies subject to joint control, Financial assets measured at fair value through profit or loss, and Financial assets measured at fair value through other comprehensive income, in accordance with the IAS/IFRS.

For an explanation of the methods for the recognition and measurement of the equity instruments not included in the trading book, please refer to Part A of the Notes to the consolidated financial statements - Accounting Policies, which sets out, for each individual financial statement caption, the accounting criteria applied by the Intesa Sanpaolo Group (A.2 - Main financial statement captions). In particular, paragraphs 1, 2 and 5 set out the criteria for classification, recognition, measurement and derecognition for "Financial assets measured at fair value through profit or loss (FVTPL)", "Financial assets measured at fair value through other comprehensive income (FVOCI)" and "Investments in subsidiaries, associates and companies subject to joint control" respectively; point 16 "Other information" shows the methods for determining impairment losses for investments. For details on the criteria for impairment testing of investments in subsidiaries, associates and companies subject to joint control, reference should be made to Part B of the Notes to the consolidated financial statements (Section 7 - Investments in subsidiaries, associates and companies subject to joint control). Lastly, for a description of the valuation techniques used to calculate fair value, see the discussion of this subject in the section on market risks of this document.

Quantitative disclosure

The tables below show the breakdown of the equity exposures according to their book classification. The figures represent the exposures shown in the consolidated financial statements of the Banking Group, and exclude the amounts of all investments in companies consolidated on a line-by-line basis in the financial statements.

Non-trading book: on-balance sheet equity exposures (*)

(millions of euro)

Exposure type/values	31.12.2022							
	Book value		Fair value		Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	-	2,013	-	X	353	-121	X	X
B. Financial assets measured at fair value through other comprehensive income	513	835	513	835	X	X	115	-373
C. Other financial assets mandatorily measured at fair value	122	349	122	349	12	-42	X	X
Exposure type/values	**31.12.2021**							
	Book value		**Fair value**		**Realised gains/losses and impairments**		**Unrealised gains/losses recognised in the balance sheet**	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	-	1,652	-	X	241	-103	X	X
B. Financial assets measured at fair value through other comprehensive income	1,537	1,735	1,537	1,735	X	X	208	-354
C. Other financial assets mandatorily measured at fair value	161	341	161	341	49	-22	X	X

(*) This table provides figures pertaining exclusively to the Banking Group.

(**) For Investments, the fair value refers to listed investments only (level 1).

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

Non-trading book: impact on shareholders' equity of price risk as at 31 December 2022

(millions of euro)

		4th quarter 2022 impact on shareholders' equity at 31.12.2022	3rd quarter 2022 impact on shareholders' equity at 30.09.2022	2nd quarter 2022 impact on shareholders' equity at 30.06.2022	1st quarter 2022 impact on shareholders' equity at 31.03.2022	Impact on shareholders' equity at 31.12.2021
Price shock	10%	73	147	146	166	177
Price shock	-10%	-73	-147	-146	-166	-177

Non-trading book: equity exposures - weighted values

(millions of euro)

	Weighted exposure	
	31.12.2022	**31.12.2021**
IRB approach	**28,776**	**37,395**
Equity exposures (Simple risk weight approach)	23,206	31,864
- Private equity exposures in sufficiently diversified portfolios	1,359	1,220
- Exchange-traded equity exposures	677	3,390
- Other equity exposures	21,170	27,254
Equity exposures (PD/LGD approach)	3,868	3,279
Equity exposures (Exposures subject to fixed weighting factors)	1,702	2,252
Standardised approach	**1,197**	**2,279**

Section 16 - Interest rate risk on positions not included in the trading book

Qualitative disclosure

Interest rate risk

The “banking book” is defined as the trade portfolio consisting of all on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group's lending and deposit collecting activities; therefore, the interest rate risk of the banking book (hereinafter “interest rate risk” or IRRBB) refers to the current and prospective risk of changes in the Group's banking book due to adverse changes in interest rates, which are reflected in both economic value and net interest income.
The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.
The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:

- repricing risk, i.e. the risk associated with lags in maturity dates (for fixed-rate positions) or in the interest rate revision date (for floating-rate positions) of the assets, liabilities and off-balance sheet items;
- yield curve risk, i.e. the risk associated with changes in the inclination and shape of the yield curve;
- basis risk, i.e. the risk arising from imperfect correlation in the adjustment of lending and deposit rates on different instruments, but with otherwise similar repricing characteristics. As interest rates change, these differences can lead to unexpected changes in cash flows and yield spreads between assets, liabilities and off-balance sheet positions having similar maturities or rate revision frequencies;
- optionality risk, i.e. the risk associated with the presence of automatic or behavioural options in the Group's assets, liabilities and off-balance sheet instruments.

Intesa Sanpaolo's current measurement system also allows the risk profile to be examined on the basis of two distinct but complementary perspectives:

- **economic value perspective** (EVE – Economic Value of Equity), which considers the impact of interest rate fluctuations and the associated volatility on the present value of all future cash flows;
- **net interest income perspective** (NII - Net Interest Income), which aims to analyse the impact of interest rate fluctuations and their associated volatility on net interest income.

The economic value perspective assesses the medium-to-long term impacts of interest rate fluctuations, while the net interest income perspective provides a short-term assessment.
Interest rate risk is managed by setting limits to both perspectives. Said limits comprise:

- consolidated limits, which are defined in the RAF and approved by the Board of Directors, both in terms of change in EVE (sensitivity or ΔEVE) and net interest income sensitivity (ΔNII). The consolidated ΔEVE limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group's EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group's consolidated sensitivity limits are accompanied by a risk indicator, which constitutes an “early warning” threshold approved within the RAF, which makes it possible to control exposure to the risk of yield curve twists;
- individual sensitivity and net interest income sensitivity limits, which are part of the “cascading” process of the Group's RAF limit, and are proposed, after being shared with the operating structures, by the Financial and Market Risks Head Office Department and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks’/divisions’ portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Financial and Market Risks Head Office Department performs monthly checks that the limits and early warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level. In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group's entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.
The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group’s banking book:

1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (∆NII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.The **sensitivity of the economic value** (or fair value sensitivity) measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the contractual rate, FTP (internal fund transfer price) or risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the Bank does not expect to recover on a

given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the "cash flow adjustment" ("CFA") method.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.
The GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for sensitivity.

The **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in the price of credit risk, liquidity premium and potentially other components of instruments with credit risk that cause fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by the interest rate risk of the banking book. The reference area is represented by the HTCS securities portfolio, whose changes in value have an immediate impact on the Group’s capital.

Value at Risk (VaR) is a probability-based metric that expresses the maximum potential loss of portfolio value that could be incurred within a specific time horizon, at a pre-defined confidence level. VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, also taking into account the benefits of diversification and the correlation between various risk factors and different currencies. This measure is calculated and monitored, for the entire scope, by the Financial and Market Risks Head Office Department;

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items based on their contractual profile. In particular:

a. for core deposits (customer loan and deposit accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations.
   The model consists of:
   - an “internal maturity model for core deposits” (defined as the “value model”) that establishes the time distribution of the core deposits (assets and liabilities) in order to provide an appropriate representation, expressed in terms of meta-deposits, of their behavioural characteristics, stability of volumes, and partial and delayed reactivity to changes in market rates; the model features a maximum maturity of 20 years and an average life, net of the volatile component, of around 2.6 years (1.8 years also considering the O/N portion);
   - an “internal repricing model for core deposits” (defined as the “margin model”) which introduces a function for determining the level and trend of the customer rate following market shocks (changes in the 1-month Euribor). Further additions are made to the methodological assumptions already included in the value model in order to better capture certain significant aspects for the sensitivity of net interest income, such as stickiness, the upward/downward asymmetry of rates, and the presence of contractual zero floors on customer rates.
     The model is continuously monitored and is revised periodically, at least annually, to promptly reflect changes in volumes and customer characteristics over time, as well as the relevant regulatory framework.
     For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at

least annually and are subject to periodic backtesting, appropriately documented in the specific model change document to ensure that the operating situation adheres to the assumptions made and incorporate any legislative and/or behavioural changes.

b. In addition, within the framework of the dynamic simulation of net interest income, an additional behavioural model is adopted to simulate the effects of potential renegotiations of the contractual conditions of medium/long-term assets. In terms of risks, renegotiations modify the duration of the portfolio of medium/long-term loans and entail a decline in net interest income due to the revision of the contractual rates/spreads to include conditions more advantageous to customers. Specific models have been estimated to ensure a proper representation of the renegotiations phenomenon in terms of the percentages of mortgage loans renegotiated and their financial characteristics.

The scenarios underlying the measurement processes are defined in the IRRBB Guidelines and fall into the following categories:

– base scenarios: these are run on a monthly basis and involve:
  - o fair value scenarios, which include different parallel and non-parallel parametric instantaneous shock scenarios. These scenarios, in addition to the base shock scenario expressed by a parallel increase or decrease of 100 bps at all maturities, include the non-parallel scenarios that highlight the risk arising from curve shifts (yield curve risk) that cannot be captured with parallel shocks alone. These scenarios are obtained in a manner consistent with the parameters for non-parallel shocks (steepener, flattener, short rate up and short rate down) set by the IRRBB Standards of the Basel Committee on Banking Supervision (below the BCBS shock) except for the proportionality coefficient applied to them in order to calibrate them to the management shock of 100 bps;
  - o net interest income scenarios (shock +/-50 bps);
– management stress scenarios: run at least quarterly; the stress analyses used in the internal measurement system involve:
  - o fair value stress scenarios (shock +/-200 bps, and a historical simulation of worst case shock and shocks arising from Monte Carlo simulations within the ECAP);
  - o net interest income stress scenarios (shock +/-100 bps);
  - o dynamic net interest income stress scenarios (shock +/-200 bps, shock +/-100 bps and BCBS shock);
– regulatory scenarios: at the frequency required by the supervisory regulations or authorities. In particular, the results of the supervisory outlier test (SOT) – introduced by the EBA Guidelines in terms of change in economic value (EVE) – are communicated to the supervisory authority within the short term exercise (STE). In October 2022, the EBA issued the new Guidelines for the management of interest rate risk and credit spread risk deriving from assets not included in the trading book, introducing a new threshold of 15% of Tier 1 in terms of ΔEVE as an early warning calculated on the basis of the six BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down).
  The SOT, as defined by the EBA Guidelines 2022/14, identifies the maximum loss deriving from the application of the six scenarios set out in the IRRBB Standards of the Basel Committee on Banking Supervision (below the BCBS scenarios) and implemented in the EBA Guidelines: these scenarios require the application of specific shocks for each currency:
  - parallel shock up;
  - parallel shock down;
  - steepener shock (decrease in short-term rates and increase in long-term rates);
  - flattener shock (increase in short-term rates and decrease in long-term rates);
  - short rates shock up;
  - short rates shock down.

The Guidelines introduced for the first time an SOT on changes in the net interest income, intended as a check on the maximum margin loss recorded in the two Parallel Up and Parallel Down scenarios. The Early Warning is set at 2.5% of TIER1.

With regard to the changes in net interest income and the changes in economic value calculated using the management metrics, Intesa Sanpaolo, on a monthly basis, defines and verifies compliance with the limits and early warning.
The scenarios used for the verification of the limits are:
– for the control of the exposure in terms of ∆EVE: instantaneous and parallel shock of +100 bps;
– for the control of the exposure in terms of ∆NII: instantaneous and parallel shock of ±50 bps.
The scenarios used for the verification of the early warning are:
– 2 instantaneous and parallel shocks of ±100 bps;
– 4 non-parallel shocks represented by the BCBS scenarios calibrated to the management shock of +100 bps.
The currencies monitored for the consolidated limits are the Euro and the US Dollar ("material currency") for the measurement of ∆EVE.

Interest rate risk hedging is undertaken with the aim of protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales of debt securities and options on interest rates concluded with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, in order to preserve the economic value of a portion of the HTCS portfolio, by protecting the price of the securities against adverse market movements, the Group negotiates forward sales of the debt securities held in portfolio on a fair value hedging basis. Finally, on the basis of the

carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of floating-rate loans and on a portion of fixed-rate loans. For this last type, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics. Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both floating-rate funding, to the extent that the latter finances fixed-rate investments, and on variable-rate investments to cover fixed-rate funding (macro cash flow hedges).
The Financial and Market Risks Head Office Department of the Parent Company is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with the IAS/IFRS.

Impacts from the COVID-19 pandemic
In 2022, the strategies and safeguards implemented in the framework of interest rate risk management were put into place to protect net interest income against potential additional negative impacts of COVID-19. Net interest income was stabilised through measures to cover the viscousness of customer demand deposits by entering into hedging derivatives and natural hedges with mortgage loans to customers.

Impacts of the Russia-Ukraine conflict
The Russia-Ukraine conflict resulted in a generalised increase in the spread against the German Bund and, as a result, an increase in the related returns. With regard to the interest rate risk generated by the Intesa Sanpaolo Group's banking book, this increase resulted in a reduction in exposure of the government bond portfolio.

Quantitative disclosure

Interest rate risk

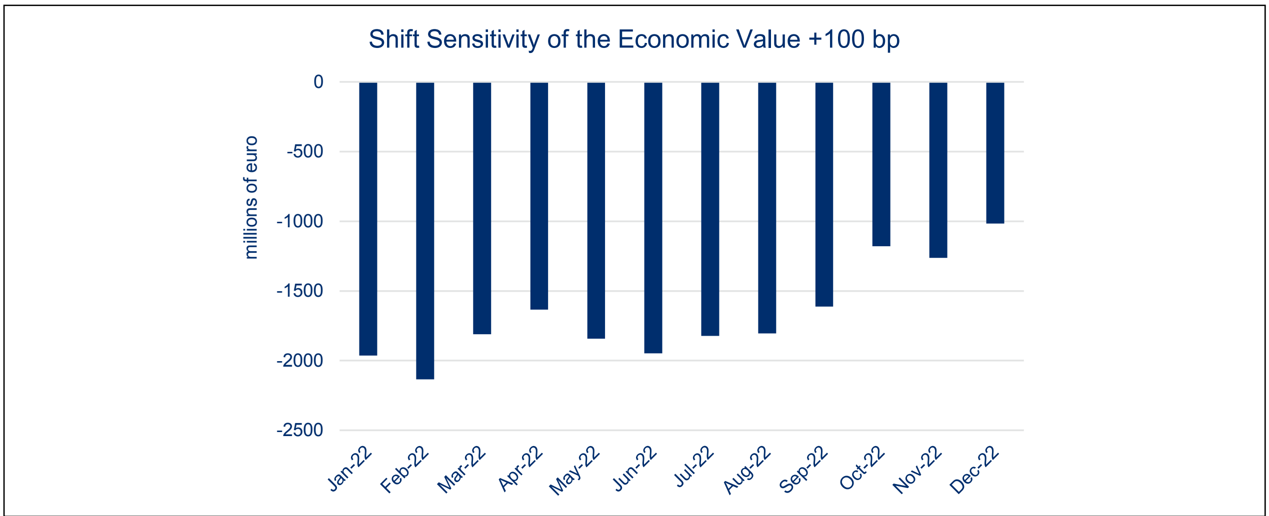
In 2022, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, averaged -1,669 million euro, with a maximum of -2,134 million euro and a minimum value of -1,016 million euro, with the latter coinciding with the value at the end of December 2022. The latter figure decreased by 740 million euro on the end of 2021, when it came to -1,756 million euro. The reduction in the last few months of 2022 originates from the effect of the increase in interest rates, as well as derivatives to hedge loans and the decrease in the HTCS securities portfolio.

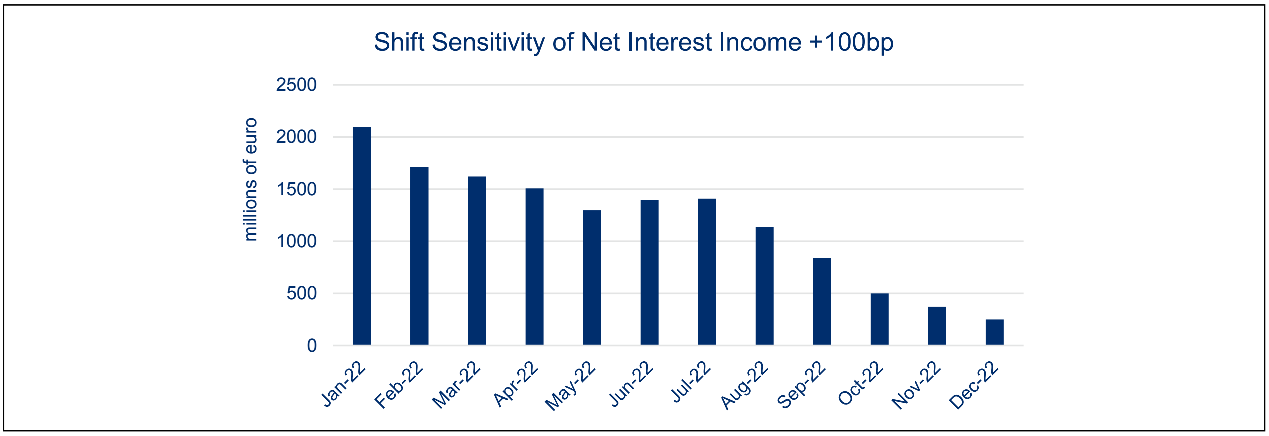
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 633 million euro, -668 million euro and 251 million euro, respectively, at the end of December 2022. The latter figure decreased (-1,596 million euro) on the end of 2021, when it came to 1,847 million euro. The reduction was impacted by both the change in the rules of indexation of operations with the ECB, made at the end of October, and the rise in short-term market rates, which resulted in increased responsiveness of on demand deposits from customers envisaged by the behavioural model.

The following table and charts provide a representation of the performance of the shift sensitivity of economic value (or the shift sensitivity of fair value) and the shift sensitivity of net interest income.

(millions of euro)

Risk Measures	2022			31.12.2022	31.12.2021
	Average	Minimum	Maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,669	-1,016	-2,134	-1,016	-1,756
Shift Sensitivity of Net Interest Income -50bp	-790	-641	-903	-668	-880
Shift Sensitivity of Net Interest Income +50bp	844	617	1,105	633	962
Shift Sensitivity of Net Interest Income +100bp	1,179	251	2,094	251	1,847





Interest rate risk, measured in terms of VaR, averaged 643 million euro in 2022, with a maximum value of 885 million euro and a minimum value of 442 million euro, with the latter coinciding with the value at the end of December 2022. The latter figure decreased by 67 million euro compared to 509 million euro at the end of 2021. That change is largely due to the decrease in exposure recorded especially in the last few months of 2022.

Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 155 million euro in 2022, with a minimum value of 74 million euro and a maximum value of 252 million euro, standing at 126 million euro at the end of December 2022, up by 33 million euro on the value of 93 million euro at the end of December 2021. That change is due to the increase in the volatility of the Russian rouble and the Egyptian pound.

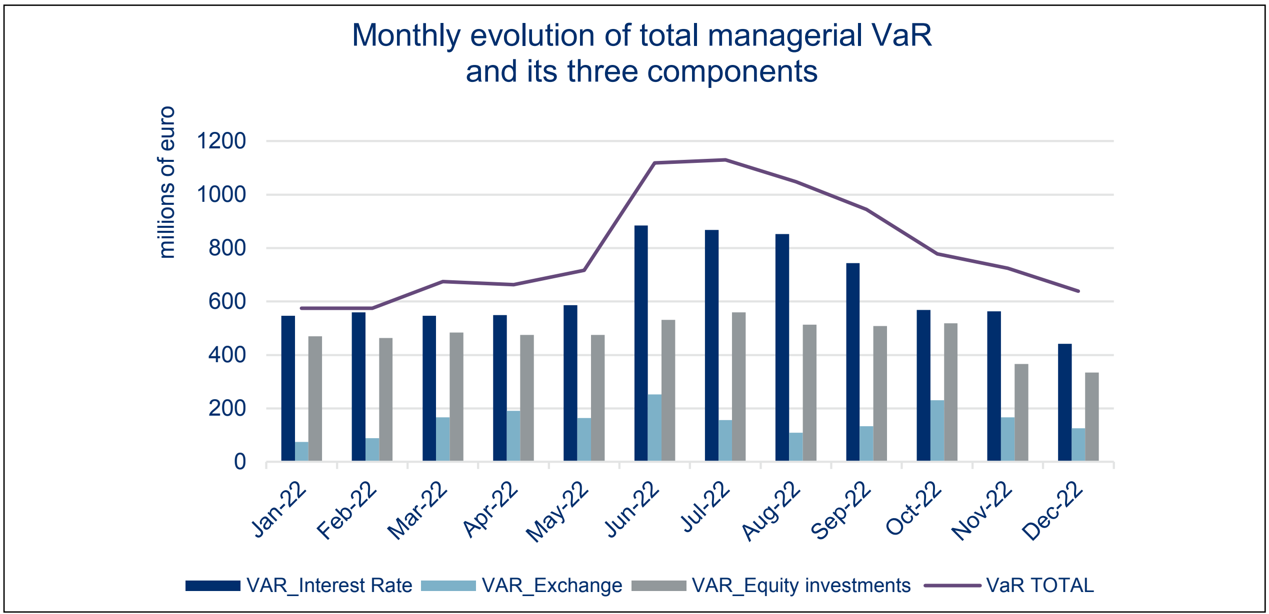
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2022 of 475 million euro, with maximum and minimum values of 560 million euro and 334 million euro, respectively, the latter being the figure of the end of December 2022, down by 33 million euro on the value at the end of December 2021 of 367 million euro. That change is mainly due to the sales of stakes in various listed subsidiaries during the last few months of 2022.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity VaR) averaged 799 million euro in 2022, with a maximum value of 1,130 million euro and a minimum value of 575 million euro, reaching a figure of 639 million euro at the end of December 2022, up by 92 million euro on the value at the end of December 2021 of 548 million euro. This was due to a reduction in the benefit of overall diversification, linked to both the recomposition of the portfolio illustrated with regard to single risks (Interest Rate, Foreign Exchange, and Equity Investment risk), and the increase in market volatility.

The table and chart below provide a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

(millions of euro)

	2022			31.12.2022	31.12.2021
	average	minimum	maximum		
Value at Risk - Interest Rate	643	442	885	442	509
Value at Risk - Exchange	155	74	252	126	93
Value at Risk - Equity investments	475	334	560	334	367
Total Value at Risk	**799**	**575**	**1,130**	**639**	**548**



In accordance with Article 448 of Regulation (EU) 2019/876 (CRR II) applicable from 28 June 2021, institutions are required to publish quantitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU.
The table below shows the changes in the economic value of equity calculated under the six prudential shock scenarios defined by the EBA described above (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down) and the changes in net interest income calculated under the two prudential shock scenarios (Parallel shock up and Parallel shock down).

Interest rate risk of non-trading book activities (EU IRRBB1 Reg. 2021/637)

(millions of euro)

Supervisory shock scenarios	∆EVE		∆NII	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Parallel up	-4,307	-3,877	-719	2,698
Parallel down	1,021	307	-2,518	-947
Steepener	-1,746	-1,520		
Flattener	345	-783		
Short rates up	-657	-417		
Short rates down	331	27		
Maximum potential loss	**-4,307**	**-3,877**	**-2,518**	**-947**

With regard to the ΔEVE, in line with the situation at the end of 2021, the maximum potential loss continues to be combined with the Parallel Up scenario. The increase in exposure in this scenario is mainly due to the increase in the level of interest rates and the consequent reduction in the expected level of prepayment.

For the ΔNII, the maximum potential loss occurs in the Parallel Down scenario. This loss is more pronounced than in 2021 due to the rise in market interest rates over the past year, which results in the lack of impact of the regulatory market floors in the event of a shock.

Section 17 - Encumbered and unencumbered assets

Qualitative disclosure

The total book value of the "encumbered" assets and the reused guarantees received, compared to total assets and the collateral received, measures the "level of encumbrance" on the assets, i.e. the so-called "asset encumbrance ratio". The Supervisory Authorities, Rating Agencies and investors increased the attention to the risk of asset encumbrance over time, which may lead to greater subordination of unsecured creditors and, in the event of an increase in the asset encumbrance ratio, also to greater potential liquidity risks in case of stress.
In the course of its operations, the Intesa Sanpaolo Group carries out a number of transactions involving the encumbrance of own assets or assets received as collateral. The main transactions of this type include:

- repurchase agreements and securities lending;
- assets used against covered bond issues;
- underlying assets of securitisation structures, in which the financial assets have not been derecognised;
- collateralisation agreements such as, for example, collateral given in respect of the market value of derivatives;
- collateralised financial guarantees;
- collateral deposited with clearing systems, with central counterparties (CCPs) and other infrastructure institutions as a condition for access to the service (including incremental and initial margins);
- instruments given as collateral in several respects, for funding from central banks or multilateral development banks.

These types of activities are carried out either to allow the Group to access forms of funding considered favourable at the time a transaction is finalised or because the provision of collateral is the standard condition to access specific markets or types of activities (for example, in transactions with central counterparties). In particular, the guarantees provided in connection with the refinancing operations at the European Central Bank amount to approximately 117 billion euro for the owned assets recognised.
The transactions involving encumbered assets are carried out mainly by the Parent Company, also as regards the settlement and trading of derivative contracts carried out within the framework of the centralised services also provided to the other banks of the Group.

For information on the issue of covered bonds, please see the Notes to the consolidated financial statements, under the specific point of Part E: "Covered bond transactions".

The Intesa Sanpaolo Group measures the level of encumbrance of its assets by adopting the rules set by the "Implementing Technical Standards" published by the European Banking Authority (EBA); starting from 31 December 2014 this information is subject to specific reporting to the Supervisory Authorities.

The quantitative information below, published on the subject of encumbered and unencumbered assets is calculated based on median values of quarterly data on a rolling basis during the previous twelve months and is in line with the financial statement recognition criteria with the exception of the scope of consolidation referring only to the prudential scope and not to the entire statutory consolidated financial statements.

The consolidation scope used for the purpose of defining the eligibility of EHQLA and HQLA liabilities used for the disclosures on asset encumbrance and the scope for the application of the liquidity requirements is, for both types of disclosure, the entire scope of companies in the Banking Group.

The share of encumbered assets is subject to periodic disclosure to the Board of the Parent Company, which has also established an alert threshold when defining the Risk Appetite Framework (RAF), with the aim of preventing any excessive increase in the risk connected to the share of encumbered assets, and a corresponding recovery trigger level.

At the same time, considering this measure, the Group monitors the unencumbered assets by assessing both the Reserves already promptly available, and the availability of new assets usable in the short-term, according to the Contingency Funding Plan and Recovery Plan.

Quantitative disclosure

Based on the regulations issued by the EBA as a result of the provisions of the CRR (Art. 443), the institutions must indicate the amount of encumbered or unencumbered assets by type of activity. “Encumbered” assets are on-balance sheet assets that have been provided as pledge or sold and not derecognised, or otherwise encumbered, as well as the guarantees received that meet the conditions for recognition in the financial statements of the transferee. The information published on the subject of encumbered and unencumbered assets is calculated based on median values of quarterly data – calculated in accordance with the specific provisions for supervisory reporting - on a rolling basis during the previous twelve months.

Encumbered and unencumbered assets (EU AE1 Regulation 2021/637)

(millions of euro)

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	Total	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*
Assets of the disclosing institution	**203,510**	***35,303***	**-**	**-**	**641,563**	***159,485***	**-**	**-**
Equity instruments	278	-	278	-	7,206	-	7,206	-
Debt securities	48,106	*35,210*	46,720	*34,058*	80,348	*51,193*	79,025	*50,531*
of which: covered bonds	1,334	*1,162*	1,336	*1,163*	1,802	*1,336*	1,802	*1,335*
of which: securitisations	1,369	-	1,284	-	6,176	-	6,070	-
of which: issued by general governments	39,732	*31,837*	38,502	*30,727*	51,750	*46,840*	51,073	*46,182*
of which: issued by financial corporations	6,520	*2,495*	6,393	*2,467*	25,433	*3,900*	24,972	*3,898*
of which: issued by non-financial corporations	1,996	*1,036*	1,966	*1,017*	4,594	*1,190*	4,278	*1,185*
Other assets	159,338	*92*	-	-	557,374	*107,924*	-	-

In the table above, any intragroup transactions involving counterparties in the prudential scope of the Intesa Sanpaolo Group are netted during the consolidation process.
The captions included in other assets are mainly comprised of assets relating to loans, derivatives, investments in associates and companies subject to joint control, property, equipment and intangible assets.
Access to the secured market represents an important source of secured medium/long-term funding. In 2022, no funds were raised through covered bonds placed on the market, just as in the previous year. Except for the period 2020 - 2022, the funding obtained through those instruments represents, on average, 12% of the annual wholesale funding.
As mentioned in the previous paragraph, the most important forms of encumbrance on the Group’s part concern: repurchase transactions, TLTRO, derivative instruments, covered bonds, ABS, loans allocated with the Bank of Italy (Abaco), and collateralised loan agreements stipulated with supranational entities, also broken down in the Table – Sources of encumbrance – EU AE3.
The maximum level of contractual overcall for the covered bonds programmes is 7.53%. In any case, the Bank always maintains a higher level of overcall in order to hedge any negative events that could impact the programme’s underlying assets (average level of overcall in 2022 of around 17.9%). The Bank has collateral agreements in place with supranational entities. On the occurrence of specific events, it could be necessary to increase the amount of collateral provided to those entities.
Referring to the Table above - Encumbered and unencumbered assets – EU AE1 - during the normal course of business, intangible assets, including goodwill, deferred tax assets, property, plant, other fixed assets and derivatives, for example, are not considered available for encumbrance.
As at 31 December 2022, the Intesa Sanpaolo Group has encumbered assets of 186 billion euro, out of total assets of 802 billion euro (prudential scope), and unencumbered assets amounting to around 616 billion euro, of which 172,5 billion euro can be readily encumbered, mainly comprised of cash, deposits at central banks and highly liquid securities.
As described in this document, the Intesa Sanpaolo Group operates primarily in euro. There are encumbered assets denominated in US dollars, mainly relating to repurchase agreements.

Information on the guarantees received by type of assets is also provided hereunder.

Collateral received and own debt securities issued (EU AE2 Regulation 2021/637)

(millions of euro)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
	Total	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*
Collateral received by the disclosing institution	**23,598**	***20,820***	**16,710**	***4,871***
Loans on demand	-	-	7	-
Equity instruments	423	-	147	-
Debt securities	22,856	*20,820*	6,513	*4,871*
of which: covered bonds	-	-	-	-
of which: securitisations	143	-	489	-
of which: issued by general governments	22,177	*20,809*	5,317	*4,868*
of which: issued by financial corporations	622	*7*	997	*2*
of which: issued by non-financial corporations	56	*3*	228	-
Loans and advances other than loans on demand	-	-	491	-
Other collateral received	424	-	9,565	-
Own debt securities issued other than own covered bonds or securitisations	**247**	**-**	**34,154**	**-**
Own covered bonds and securitisations issued and not yet pledged	**-**	**-**	**13,781**	**-**
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**227,355**	***56,122***	**-**	**-**

Finally, the details of liabilities associated with the received encumbered assets or guarantees are stated below.

Sources of encumbrance (EU AE3 Regulation 2021/637)

(millions of euro)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**173,729**	**206,943**
Derivatives	7,577	8,617
of which: Over-The-Counter	*7,577*	*8,617*
Deposits	145,196	171,560
Repurchase agreements	16,273	16,649
of which: Central banks	-	-
Collateralised deposits other than repurchase agreements	129,189	155,099
of which: Central banks	*113,434*	*138,929*
Issued debt securities	20,956	25,990
of which: issued covered bonds	*20,956*	*25,990*
of which: issued Asset-backed securities	-	-

Section 18 - Leverage Ratio

Qualitative disclosure

Under the Basel 3 prudential regulations, the Leverage ratio entered definitively into effect on 1 January 2015. The Leverage ratio measures the degree to which Tier 1 Capital covers the Banking Group's total exposure. The ratio is calculated by considering off-balance sheet exposures and assets.
The objective of the indicator is to contain the degree of indebtedness on banks' accounts by establishing a minimum level of coverage of exposures with equity. The ratio, which is monitored by the authorities, is expressed as a percentage and is subject to a minimum threshold of 3%. From June 2021, this limit became a Pillar 1 requirement under the provisions of Article 92(1)(d) of Regulation (EU) 2019/876 (CRR II).
The Leverage ratio is calculated quarterly. The indicator is monitored at both the individual and Banking Group level.
The Leverage ratio is calculated as the ratio of Tier 1 Capital to total exposure. The total exposure includes the on-balance sheet exposures, net of deductions and offsetting allowed by the regulations, and the off-balance sheet exposures.

Description of the processes used to manage the risk of excessive leverage

The Intesa Sanpaolo Group shares the regulatory indication of monitoring and containing a leverage ratio to integrate the capital ratios based on risk, and acknowledges their usefulness in order to limit the excessive accumulation of leverage in the banking system, and especially to provide supplementary control against model risk and the possible related measurement errors.
Accordingly, the Leverage ratio is given a high level of attention and, as such, it has been selected as a reference metric within the scope of the Risk Appetite Framework (RAF) for the control of the overall risk and, more specifically, of the Group’s capital adequacy. In this regard, it is noted that the governance of the Risk Appetite Framework includes particularly strict escalation mechanisms in the event of breach of the Group’s leverage limit, with the requirement for the Board of Directors to rapidly approve a remediation plan that can have a maximum duration of one year.
In line with the previous year, the annual RAF update confirmed both the choice to define its limit by adding a stress buffer to the regulatory minimum set by Article 92(1)(d) CRR II and the decision to also set an Early Warning threshold quantified based on an additional prudential buffer. In line with the limit established at Group level, the individual leverage ratio limits have also been set for the subsidiary Fideuram-ISPB Group and for the Group’s international subsidiary banks (both those belonging to the International Subsidiary Banks Division and those within the scope of the IMI Corporate & Investment Banking Division). In this regard, it is noted that the governance of the Risk Appetite Framework establishes specific escalation mechanisms for the Group companies. Accordingly, in the event of breach of the individual leverage limits, the Body with strategic supervision function of the company concerned rapidly approves a remediation plan that can have a maximum duration of one year, and there is also the obligation to involve the competent Parent Company structures.
Compliance with these limits is monitored in the Risks Tableau de Bord and reported to the Risks and Sustainability Committee and the Board of Directors on a quarterly basis.
Lastly, it is noted that the Group has one of the best leverage ratios in comparison to the main European banking groups and, in view of the operations carried out, the management of the risk of excessive leverage, although it is subject to the utmost attention from Top Management, is not a significant constraint for the Group’s strategic planning.

Description of the factors that had an impact on the Leverage ratio during the period

As at 31 December 2022, the leverage ratio calculated on a transitional basis was 5.6%, compared to 5.3% in the previous period, as a result of the following changes during the half year:

- decrease in the level of capital (Tier 1 capital). See the Own Funds section of this document for more details;
- decrease in the total exposure, mainly attributable to a reduction in on-balance sheet exposures (excluding Securities Financing Transactions - SFTs and derivatives), off-balance sheet exposures and SFT exposures, as well as a slight decrease in the derivatives exposures.

Quantitative disclosure

The disclosure of the leverage ratio of the Intesa Sanpaolo Group as at 31 December 2022, provided in accordance with the regulatory principles of the CRR amended by Regulation (EU) No 2019/876 (CRR II) and set out according to the provisions of Regulation 2021/637, is presented below.

LRCom – Leverage ratio common disclosure (EU LR2 Reg. 2021/637) *(Table 1 of 2)*

The table shows the leverage ratio as at 31 December 2022 and the breakdown of the total exposure into the main categories, according to the provisions of Article 451(1)(a, b and c) and Article 451(3) of the CRR II.

(millions of euro)

	On-balance sheet exposures (excluding derivatives and SFTs)	31.12.2022	30.06.2022
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	742,157	786,089
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-10,689	-7,638
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-10,409	-10,007
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**721,059**	**768,444**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	9,844	9,951
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	1	1
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	9,614	10,059
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	5	11
EU-9b	Exposure determined under Original Exposure Method	2	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	72,481	81,434
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-70,905	-79,721
13	**Total derivatives exposures**	**21,042**	**21,735**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	21,305	28,120
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-1,462	-1,894
16	Counterparty credit risk exposure for SFT assets	3,105	2,983
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**22,948**	**29,209**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	294,659	296,288
20	(Adjustments for conversion to credit equivalent amounts)	-201,421	-196,170
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	**Total other off-balance sheet exposures**	**93,238**	**100,118**

LRCom – Leverage ratio common disclosure (EU LR2 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

	Excluded exposures	31.12.2022	30.06.2022
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-3,005	-2,529
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(*)	(Central bank exposures exempted pursuant to Article 429a(1)(n) of the CRR)	-	-
EU-22k	**(Total exempted exposures)**	**-3,005**	**-2,529**
	Capital and total exposure measure		
23	**Tier 1 capital**	**47,979**	**48,528**
24	**Total exposure measure (sum of lines 7, 13, 18, 22 and EU-22k)**	**855,282**	**916,977**
	Leverage ratio		
25	Leverage ratio	5.61%	5.29%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.61%	5.29%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.61%	5.29%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	*of which: to be made up of CET1 capital*	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	20,778	23,426
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	19,843	26,226
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	856,217	914,177
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	856,217	914,177
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.60%	5.31%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.60%	5.31%

(*) Caption added to reflect the exclusion of certain exposures to the European Central Bank in application of Decision (EU) 2021/1074.

LRSum – Summary reconciliation of accounting assets and leverage ratio exposure (EU LR1 Reg. 2021/637)

The table shows the reconciliation between total exposure (the denominator of the ratio) and the information disclosed in the financial statements in accordance with the provisions of Article 451(1)(b) of CRR II.

(millions of euro)

	Table of synthetic composition	31.12.2022	30.06.2022
1	Total assets as per published financial statements	975,683	1,032,315
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-173,223	-181,325
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	9
8	Adjustments for derivative financial instruments	-19,966	-14,817
9	Adjustment for securities financing transactions (SFTs)	1,643	1,088
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	93,238	100,118
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12	Other adjustments (*)	-22,093	-20,411
13	**Total exposure measure**	**855,282**	**916,977**

(*) "Other adjustments" mainly include amounts related to assets deducted for the calculation of Tier 1 Capital (transitional definition), the deductions of receivables assets for the cash variation margin provided in derivatives transactions and the excluded guaranteed parts of exposures arising from export credits.

LRSpl table – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3 Reg. 2021/637)

For exposures other than derivatives and SFTs, the table provides a breakdown by counterparty, in accordance with the provisions of Article 451(1)(b) of CRR II.

(millions of euro)

		CRR leverage ratio exposures	
		31.12.2022	30.06.2022
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**739,799**	**784,092**
EU-2	Trading book exposures	11,633	18,623
EU-3	Banking book exposures, of which:	728,166	765,469
EU-4	*Covered bonds*	*2,399*	*2,724*
EU-5	*Exposures treated as sovereigns*	*219,481*	*231,436*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns*	*11,189*	*13,140*
EU-7	*Institutions*	*41,781*	*37,096*
EU-8	*Secured by mortgages of immovable properties*	*144,182*	*147,283*
EU-9	*Retail exposures*	*54,271*	*56,487*
EU-10	*Corporate*	*168,139*	*199,834*
EU-11	*Exposures in default*	*6,759*	*7,869*
EU-12	*Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	*79,965*	*69,600*

Section 19 – Disclosure of remuneration policy

The specific information required by Article 450 of the CRR - Disclosure of remuneration policy, is provided below.
That information is illustrated in greater detail within the 2022 Remuneration and Incentive Policies of Intesa Sanpaolo Group, which forms integral part of Section I of the Report on Remuneration and compensation paid for that year, in compliance with the provisions of Article 123-ter of the Consolidated Law on Finance. With reference to listed companies, that article provides for the obligation to prepare and make available to the public a specific report on remuneration, divided into two sections (the first illustrating the company's policy in relation to remuneration and the procedures used for the adoption and implementation of this policy, the second providing information on the compensation paid), to be drawn up including the information set out in the Issuers' Regulation, and to be submitted to the Shareholders' Meeting resolution. Also in terms of the self-governance of listed companies, remuneration is regulated by the Corporate Governance Code, which in January 2020 was superseded by the new "Corporate Governance Code", applicable from the first financial year after 31 December 2020.

Qualitative disclosure

a. Information relating to the bodies that oversee remuneration

a.1 The name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.

The main bodies responsible for supervising the Group's Remuneration and Incentive Policies (hereinafter "the Group Policies" or "the Policies") include:

- the Board of Directors, which is tasked with drawing up, submitting to the Shareholders' Meeting and reviewing the Policies at least once a year.
  The Board of Directors currently consists of 19 members, 14 of whom are independent, 1 executive and 5 elected by the minority. During 2022, this Body met on 11 occasions to examine issues relating to remuneration;
- the Remuneration Committee, which proposes, advises and enquires on compensation and on remuneration and incentive systems supports the Board of Directors in all activities related to remuneration. The Remuneration Committee currently consists of 5 members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association. The latter include the Chair, who also holds the office of Deputy Chair of the Board of Directors and is enrolled with the Register of Statutory Auditors having practised as auditor for at least three years. In 2022, the Remuneration Committee held 24 meetings.

The Board of Directors, having acquired the report prepared by the Remuneration Committee, resolves on the Group Policies for the purpose of their subsequent presentation to the Shareholders' Meeting which has the ultimate responsibility for their approval.

a.2 Any external consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework

During 2022, the Remuneration Committee relied on a leading external consulting firm in the context of:

- the recognition of trends relating to Performance Management systems and processes for executives;
- the annual preparation of the Fairness Opinion on the Performance Management approach adopted by the Group for the CEO and Group Top Risk Takers.

a.3 A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries

The Policies apply to all Group personnel, including branches located in third countries. In addition, on the basis of specific sector regulations as well as the local regulatory context, the various Group entities (where required) draw up their own Remuneration and Incentive Policies prepared in line with the Group Policies where they are not in contrast with local or sector regulations.

a.4 A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

The Intesa Sanpaolo Group identifies the Risk Takers (i.e. personnel whose professional activities have a material impact on the entity's risk profile) based on the "Rules for identifying Risk Takers" (the "Rules"), which form an integral part of the Group Policies.
These Rules were defined in accordance with the identification criteria laid down by the CRD V Directive and by Commission Delegated Regulation (EU) 2021/923 and also include specific additional criteria defined by the Group in order to reflect the risks undertaken on the basis of the peculiarities of the business and of the organisational structure.
Based on the aforementioned Rules, the Group identifies the employees that have a material impact on the Group's risk profile (so-called Group Risk Takers) and, among them, the Group's Top Risk Takers, namely:

- the Managing Director and CEO;
- the Heads of the Business Divisions (Asset Management, Banca dei Territori, Insurance, IMI Corporate & Investment Banking, International Subsidiary Banks and Private Banking) as well as the Deputy to the Head of the IMI Corporate & Investment Banking Division;

- the Chief Operating Officer, Chief IT, Digital & Innovation Officer, Chief Cost Management Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Risk Officer, Chief Compliance Officer, Chief Institutional Affairs & External Communication Officer and Chief Audit Officer;
- the Heads of the Head Office Departments that report directly to the Managing Director and CEO;
- the Head of the Administration and Tax Head Office Department in his capacity as the Manager responsible for preparing the Company's financial reports.

Furthermore, again based on the Rules, the following clusters are identified:

- the Sub-consolidating Groups Risk Takers, i.e. the personnel whose professional activities have a material impact on the risk profile of Intesa Sanpaolo subsidiary Groups.
- the Legal Entity Risk Takers (including the Legal Entity Intesa Sanpaolo), i.e. the personnel whose professional activities have a material impact on the risk profile of the individual Group companies. It should be noted that these Risk Takers are identified only in Legal Entities where the Risk Takers' identification is required by local or sector regulations.

The Top Risk Takers are also differentiated within each of the abovementioned clusters and solely with reference to significant Banks[34], including Intesa Sanpaolo.

b. Information relating to the design and structure of the remuneration system for identified staff

b.1. An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting)

The Group Policies aim to align the management's and personnel's behaviour with the interests of all Stakeholders, guiding their action towards the achievement of sustainable medium-long term objectives within the framework of a prudent assumption of current and prospective risks, as well as to contribute to making the Group an "Employer of choice" for its ability to attract, motivate and retain top resources.

In particular, the Policies are based on the following principles: correlation between remuneration and risks undertaken, orientation towards medium-long term objectives, taking into account the Group Risk Tolerance, merit, fairness and gender neutrality, sustainability to limit expense deriving from application of the policies to values compatible with the available economic and financial means, and compliance with regulatory requirements.

The main features of the Group Policies are summarised below:

- personnel segmentation that allows the operational adaptation of the aforesaid principles in order to suitably differentiate the total remuneration and arrange mechanisms of payment that are specific for the various personnel clusters. In applying these logics, three macro-segments are identified: (i) key personnel, i.e. Risk Takers (at Group, Sub-consolidating Group and Legal Entity level); (ii) Middle Managers, or the Heads of Organisational Units not already included in the Risk Takers clusters and (iii) Professionals;
- gender neutrality of the policies insofar as they ensure, for the same activity carried out, that the personnel have an equal level of remuneration, also in terms of the conditions for its recognition and payment;
- breakdown of the personnel remuneration into fixed or recurrent component (that is stable and irrevocable in nature and determined on the basis of pre-established and non-discretionary criteria) and variable or non-recurrent component (linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed);
- adoption of a pay mix - i.e. the weight of the fixed and variable components expressed as a percentage of total remuneration - suitably balanced in order to allow the reduction in the variable portion, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base, and discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risks (see point d);
- provision of mechanisms capable of ensuring the economic and financial sustainability of the incentive systems through gateway conditions aimed at verifying the capital solidity, liquidity and financial sustainability of the variable component, as well as through a structured process for the definition of a bonus pool indexed to the level of achievement of a level of profitability (see point e.4). Furthermore, any bonus accrued can be corrected ex post through the application of demultipliers according to the risks undertaken (see point c), and it is subject to mechanisms for the correction of behaviours and monitoring of the effects of the managerial action over time (see points c and f.2);
- definition of an annual Incentive System for the Risk Takers and Middle Managers aimed at guiding the behaviour and managerial actions towards reaching the objectives set in the Business Plan and rewarding the best annual performance assessed with a view to optimising the risk/return ratio (see point e.1), as well as incentive initiatives dedicated to either specific clusters or highly profitable and relevant business segments inside the strategy defined at Business Plan level (see point e.1);
- allocation of Long-Term Incentive Plans differing according to their respective clusters;
- identification of specific methods for payment of the short-term variable remuneration (with particular reference to the deferral period and the settlement in financial instruments and cash) differing according to their respective cluster and related amount of this remuneration (see point f.1);
- definition of the principles for the calculation of the remuneration paid in the event of early termination of employment contract or office (so-called severance) inspired to both the correlation between severance pay and ongoing performance rendered over time and the control of potential litigation risks (see point b.5).

The Shareholders' Meeting, on proposal of the Board of Directors, is called to approve:

- the Remuneration Policies for members of the Board of Directors;
- the Group's Remuneration and Incentive Policies (employees and collaborators not linked by subordinate employment relationships) which also include the Rules for identifying key personnel;
- the incentive plans based on financial instruments;

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[34] Reference is made to banks considered significant pursuant to art. 6, paragraph 4, of Regulation (EU) 1024/2013 (the so-called Regulation of the Single Supervisory Mechanism).

- the criteria for the determination of any amounts to be awarded in the event of early termination of the employment agreement or early termination of the office (severance), including the limits established for said amounts in terms of fixed annual remuneration and the maximum amount arising from the application of such limits;
- with the qualified majorities, if applicable, as defined by the regulations in force, a variable-to-fixed remuneration cap higher than 100%, but not exceeding the maximum cap established by the regulations;
- solely for the Group's key staff identified in the asset management companies (SGR entities), SICAVs and SICAFs and that work exclusively for those companies, if applicable, a variable-to-fixed remuneration cap exceeding 200%.

b.2. Information on the criteria used for performance measurement and ex ante and ex post risk adjustment
The annual Incentive System for the Risk Takers aims to guide the behaviour and managerial actions towards reaching the objectives set in the Business Plan and reward the best annual performance assessed with a view to optimising the risk/return ratio (for details, see point e.1).
In order to align the incentive systems with prudent risk management policies and ensure long-term solidity and business continuity, the annual Incentive Systems take into account the Group's Risk Appetite and Risk Tolerance as expressed in the RAF.
This close correlation, which guarantees both ex ante and ex post adjustment of the performance based on the risks undertaken, is structured on three levels:

- activation and bonus funding phase (see point e.4);
- Performance Scorecard definition phase (see points c and e.1);
- bonus payment phase (see point c and f.2).

b.3. Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration
The Group Policies were reviewed and updated in 2022, albeit drawn up in substantial continuity with the 2021 Policies.

The changes made for 2022 mainly derive from the need to bring the Policies into line with the approach set out in the regulations and with the recommendations of the Supervisory Authority. In this regard, the 2022 Policies[35] incorporate the changes introduced: (i) by the 37th update of the Bank of Italy's "Provisions regarding remuneration and incentive policies and practices"; (ii) by the Guidelines on sound remuneration policies of the European Banking Authority ("EBA"), in force from 31 December 2021; as well as (iii) by Commission Delegated Regulation (EU) 2021/923 containing the Regulatory Technical Standards on identified staff for remuneration purposes, in force from 14 June 2021[36].

In particular, the following changes are noted:

- the gateway and bonus funding conditions of the annual Incentive Systems were integrated and, by symmetry, the malus conditions as well, by introducing, in compliance with EBA's Guidelines on sound remuneration policies, the verification of the leverage ratio and the minimum requirement for own funds and eligible liabilities (MREL) with respect to the limits of the Risk Appetite Framework (RAF), as well as of the ICAAP outcome and of the recommendations on (dividend) distributions by the competent authorities and by the European Supervisory Authorities;
- a corrective mechanism was introduced for the bonus pool allocated at Division level according to the degree of deviation from the Economic EVA (Economic Value Added) target level in order to strengthen the link with Pillar 2 metrics as required by the Supervisory Authority;
- two corrective mechanisms were introduced which act as de-multipliers in the bonus accrued as part of the annual incentive systems with a view to strengthening risk management. In particular, for the non-Business Group Top Risk Takers, the Heads of the Head Office Departments reporting to the Managing Director and CEO as well as for the Heads of structures reporting to the abovementioned subjects, a corrective mechanism was envisaged linked to the failure to comply with a predetermined target for the containment of operating costs in order to strengthen the control of the "stability of profits" risk. Furthermore, a corrective mechanism is defined for all management and for the recipients of specific incentive initiatives for categories of personnel and business segments for failure to comply with the expected levels of mandatory training in order to strengthen the supervision of conduct risk;
- as part of the variable remuneration payment procedures, in application of the provisions laid down by the 37th update of the Bank of Italy Circular 285/2013, the classification of banks by size/operational complexity was eliminated since, taking into account the Group's consolidated balance sheet assets in excess of 30 billion euro, none of the Group banks can be classified as "of smaller size or operational complexity". This resulted in the Risk Takers identified in the Sub-consolidating Groups and/or Legal Entities being subject to the application of the same payment schedules already applied to the Risk Takers of the Intesa Sanpaolo Group. The foregoing leads to a simplification with respect to the 2021 Remuneration Policies as it is no longer possible to provide for less restrictive schedules in Banks previously classified as "intermediate" or of "smaller size and operational complexity" on the basis of individual balance sheet assets.
  Conversely, the classification of banks based on their significance continues to apply pursuant to art. 6(4) of the EU Regulation n. 1024/2013 of the Council of the European Union of 15 October 2013 (SSMR) with the consequent identification - at all significant Banks - of the Top Risk Takers of the Sub-consolidating Group and/or of the Legal Entity. These Risk Takers, as required by the 37th update of Circular 285/2013 and by the EBA Guidelines, are subject to the application of payment schedules which were updated in order to provide for the payment of over 50% of variable remuneration in financial instruments;
- the criteria for the identification of risk takers were revised in line with Commission Delegated Regulation (EU) 2021/923, that has confirmed a combination of quantitative and qualitative criteria, as well as the duty to identify additional criteria, if

[35] Approved by the Shareholders' Meeting on 29 April 2022 and available on the Intesa Sanpaolo Group's institutional website.

[36] It should be noted that, given that this Regulation entered into force on 14 June 2021, the Rules for the identification of the key function holders (see Section B) were updated and approved by the Board of Directors in November 2021; this update was applied as from 14 June 2021.

necessary, to identify additional material risk takers. It was clarified that the scope of application of these criteria includes also the Sub-consolidated level, as well as at the consolidated and individual level. Furthermore, compared to the previous regulations, the quantitative criteria were updated and simplified by redefining the remuneration threshold to be considered Risk Takers[37] and the regulations relating to the cases of exclusion of subjects who meet these quantitative criteria were revised and now require prior authorisation from the ECB.

Furthermore, on the occasion of the launch of the new 2022-2025 Business Plan, as per the consolidated tradition of the Intesa Sanpaolo Group, new long-term Incentive Plans were launched to support the Plan, (Performance Share Plan, LECOIP 3.0 and the Long-Term Plan for Non-Employee Financial Advisors), the main characteristics of which are described in the 2022 Policies[38].

Finally, further change introduced in the 2022 Policies concerns the possibility of defining individual prior agreements for the definition of the remuneration to be granted in the event of early contract termination (so-called severance) with the aim of protecting the Group's interest in managing the delicate phase of the termination of the employment relationship, thereby limiting the risk of potential litigation or out-of-court litigation and recognising, at the same time, the positive and distinctive contribution provided over time by the resource concerned. In particular, a prior agreement was entered into for the definition of severance pay with the Managing Director and CEO in line with the provisions of the Remuneration and Incentive Policies and within the limits previously approved by the Shareholders' Meeting in terms of annual fixed remuneration and maximum payable amount.

b.4. Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee

The short- and long-term Incentive Systems for personnel belonging to the Company Control Functions do not require the allocation of economic-financial KPIs in order to guarantee the independence of the personnel who hold these functions with respect to the results achieved by the areas subject to their control, as well as to avoid sources of possible conflicts of interest. With particular reference to the annual Incentive System, the KPIs present in the Performance Scorecards of the Company Control Functions are typically of a project nature or are linked to requests from the Supervisory Authority (including but not limited to: Implementation of the Internal Ratings Based Programme (IRB) regulatory roadmap for credit risk; Developments in Audit Processes and Procedures; ENIF - Implementation of the 2022 programme to strengthen the Group’s Anti Financial Crime controls; Increase of the tax supervision level and further reduction of non-compliance risks).

b.5. Policies and criteria applied for the award of guaranteed variable remuneration and severance payments

No forms of guaranteed variable remuneration are envisaged.

However, in compliance with the Supervisory Provisions, in order to attract new personnel, a one-off welcome bonus may be paid upon hiring. This type of bonuses is not subject to any requirement applicable to variable remuneration, including variable remuneration cap and pay-out schemes, if recognised in a single instalment (known as welcome bonus). It should be noted that the mentioned bonus can be assigned only once to the same staff member at Group level.

With regard to the payment agreed in any way and/or form in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the legal or the National Collective Bargaining Agreement (CCNL) provisions concerning the indemnity in lieu of notice where envisaged, the Group, in line with the request from the Supervisory Provisions, defined ex ante the related limits and criteria approved by the Shareholders' Meeting. Specifically, the Group has set a maximum limit equal to 24 months of the fixed remuneration for compensation paid as severance. The adoption of this limit can lead to a maximum disbursement of 5.2 million euro.

As required by Regulations on remuneration, the compensation paid as severance is included in the calculation of the ratio between the variable remuneration due and the fixed remuneration of the last year of employment at the company.

Specifically, the compensation paid as severance is added to the bonus due for the last year of employment at the company, excluding the mandatory amounts paid pursuant to national labour legislation and the amounts agreed and granted:

- based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
- within an agreement reached in order to settle a current or potential dispute (wherever reached), if calculated according to a predefined calculation formula approved by the Shareholders’ Meeting in advance.

Intesa Sanpaolo adopts a formula differentiated by personnel cluster (i.e. employees who within the Group internal position weighting system have been assigned a specific job title based on the level of complexity/responsibility assigned, and the remaining personnel) and indexed to the number of years of employment at the company (i.e. up to 2 years of employment, over 2 and up to 21 years, over 21 years).

The components included in the severance are considered similar to the variable remuneration and, as such, are subject to the payment methods defined in line with the Supervisory Provisions and depending on the cluster of personnel, the amount and its weight compared to the fixed remuneration.

In the Intesa Sanpaolo Group, the principles for severance definition are inspired to both the correlation between severance pay and ongoing performance rendered over time and the control of potential litigation risks.

Please also note that the same gateway (see point e.4), individual access (see point e.4), malus and clawback conditions (see point f.2) set for variable remuneration for each cluster are applied to severance.

[37] Specifically, the following subjects are identified:

- staff members who were entitled to significant remuneration in the previous financial year, provided that the following conditions are met: i) the remuneration of the staff member is equal to or greater than 500,000 euro and equal to or greater than the average remuneration paid to the members of the management body and senior management of the entity; ii) the staff member conducts the professional activity within a material operating/business unit and the activity is such as to have a significant impact on the risk profile of the material operating/business unit.
- the staff members, including those set out above, who were awarded, in or for the preceding financial year a total remuneration that is equal to or greater than 750,000 euro.

[38] Available on the Intesa Sanpaolo Group’s institutional website.

Moreover, the Group envisages that individual ex ante agreements may be reached to define the remuneration to be granted in the event of early termination of the relationship, it being understood that such agreements must comply with all the conditions set out in the Remuneration Policies and Supervisory Provisions; in 2022, following a resolution passed by the Board of Directors, on the proposal of the Remuneration Committee and taking into account the Chief Compliance Officer opinion, in line with the practices commonly used among competitors and the leading Italian listed companies, an agreement containing specific conventional regulations on the termination of the employment relationship was entered into with the Managing Director and CEO.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration

As part of the Group's annual Incentive Systems, ex ante risk monitoring is guaranteed both in the bonus pool activation phase and in the Performance Scorecard definition phase as part of the annual Incentive System for Risk Takers and Middle Managers. With reference to the bonus pool activation phase, this monitoring is ensured by mechanisms designed to monitor capital and liquidity risk, as well as mechanisms aimed at guaranteeing the financial sustainability of the variable component. Therefore, the bonus pool is activated only if the following minimum conditions required by the Regulator are met:

- Capital strength conditions: Common Equity Tier 1 (CET1) Ratio and Leverage Ratio ≥ “hard” limits stipulated by the Group RAF; Minimum own funds and eligible liabilities (MREL) ≥ Early Warning envisaged by the Group RAF; Verification of ICAAP outcome and recommendations on distributions by competent authorities and European supervisory authorities;
- Liquidity condition: Net Stable Funding Ratio (NSFR) ≥ “hard” limit set by the Group RAF;
- Sustainability condition: No Loss and Positive Gross Income.

With reference to the Top Risk Takers alone, an additional gateway condition is envisaged to verify that the Liquidity Coverage Ratio (LCR) is higher than or equal to the limits set by the Group RAF (liquidity condition).
Once the gateway conditions have been met, in order to ensure the sustainability of the incentive systems, the funding of the bonus pool at Group level is based on the available resources deriving from the economic-financial results achieved in terms of meeting the Gross income target at the Group and/or Division level. Specifically:

- the Group bonus pool increases progressively starting from when it exceeds the so-called Access Threshold (i.e. the minimum Gross Income target which, though lower than the budget, is deemed acceptable) up to a predefined cap;
- the Group bonus pool decreases significantly, in both absolute and relative terms, in the event of failure to reach the Access Threshold, and determines the payment of the bonuses accrued only to certain clusters of personnel.

Furthermore, the Group bonus pool is subject to another correction mechanism in order to strengthen the consistency of the Incentive Systems with the Group’s Risk Tolerance. This mechanism requires a possible further reduction, up to 20%, of the bonus pool accrued in case of non-compliance of the limits connected to the non-financial risks (i.e. Risk linked to ordinary Operational Losses and outcome of the Integrated Risk Assessment) defined in the RAF, both at Group and Division level.

The Group bonus pool defined as described above is allocated, ex ante in primis, to the various Incentive Systems funded by the Group and, in the case of Incentive Systems that involve cross-functional clusters (e.g. the annual Incentive System for the Risk Takers and Middle Managers), it is subsequently configured at individual Division/Governance Area level.
Consistent with the principle of financial sustainability, on an actual (ex post) basis, the bonus pool initially allocated to each Division is “modulated” according to the level of Gross Income achieved by each Division and, in order to strengthen the link with Pillar 2 metrics, the portion allocated to each Division[39] is subject to an additional correction mechanism based on the level of deviation from the Economic EVA (Economic Value Added) target. More in detail, this mechanism acts as a de-multiplier if target level is exceeded beyond a certain tolerance level. In particular, a reduction of 10% of the Divisional bonus pool in case of failure to achieve the 90% of the Economic EVA target assigned at budget is provided.
Instead, in the Performance Scorecard definition phase, risk monitoring is ensured through the allocation of KPIs defined according to the Cost of risk/Sustainability strategic driver and aimed at an express risk reduction and/or mitigation as defined by the RAF. Thus, the process used to identify these KPIs involves the Chief Risk Officer Governance Area, in order to ensure the consistency of the KPIs with the limits set in the Group’s RAF.

The ex post monitoring of risks is guaranteed by corrective mechanisms applied to bonuses associated with excessive risk-taking. These mechanisms, according to the risks undertaken and the respective cluster segment, act as demultipliers of the bonus. In particular, a bonus demultiplier is envisaged linked to:

- residual risk of each structure (Q-Factor) for Risk Takers and Middle Managers recipients of the annual Incentive System;
- failure to reach the expected Capital Adequacy (CET 1) level set in the RAF for Business and Governance Top Risk Takers;
- failure to meet a predetermined operating cost containment target set in the budget for non-Business Group Top Risk Takers and Heads of Head Office Departments reporting to the CEO;
- non-compliance with the limits set by the Group RAF related to market risk, Italian public sector risk, and interest rate risk for the Business Group Risk Takers (including the Deputy to the Head of the IMI CIB Business Division identified as Top Risk Taker) and, with reference to one of the market risks, also for Middle Managers;
- failure to meet the expected levels of attendance at mandatory training for Risk Takers and Middle Managers recipients of the Annual Incentive System.

Moreover, regardless of the respective macro-segment, the payment of the individual bonus is, in any case, subject to the verification, in the bonus payment phase, of the absence of the so-called individual compliance breaches, i.e. the individual access conditions for conduct risk monitoring.

Finally, tools are adopted to correct behaviours and monitor the effects of managerial actions over time through:

- the possible reduction, up to zero, of the deferred components of the allocated bonus (malus conditions - see point f.2);

[39] It should be noted that this KPI is not defined at Legal Entity level.

- the repayment of bonuses already paid following the occurrence of specific conditions (claw-back mechanisms - see point f.2).

d. The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD

The Intesa Sanpaolo Group, in full compliance with regulatory indications, traditionally adopts an appropriately "balanced" pay mix in order to allow flexible management of labour costs as the variable part may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base, and to discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risks.
It is standard Group practice to establish ex-ante limitations in terms of balanced maximums for variable remuneration for all the Group personnel clusters, through the definition of specific caps on the increase of bonuses in relation to any over-performance. This cap to the variable remuneration was determined in general in 100% of the fixed remuneration with the exception of the roles belonging to the Company Control Functions and those similar[40] to them who are assigned a cap of 33% of the fixed remuneration.
As approved by the Shareholders' Meeting with a qualified majority, the variable remuneration cap set in the general criteria was increased:

- up to 200% of fixed remuneration for Group Risk Takers[41] and specific and limited high-profitability professional categories and business segments;
- up to 400% of fixed remuneration for personnel of the "Investment" category of the Group's Asset Management Companies (SGR entities) that carry out their activities exclusively for the same Asset Management Company, in compliance with the right granted by the Supervisory Provisions[42].

e. Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration

e.1 An overview of main performance criteria and metrics for institution, business lines and individuals

The annual Incentive System for Risk Takers and Middle Managers is formalised through the so-called Performance Scorecards based on specific models according to whether or not said individuals belong to the Risk Taker cluster and depending on the title given to them within the Global Banding System adopted by the Intesa Sanpaolo Group[43] and the structure they belong to.

Specifically, for Risk Takers and Middle Managers with the title of Senior Director in the Business, Governance Functions and in the Company Control Functions as well as those with the title of "Head of"[44] limited to the Business Functions, the performance scorecards include both economic-financial KPIs and non-financial KPIs. More specifically, the economic-financial KPIs are clustered within 4 drivers (Growth, Profitability, Productivity and Cost of Risk/Sustainability - with reference to the personnel of the Company Control Functions, the non-economic-financial quantitative KPIs allocated are linked solely to the last two drivers), while the non-financial KPIs are divided into strategic actions or projects that represent the enabling factors for the achievement of the financial KPIs or contribute to the achievement of the Strategic Plan objectives and promote or act as an incentive for good conduct, especially with reference to businesses and areas that involve direct customer relationships.
Identification of KPIs, on which incentives granting is based, is carried out by the competent functions, considering the most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level, as well as at division and/or business unit level.
The Performance Scorecards have a three-fold structure in order to measure performance on multiple levels. Specifically:

- the Group section contains at least one quantitative KPI measured on the Group scope and common to all the Scorecards, except those intended to the Company Control Functions and similar roles. For 2022, in line with the previous year, the Net Income was assigned as Group KPI. Moreover, in the Group Governance Areas, for the Group Risk Takers and those reporting directly to the Chief, also the objective to minimise the Group's Cost/Income was provided;
- the structure section presents KPIs that are consistent with the levers applied by the individual and reported at the Division/Governance Area level or, in any case, area of responsibility. Below is a non-exhaustive list of KPIs for each driver:
  - growth: Net inflows, Medium-Long-Term Disbursements, Income from Insurance Business;
  - profitability: Operating Income/RWAs, Revenues/Assets, Insurance Operating Margin/Mathematical Reserves;
  - productivity: Cost/Income, Reduction in operating costs, Full Combined Ratio;
  - cost of risk/sustainability: gross NPL ratio, Concentration Risk, Gross flows from performing to NPE, Operational Losses/Operating Income, Maintaining LCR levels.
- qualitative section: including KPIs relating to the taking of actions envisaged by the Business Plan or the measurement of managerial skills (possibly also individual), whose reporting is usually objectified by identifying project milestones and/or

[40] "Similar roles" include the Manager responsible for preparing the Company's financial reports, the Head of the Group Administrative Governance and Control structure, the Head of the Privacy structure, and – until 25 November 2022 – also the Head of the Safety and Protection Head Office Department in the capacity as Data Protection Officer. From 25 November, the role of Data Protection Officer was assigned to the Head of the Compliance, Governance, Privacy and Controls Head Office Department.

[41] Those belonging to the Company Control Functions and similar roles, the non-executive members of the Board of Directors of Intesa Sanpaolo and the Group Risk Takers operating in countries where the local regulations allow a maximum limit of 100% represent an exception.

[42] Update of 26 October 2018 of Bank of Italy Circular 285/2013.

[43] This System is based on the grouping in homogeneous categories of managerial positions that are similar by levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology. In correlation to Global Banding, Intesa Sanpaolo also adopted a job titling system that clearly identifies the responsibilities and the contribution of the roles, overcoming the purely hierarchical-organisational logics.
Specifically, to the extent relevant here, the following titles are described:

- Senior Director, positions that define business/function policies and plans and lead their implementation by taking managerial responsibility for financial and human resources.
- Head of, the roles that define or contribute to defining programmes and plans for their own organisational structure, also in coordination with other company structures, and ensure their implementation by taking managerial responsibility for human resources and, possibly, financial responsibility.

[44] Including the Head of some Group functional areas.

subject to evaluation by the Head based on supporting drivers defined ex ante. For 2022, in continuity with the previous financial year, the Group cross-functional KPI "Environmental, Social and Governance (ESG)" was identified among the strategic actions. Furthermore, for the Company Control Functions, for 2022, in keeping with 2018, a cross-functional KPI was confirmed that lies within the objective of "Risk Culture – Promoting awareness at all levels of the organisation regarding *emerging* risks, with a particular focus on the risks related to climate change and technological innovation, by means of educational, awareness raising and training initiatives".

The Performance Scorecard assigned to Middle Managers with the title of "Head of" in the Governance and Control Functions[45] includes quantitative (not economic-financial) and qualitative KPIs. Specifically, within the structure section (30%-50% weight), there are KPIs consistent with the strategic drivers relating to productivity and the cost of risk/sustainability, with particular reference to the following categories: processes/activities, projects/initiatives, cost management and risk management. In the qualitative section (40%-60% weight), however, there are managerial indicators related to the skills of the Group's leadership model. Finally, within the cross-functional section (10% weight), a KPI of the employee's choice is assigned that can be shared, alternatively, at the Group/Governance Area/Division level.

In both Performance Scorecard models, each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective, and no more than 30% to guarantee appropriate weighting of the numerous objectives. The performance evaluation period (accrual period) is annual.

The Intesa Sanpaolo Group develops dedicated incentive initiatives with reference to specific clusters or highly profitable and relevant business segments within the strategy defined at Business Plan level.
In general, the Incentive Systems dedicated to specific clusters (i.e. Non-Performing Loans and Team system - Insurance) aim to support the cooperation and teamwork towards reaching the common objectives measured at team level.
In contrast, the Incentive Systems dedicated to specific business segments (i.e. Insurance Excellence System for the Sales network of the Banca dei Territori Division; Insurance Client Advisor for the Sales structure of Intesa Sanpaolo Insurance Agency; Private Banking Network for the Intesa Sanpaolo Private Banking Italian Network – employees and agents; Private Advisory for the Intesa Sanpaolo Private Banking Advisory Team; non-employee Financial Advisors of the sales network of Fideuram Intesa Sanpaolo Private Banking, Sanpaolo Invest and IW SIM; Investment Management for the Professional categories of account managers in asset management; Sales Extra Captive for the commercial professional category dedicated to the non-captive market in asset management; Network of International Subsidiary Banks for Middle Managers and Professionals of the International Subsidiary Banks) require the recognition of individual bonuses differentiated by role and measured on individual Performance Scorecards with the exception of the retail business (Italy and abroad) for which Branch Performance Scorecards are generally required. The simultaneous presence of economic-financial and non-financial KPIs is normal. For personnel operating in sales networks in direct contact with customers, KPIs regarding customer satisfaction and correctness of customer relations are always envisaged; the KPIs are not linked to the distribution of a specific product and, for the purpose of achieving the objectives, only transactions in line with the needs expressed by customers and with the adequacy checks are taken into account.
In any case, each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective.

On the other hand, within the framework of the Intesa Sanpaolo Group II level National Bargaining Agreement, a Broad-based Short-Term Plan (hereinafter, PVR) was introduced with regard to Professionals belonging to all the Control and Governance Areas, as well as those operating in the business retail segment. The Broad-based Short-Term Plan is considered as a productivity bonus envisaged by the National Collective Bargaining Agreement for the Credit Sector and negotiated with the Trade Unions.
The Broad-based Short-Term Plan has both a distribution-ownership purpose, as it is aimed at rewarding employees for the contribution provided collectively upon reaching the results for the year, and an incentive purpose, given that, limited to the so-called excellence portion, it intends to reward in a distinctive manner the team's merit and performance.
The PVR consists of two components:

- the base bonus is differentiated by organisational role/seniority and professional category and is aimed at rewarding all Group employees for their collective contribution to achieving the annual results to a different extent according to the professional role, as well as at supporting, also for internal equity purposes, the lower remuneration;
- the excellence bonus is based on the performance level reached and:
  - for all employees, it is allocated at the Direct Head's discretion, with priority given to the highest levels of professional evaluation, within the limits of the bonus pool allocated, also having regard to the principle of internal equity;
  - for the professional profiles of the Branches of the Banca dei Territori network, it is allocated on the basis of the evaluation reached in relation to the Branch Performance Scorecard;
  - for the personnel from the Complaints Unit of Banca dei Territori, it is allocated based on the evaluation reached as part of the relevant team Performance Scorecard.

In addition, access to the excellence bonus is subject to the compliance with the compulsory training assigned in the relevant year.

e.2. An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance
The total amount due is allocated annually based on the evaluation of the results of the individual performance scorecard which, as illustrated in the previous point, has a three-fold structure which includes, among other things, both KPIs linked to the performance of the Intesa Sanpaolo Group and KPIs linked to the performance of the respective Division/Governance Area.
It should be noted that the bonus is defined with different calculation methods depending on the cluster.
In particular, this calculation is deterministic for the Group Top Risk Takers, is ranking-based for the other Group Risk Takers and is connected to the evaluation of the results for the remaining Risk Takers and Middle Managers.

[45] Including Managers with similar roles to the Head Of.

e.3. Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration portion to be settled in financial instruments are Intesa Sanpaolo shares (see paragraph f.1). Exceptions to this general rule are envisaged in compliance with the specificities of the sector (e.g. Assets under management) and local (e.g. Slovakia, Brazil, etc.) regulations.

Coinciding with the launch of the 2022-2025 Business Plan, with reference to all Management, including the Managing Director and CEO, the remaining Group Top Risk Takers and other Group Risk Takers (a total of approximately 3,000 people), in the context of the PSP (Performance Share Plan) Long-Term Incentive Plan, the right to accrue a certain number of Performance Shares upon the expiration of the Plan, as long as specific gateway conditions are fulfilled and certain performance targets are achieved, and taking into account correction mechanisms based on sustainability targets that act as a demultiplier of the number of shares accrued at term (if any) was granted. On the other hand, with regard to Professionals, as part of the LECOIP 3.0 Plan, Certificates issued by JP Morgan were allocated, i.e. financial instruments having ISP ordinary shares as their underlying.

Lastly, for non-employee Financial Advisors of the Fideuram, Sanpaolo Invest and IW SIM Networks identified as Risk Takers, a specific Long-Term Incentive Plan for 2022-2025, also based on performance share, was provided.

e.4. Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics. In accordance with point (n) of Article 94(1) CRD, to be paid or vested the variable remuneration has to be justified on the basis of the performance of the institution, the business unit and the individual concerned. Institutions shall explain the criteria/thresholds for determining that the performance is weak and that does not justify that the variable remuneration can be paid or vested

The measures implemented by the Group to adjust the variable component of the remuneration in the event that the performance measurement metrics are weak impact both the bonus pool and the bonus accrued by each individual.

With regard to the Bonus Pool, as mentioned in point c, this (and consequently also the annual Incentive Systems for Group personnel) is activated only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met and if the economic and financial sustainability condition is in place.

Furthermore, the bonus pool funding at Group level (quantum) is defined with a top-down approach, it is destined to fund all the Group annual Incentive Systems and the PVR and is based on the available resources deriving from the economic-financial results achieved in terms of meeting the Gross income target at the Group and/or Division level, adjusted for the non-financial risks undertaken (see point c). Therefore, in the event of "weak" performance at Group and/or Division level (i.e. Gross income below the Access Threshold, breach of the economic EVA target beyond a certain tolerance level), the bonus pool decreases significantly, in both absolute and relative terms, thereby impeding the payment of the bonuses accrued to certain clusters of personnel.

Finally, any "weak" performance at Group level in terms of failure to meet the malus conditions (see point f.2) result in the possible reduction, up to zero, of the deferred components of the allocated bonus.

f. Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance

f.1. An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff

Illustrated below are the methods for the payment of the variable remuneration adopted by the Intesa Sanpaolo Group according to the personnel category, the amount of variable remuneration and the incidence of variable remuneration in relation to fixed remuneration.

- For the Group Top Risk Takers and all those who accrue a "particularly high" amount of variable remuneration[46], regardless of the respective macro-segment:
  - 60% of the variable remuneration is deferred for a period of 5 years;
  - the portion paid in financial instruments is equal to 60% if the variable remuneration exceeds 100% of the fixed remuneration or 55% in the case of variable remuneration equal to or lower than 100% of the fixed remuneration.
- For the Top Risk Takers of Sub-consolidating Groups and Legal Entities (including those who are also identified as Group Risk Takers):
  - 50% of the variable remuneration is deferred for a period of 5 years if the variable remuneration exceeds 100% of the fixed remuneration;
  - 40% of the variable remuneration is deferred for a period of 5 years if the amount exceeds the materiality threshold[47] but is equal to or lower than 100% of the fixed remuneration;
  - the portion paid in financial instruments is equal to 60% in the first case and to 55% in the second.
- For the other Risk Takers:
  - 50% of the variable remuneration is deferred for a period of 4 years if the amount exceeds the materiality threshold and is above 100% of the fixed remuneration;
  - 40% of the variable remuneration is deferred for a period of 4 years if the amount exceeds the materiality threshold but is equal to or lower than 100% of the fixed remuneration;

[46] For the three-year period 2022-2024, the variable remuneration exceeding 400,000 euro is considered particularly high.

[47] The Intesa Sanpaolo Group has defined its materiality threshold, differentiated by clusters of personnel, beyond which the variable remuneration is considered "significant". Specifically:

- for Risk Takers, in accordance with the applicable legislation, the variable remuneration is considered "significant" if it exceeds the amount of 50,000 euro or if it represents more than one third of the total remuneration;
- for Middle Managers and Professionals, in line with Group practice, the materiality threshold, beyond which the variable remuneration is considered "significant", is set – unless otherwise provided for by specific local regulations – at 80,000 euro, except for those working in the business functions of Intesa Sanpaolo Wealth Management and those belonging to the Reyl Group, where it is set at 150,000 euro.

    - the portion paid in financial instruments is equal to 50% of the variable remuneration.
- For Middle Managers and Professionals:
    - if the variable remuneration is both above the materiality threshold and above 100% of the fixed remuneration:
        - 40% is deferred for a period of 3 years and
        - the portion paid in financial instruments is equal to 50%;
    - if the variable remuneration is above the materiality threshold, but equal to or lower than 100% of the fixed remuneration or above 100% of the fixed remuneration but equal to or lower than the materiality threshold, 40% is deferred for a period of 2 years and it is entirely paid in cash.

Regardless of the relevant macro segment, the variable remuneration is entirely paid in cash if the amount is equal to or lower than the materiality threshold and 100% of the fixed remuneration.
For all clusters, the variable remuneration (both the up-front and the deferred portion) paid in financial instruments is subject to a retention period of one year.

Conversely, specific payment schedules apply to the personnel of asset management companies.

f.2. Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law)

Each deferred portion of variable remuneration is subject to an ex-post adjustment mechanism – the so-called malus conditions – according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions set by the Regulator regarding the capital strength and liquidity, as well as the achievement of the financial sustainability condition.
These malus conditions, which are symmetrical to the gateway conditions, are:
- Capital strength conditions: Common Equity Tier 1 (CET1) Ratio and Leverage Ratio ≥ "hard" limits stipulated by the Group RAF; Minimum own funds and eligible liabilities (MREL) ≥ Early Warning envisaged by the Group RAF; Verification of ICAAP outcome and recommendations on distributions by competent authorities and European supervisory authorities;
- Liquidity condition: Net Stable Funding Ratio (NSFR) ≥ "hard" limit set by the Group RAF;
- Sustainability condition: No Loss and Positive Gross Income.

With reference to the Top Risk Takers alone, an additional gateway condition is established, to verify that the Liquidity Coverage Ratio (LCR) is higher than or equal to the limits set by the Group RAF (liquidity condition).
In case one of the conditions of capital strength or of liquidity does not occur individually, the deferred portion is reduced to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%.
Furthermore, the company reserves the right to activate clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of:
- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel;
- violations of the obligations imposed under Article 26 of the Consolidated Law on Banking or, where the entity is a stakeholder, Article 53(4) et seq. of the Consolidated Law on Banking or of remuneration and incentive obligations;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct from which a "significant loss" derived for the Company or the customer.

These mechanisms may be applied in the 5 years following the payment of the individual portion (up-front or deferred) of variable remuneration.

f.3. Where applicable, shareholding requirements that may be imposed on identified staff

It should be noted that no minimum shareholding requirements are defined for any clusters.

g. The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR

Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments

For information on the specific performance indicators used to determine the variable remuneration components, see point e.1.
The variable remuneration, if it is higher than the materiality threshold or 100% of the fixed remuneration, is paid according to specific payment schedules (see point f.1) and settled partly in cash and partly in financial instruments.
In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration portion to be settled in financial instruments are Intesa Sanpaolo shares (see point f.1). Exceptions to this general rule are envisaged in compliance with the specificities of the sector (e.g. Assets under management) and local (e.g. Slovakia, Brazil, etc.) regulations.
Coinciding with the launch of the 2022-2025 Business Plan, with reference to all Management, including the Managing Director and CEO, the remaining Group Top Risk Takers and other Group Risk Takers (a total of approximately 3,000 people), in the context of the PSP (Performance Share Plan) Long-Term Incentive Plan the right to accrue a certain number of Performance Shares upon the expiration of the Plan, as long as specific gateway conditions were fulfilled, certain performance targets were achieved and taking into account correction mechanisms based on sustainability targets that act as a demultiplier of the number of shares accrued at term (if any) was granted. On the other hand, with regard to Professionals, under the LECOIP 3.0 Plan, Certificates issued by JP Morgan were allocated, i.e. financial instruments having ISP ordinary shares as their underlying.
Lastly, for non-employee Financial Advisors of the Fideuram, Sanpaolo Invest and IW SIM Networks identified as Risk Takers, a specific Long-Term Incentive Plan for 2022-2025, also based on performance share, was provided.

h. Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, as referred to in point (j) of Article 450(1) CRR

Please see the tables represented at the end of this Section.

i. Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR

For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration

It should be noted that the Intesa Sanpaolo Group benefits from the exemption pursuant to article 94, paragraph 3, letter b), of the CRD.

Consequently, the annual bonus for 2022 accrued by the Risk Takers, if it is of an amount not exceeding 50,000 euro and does not account for more than one third of its total annual remuneration, is:

- entirely paid in cash, if the amount is less than 100% of the fixed remuneration;
- deferred for a period of 2 years for a portion amounting to 40% paid in cash, only for the Financial Advisors who have the accessory assignment of Area Manager belonging to the Fideuram-Intesa Sanpaolo Private Banking Group, if the amount is equal to or less than 100% of the recurring remuneration.

(euro)

	MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
Number of Identified Staff	-	-	-	237
% Risk Takers who benefit from the derogation	-	-	-	28.00%
Fixed remuneration	**-**	**-**	**-**	**34,058,421**
Variable remuneration	**-**	**-**	**-**	**6,708,661**
Of which deferred	-	-	-	2,424
Total remuneration	**-**	**-**	**-**	**40,767,082**

(*) So-called Key Managers.

(**) So-called Risk Takers.

j. Large institutions (the ISP Group is a "large institution") shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members, as referred to in Article 450(2) CRR

Please see the tables represented at the end of this Section.

Quantitative disclosure

The quantitative information on the remuneration policy is provided below, as required by Regulation (EU) 2021/637 in application of Article 450 of the CRR.

Remuneration awarded for the financial year to staff whose professional activities have a material impact on Bank' risk profile (EU REM1 Reg. 2021/637)

(euro)

			MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
1	Fixed remuneration	Number of identified staff (a)	18	1	19	809
2		**Total fixed remuneration**	**5,446,320**	**2,720,886**	**19,608,015**	**215,236,882**
3		Of which: cash-based	5,446,320	2,620,000	18,585,000	205,732,023
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms (b)	-	100,886	1,023,015	9,504,859
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	1	19	714
10		**Total variable remuneration**	**-**	**4,585,000**	**23,855,500**	**141,978,347**
11		Of which: cash-based	-	1,834,000	9,655,750	69,458,686
12		Of which: deferred	-	917,000	4,794,650	26,864,969
EU-13a		Of which: shares or equivalent ownership interests	-	2,751,000	13,360,950	68,751,031
EU-14a		Of which: deferred	-	1,834,000	8,891,950	35,753,761
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments (c)	-	-	-	598,292
EU-14b		Of which: deferred	-	-	-	239,317
EU-14x		Of which: other instruments (d)	-	-	838,800	2,649,599
EU-14y		Of which: deferred	-	-	559,200	1,323,319
15		Of which: other forms (e)	-	-	-	520,739
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**5,446,320**	**7,305,886**	**43,463,515**	**357,215,229**

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) It should be noted that the number of risk takers does not include 19 employees who resigned or were terminated during the year, 2 of whom belonged to the "Board of Directors - supervisory function" cluster following the appointment of the new Board by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, and 17 belonging to the "Other identified staff" cluster.

(b) Please note that in order to calculate the ratio between variable and fixed remuneration such forms of remuneration, which consist of non-discretionary benefits, are not considered.

(c) Portions of bonus assigned in ISP Phantom Shares.

(d) Portions of bonus assigned as (i) UCITS or phantom UCITS to Risk Takers belonging to significant asset management companies, as required by Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance and (ii) VUB Banka Certificates to Risk Takers belonging to this Bank in compliance with the local regulation.

(e) Value of the bonuses awarded as part of the financial advisors' business contests.

With reference to the trend of remuneration between 2021 and 2022, generally, certain differences can be observed in each personnel cluster. Namely, with reference to:

- the "Management Body - Supervisory Function": total fixed remuneration declined slightly due to the combined effect of the resignation of a member in February 2022 who was not replaced until the renewal of the Board in April and for a lower number of attendance fees due to the fewer number of meetings of the Board committees held during the year;

- the “Management Body - management function” (i.e. Managing Director and CEO): fixed remuneration increased as a result of the revision of the company’s contribution to the social security schemes as resolved by the Board of Directors at its meeting on 3 February 2022, while variable remuneration increased due to the achievement of exceptional results in 2022 (see Focus “2022 Incentive System for the Managing Director and CEO in his capacity as General Manager”);
- the “other senior management”: fixed remuneration increased due to the combined effect of the salary increases awarded, in conjunction with the launch of the 2022-2025 Business Plan, in order to support the Top Management’s motivation, and the realignment of the Group standards on company supplementary contribution to social security schemes approved by the Board of Directors at its meeting on 3 February 2022, notwithstanding the exclusion from the scope of the Head of the Company Protection Head Office Department after the organisational restructuring that took place during 2022; the overall variable remuneration increased due to the improvement in Group performance during 2022 in comparison to 2021, as noted with reference to the Managing Director and CEO;
- the “other identified staff”: the comparison of remuneration data with the previous year is not significant taking into account the inclusion – starting from 2022 – of Risk Takers identified in sub-consolidating Groups or in Banks of European Union countries, in addition to Group Risk Takers.

Special payments to staff whose professional activities have a material impact on institutions' risk profile (EU REM2 Reg. 2021/637)

(euro)

		MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	4
2	Guaranteed variable remuneration awards -Total amount	-	-	-	415,000
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	415,000
	Severance payments awarded in previous periods, that have been paid out during the financial year (a)				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	6	16
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	785,000	1,929,443
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	10
7	Severance payments awarded during the financial year - Total amount (b)	-	-	-	3,957,915
8	Of which paid during the financial year (c)	-	-	-	2,861,205
9	Of which deferred	-	-	-	1,096,710
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap (d)	-	-	-	2,337,426
11	Of which highest payment that has been awarded to a single person	-	-	-	1,428,639

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) Please note that the data reported refers to severance awarded in previous financial years to Risk Takers, in particular to 6 Top Risk Takers (i.e. Key Managers) and to 16 other Risk Takers.

(b) It should be noted that one employee, in accordance with Serbian regulations, was granted a severance exclusively up-front, 60% of which was in cash and 40% in ISP Shares.

(c) Of which 503,783 euro assigned up-front in ISP Shares and subject to a year of holding period.

(d) Please note that the data reported refers to the total amount of the severance payments awarded in the financial year and not included in the variable-to-fixed remuneration cap calculation; in particular, 1,698,426 euro were paid out in 2022 (of which 160,500 euro assigned up-front in ISP Shares and subject to a year of holding period).

The above table shows that 4 welcome bonuses were awarded in 2022. With regard to the severance payments awarded in previous periods and paid during the financial year, there was a reduction in the recipients of these payments due to the completion, for some, of the payment of all deferred portions due. The total amount disbursed is related to the payment schedules set out in the Policies in force at the time of the award. With regard to the severance payments paid during the year, the trend was mostly in line with that of 2021, still linked to the voluntary exits of personnel as a result of the "*Protocollo per l'avvio dell'integrazione del Gruppo UBI Banca nel Gruppo Intesa Sanpaolo*" agreement entered into 29 September 2020 with the trade unions following the acquisition of UBI Banca and aimed at facilitating generational change.

Deferred remuneration for staff whose professional activities have a material impact on institutions' risk profile (EU REM3 Reg. 2021/637)

(euro)

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year (a)	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**4,853,220**	**1,643,380**	**3,209,840**	**-**	**-**	**-227,845**	**1,255,391**	**1,136,086**
8	Cash-based	2,306,290	533,280	1,773,010	-	-	8,460	268,620	-
9	Shares or equivalent ownership interests	2,546,930	1,110,100	1,436,830	-	-	-236,305	986,771	1,136,086
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management (*)**	**22,183,024**	**6,877,388**	**15,305,636**	**-**	**-**	**-556,592**	**5,171,604**	**3,917,804**
14	Cash-based	10,186,644	1,848,936	8,337,708	-	-	27,374	986,830	-
15	Shares or equivalent ownership interests	11,223,300	4,689,570	6,533,730	-	-	-601,209	3,847,673	3,582,242
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments (b)	773,080	338,882	434,198	-	-	17,243	337,101	335,562
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff (**)**	**80,373,753**	**31,651,084**	**48,722,669**	**29,500**	**-**	**-164,493**	**28,972,189**	**12,501,348**
20	Cash-based	46,251,184	14,479,843	31,771,341	3,850	-	103,538	9,500,126	-
21	Shares or equivalent ownership interests	32,104,307	16,168,718	15,935,589	25,650	-	-297,447	18,278,574	11,760,815
22	Share-linked instruments or equivalent non-cash instruments (c)	176,388	100,094	76,294	-	-	-4,720	48,580	72,900
23	Other instruments (d)	1,841,874	902,429	939,445	-	-	34,136	1,112,589	667,633
24	Other forms (e)	-	-	-	-	-	-	32,320	-
25	**Total amount**	**107,409,997**	**40,171,852**	**67,238,145**	**29,500**	**-**	**-948,930**	**35,399,184**	**17,555,238**

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) It is noted that one employee, in accordance with Serbian regulations, was paid all the portions of past incentive systems regardless of the date of accrual and the planned retention periods.

(b) Portions of bonuses awarded as UCITS to Risk Takers belonging to significant Asset Management companies as required by the Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and subsequently confirmed by the Bank of Italy's Regulation implementing Articles 4-undecies and 6(1)(b) and (c-bis) of the Consolidated Law on Finance (TUF).

(c) Portions of bonus assigned in ISP Phantom Shares.

(d) Portions of bonuses awarded in (i) UCITS or phantom UCITS, as required by Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and subsequently confirmed by the Bank of Italy's Regulation implementing Articles 4-undecies and 6(1)(b) and (c-bis) of the Consolidated Law on Finance, to Risk Takers belonging to Asset Management companies and (ii) in VUB Banka Certificates and PBZ Shares to Risk Takers belonging to those banks in compliance with the local regulation.

(e) The data reported refers to the portions of bonus assigned as welfare to personnel belonging to the ex UBI Banca Group.

With reference to the above table, it should be noted that the trend in the deferred portions compared to 2021 follows the different payment portions (part in cash, part in financial instruments) in application of the payment schedules envisaged in the Policies for the year pertaining to the bonus, as well as the inclusion, in addition to Group Risk Takers, of Risk Takers identified at the level of sub-consolidating Groups or of Banks in countries within the European Union.

Remuneration of 1 million EUR or more per year (EU REM4 Reg. 2021/637)

	EURO	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	48
2	1,500,000 to below 2,000,000	15
3	2,000,000 to below 2,500,000	11
4	2,500,000 to below 3,000,000	2
5	3,000,000 to below 3,500,000	-
6	3,500,000 to below 4,000,000	4
7	4,000,000 to below 4,500,000	-
8	4,500,000 to below 5,000,000	-
9	5,000,000 to below 6,000,000	-
10	6,000,000 to below 7,000,000	-
11	7,000,000 to below 8,000,000	1

The table above lists, by remuneration brackets, the number of employees classified as Risk Takers whose total remuneration paid during the year is equal to or greater than 1 million euro. It should be noted that the calculation took into account both the fixed and variable remuneration pertaining to the year. The increase in the number of people included in this cluster compared to 2021 is due to the combined effect of the improvement in the Group's performance – and, consequently, of the average performance of individual Risk Takers – and of the award of the long-term incentive system 2018-2021 to the Financial Advisors.

Information on remuneration of staff whose professional activities have a material impact on Bank' risk profile (EU REM5 Reg. 2021/637)

(euro)

		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff (a)	18	1	19	64	211	12	216	128	197	**847**
2	Of which: members of the MB	18	1	19							**19**
3	Of which: other senior management (*)				1	3	1	8	4	2	**19**
4	Of which: other identified staff (**)				63	208	11	208	124	195	**809**
5	Total remuneration of identified staff	5,446,320	7,305,886	12,752,206	33,746,430	85,393,820	8,790,162	100,378,893	37,225,887	135,143,552	**413,430,950**
6	Of which: variable remuneration	-	4,585,000	4,585,000	16,314,501	38,029,247	4,265,847	49,900,713	6,952,580	50,370,959	**170,418,847**
7	Of which: fixed remuneration	5,446,320	2,720,886	8,167,206	17,431,929	47,364,573	4,524,315	50,478,180	30,273,307	84,772,593	**243,012,103**

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) It should be noted that the number of risk takers does not include 19 employees who resigned or were terminated during the year, 2 of whom belonged to the "Management Body - Supervisory function" cluster following the renewal of the offices by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, while 17 belonged to the "Other identified staff" cluster.

Please note: The remuneration data of the Business Areas shown in the table should not be compared with the information reported in the 2021 Disclosure due to the inclusion, in addition to Group Risk Takers, of Risk Takers identified at the level of Sub-consolidating Groups level or of Banks in countries within the European Union.

For the purposes of the requirements of Article 450 CRR (paragraph 1 j) and paragraph 2) mentioned in this Section, the disclosure is reported below in accordance to the format established in Annex 3 (Company information) to the ConsobIssuers' Regulation.

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 1 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
								Bonuses and other incentives (xx)	Profit-sharing
Gros-Pietro Gian Maria		Chair of the Board of Directors	01/01/2022	31/12/2022	800,0			-	-
		Member of the Board of Directors	01/01/2022	31/12/2022	120,0			-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022			27,5	-	-
Colombo Paolo Andrea		Deputy Chair of the Board of Directors	01/01/2022	31/12/2022	149,9			-	-
		Member of the Board of Directors	01/01/2022	31/12/2022	120,0			-	-
		Chair of the Remuneration Committee	01/01/2022	31/12/2022	59,0		60,0	-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022			27,5	-	-
Messina Carlo		General Manager	01/01/2022	31/12/2022	2.000,0	-	-	1.834,0	-
		Managing Director and Chief Executive Officer	01/01/2022	31/12/2022	500,0	-	-	-	-
		Member of the Board of Directors/ Executive Board Member	01/01/2022	31/12/2022	120,0	-	-	-	-
Ceruti Franco		Member of the Board of Directors	01/01/2022	31/12/2022	120,0			-	-
		Member of the Risks and Sustainability Committee	01/01/2022	31/12/2022			100,0	-	-
		Member of the Remuneration Committee	01/01/2022	31/12/2022			60,0	-	-
	a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chair and Director	01/01/2022	31/12/2022	130,0			-	-
	a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2022	31/12/2022	23,6			-	-
	b)	SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chair and Director	01/01/2022	31/12/2022	-	-	-	-	-
Tagliavini Paola		Member of the Board of Directors	29/04/2022	31/12/2022	81,2			-	-
		Chair of Risks and Sustainability Committee	06/05/2022	31/12/2022	39,5		55,0	-	-
		Member of the Committee for transactions with related parties	06/05/2022	31/12/2022			17,5	-	-
	a)	Eurizon Capital SGR - Director	01/01/2022	12/04/2022	12,6	4,9		-	-
	a)	Eurizon Capital SA - Director	01/01/2022	29/04/2022	5,0			-	-
	a)	Fideuram Asset Management - Director	01/01/2022	14/04/2022	5,0	0,7		-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 2 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gros-Pietro Gian Maria		Chair of the Board of Directors	01/01/2022	31/12/2022	-	-	800.0	-	-
		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022	-	-	27.5	-	-
Colombo Paolo Andrea		Deputy Chair of the Board of Directors	01/01/2022	31/12/2022	-	-	149.9	-	-
		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Chair of the Remuneration Committee	01/01/2022	31/12/2022	-	-	119.0	-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022	-	-	27.5	-	-
Messina Carlo		General Manager	01/01/2022	31/12/2022	100.9	-	3,934.9	2,544.5	-
		Managing Director and Chief Executive Officer	01/01/2022	31/12/2022	-	-	500.0	-	-
		Member of the Board of Directors/ Executive Board Member	01/01/2022	31/12/2022	-	-	120.0	-	-
Ceruti Franco		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Risks and Sustainability Committee	01/01/2022	31/12/2022	-	-	100.0	-	-
		Member of the Remuneration Committee	01/01/2022	31/12/2022	-	-	60.0	-	-
	a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chair and Director	01/01/2022	31/12/2022	-	-	130.0	-	-
	a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2022	31/12/2022	-	-	23.6	-	-
	b)	SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chair and Director	01/01/2022	31/12/2022	-	-	-	-	-
Tagliavini Paola		Member of the Board of Directors	29/04/2022	31/12/2022	-	-	81.2	-	-
		Chair of Risks and Sustainability Committee	06/05/2022	31/12/2022	-	-	94.5	-	-
		Member of the Committee for transactions with related parties	06/05/2022	31/12/2022	-	-	17.5	-	-
	a)	Eurizon Capital SGR - Director	01/01/2022	12/04/2022	-	-	17.5	-	-
	a)	Eurizon Capital SA - Director	01/01/2022	29/04/2022	-	-	5.0	-	-
	a)	Fideuram Asset Management - Director	01/01/2022	14/04/2022	-	-	5.7	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 3 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration: Bonuses and other incentives (xx)	Non-equity variable remuneration: Profit-sharing
Logiurato Liliana		Member of the Board of Directors	29/04/2022	31/12/2022	80.7			-	-
		Member of the Remuneration Committee	06/05//2022	31/12/2022			30.0	-	-
		Member of the Committee for transactions with related parties	06/05/2022	31/12/2022			17.5	-	-
Nebbia Luciano		Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
		Member of the Remuneration Committee	01/01/2022	31/12/2022			60.0	-	-
	a)	EQUITER S.p.A. – Deputy Chair	01/01/2022	31/12/2022	35.0			-	-
Picca Bruno		Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022			27.5	-	-
		Member of the Risks and Sustainability Committee	01/01/2022	31/12/2022			100.0	-	-
Pomodoro Livia		Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
		Chair of the Nominations	01/01/2022	31/12/2022	59.0		27.5	-	-
Stefanelli Maria Alessandra		Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
		Member of the Remuneration Committee	01/03/2022	29/04/2022			10.0	-	-
		Member of the Committee for transactions with related parties	01/01/2022	31/12/2022			32.5	-	-
Parigi Bruno Maria		Member of the Board of Directors	29/04/2022	31/12/2022	80.7			-	-
		Member of the Risks and Sustainability Committee	06/05//2022	31/12/2022			55.0	-	-
	a)	Intesa Sanpaolo Assicura Director	01/01/2022	03/05/2022	6.7			-	-
Zamboni Daniele		Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
		Chair of the Committee for transactions with related parties	01/01/2022	31/12/2022	59.0		32.5	-	-
		Member of the Risks and Sustainability Committee	01/01/2022	31/12/2022			100.0	-	-
Mazzarella Maria		Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022			27.5	-	-
		Member of the Committee for transactions with related parties	01/01/2022	31/12/2022			32.5	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 4 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Logiurato Liliana		Member of the Board of Directors	29/04/2022	31/12/2022	-	-	80.7	-	-
		Member of the Remuneration Committee	06/05//2022	31/12/2022	-	-	30.0	-	-
		Member of the Committee for transactions with related parties	06/05/2022	31/12/2022	-	-	17.5	-	-
Nebbia Luciano		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Remuneration Committee	01/01/2022	31/12/2022	-	-	60.0	-	-
	a)	EQUITER S.p.A. – Deputy Chair	01/01/2022	31/12/2022	-	-	35.0	-	-
Picca Bruno		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022	-	-	27.5	-	-
		Member of the Risks and Sustainability Committee	01/01/2022	31/12/2022	-	-	100.0	-	-
Pomodoro Livia		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Chair of the Nominations Committee	01/01/2022	31/12/2022	-	-	86.5	-	-
Stefanelli Maria Alessandra		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Remuneration Committee	01/03/2022	29/04/2022	-	-	10.0	-	-
		Member of the Committee for transactions with related parties	01/01/2022	31/12/2022	-	-	32.5	-	-
Parigi Bruno Maria		Member of the Board of Directors	29/04/2022	31/12/2022	-	-	80.7	-	-
		Member of the Risks and Sustainability Committee	06/05//2022	31/12/2022	-	-	55.0	-	-
	a)	Intesa Sanpaolo Assicura Director	01/01/2022	03/05/2022	-	-	6.7	-	-
Zamboni Daniele		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Chair of the Committee for transactions with related parties	01/01/2022	31/12/2022	-	-	91.5	-	-
		Member of the Risks and Sustainability Committee	01/01/2022	31/12/2022	-	-	100.0	-	-
Mazzarella Maria		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Nominations Committee	01/01/2022	31/12/2022	-	-	27.5	-	-
		Member of the Committee for transactions with related parties	01/01/2022	31/12/2022	-	-	32.5	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 5 of 8)*

(thousands of euro)

Surname and Name	Office	Office held since (x)	End of office (x)	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
							Bonuses and other incentives (xx)	Profit-sharing
Gatti Anna	Member of the Board of Directors	01/01/2022	31/12/2022	120.0			-	-
	Member of the Remuneration Committee	01/01/2022	31/12/2022			60.0	-	-
Mosca Fabrizio	Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	260.0	-	-	-	-
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	260.0	-	-	-	-
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	260.0	-	-	-	-
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	260.0	-	-	-	-
	Chair of the Management Control Committee	01/01/2022	31/12/2022	65.0	-	-	-	-
Franchini Roberto	Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	260.0	-	-	-	-
Locatelli Rossella	Member of the Board of Directors	01/01/2022	29/04/2022	39.1			-	-
	Chair of the Risks and Sustainability Committee	01/01/2022	29/04/2022	19.6		45.0	-	-
	Member of the Committee for transactions with related parties	01/01/2022	29/04/2022			15.0	-	-
Sironi Andrea	Member of the Board of Directors	01/01/2022	28/02/2022	19.4			-	-
	Member of the Remuneration Committee	01/01/2022	28/02/2022			20.0	-	-
	Member of the Committee for transactions with related parties	01/01/2022	28/02/2022			7.5	-	-
Weber Guglielmo	Member of the Board of Directors	01/01/2022	29/04/2022	39.1			-	-
	Member of the Risks and Sustainability Committee	01/01/2022	29/04/2022			45.0	-	-
	(a) Intesa Sanpaolo Assicura - Chair	04/05/2022	31/12/2022	86.0			-	-
Vernero Paolo	Full Member of the Surveillance Board	01/01/2022	31/12/2022	25.0	-	-	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 6 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gatti Anna		Member of the Board of Directors	01/01/2022	31/12/2022	-	-	120.0	-	-
		Member of the Remuneration Committee	01/01/2022	31/12/2022	-	-	60.0	-	-
Mosca Fabrizio		Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	-	-	260.0	-	-
Motta Milena Teresa		Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	-	-	260.0	-	-
Zoppo Maria Cristina		Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	-	-	260.0	-	-
Pisani Alberto Maria		Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	-	-	260.0	-	-
		Chair of the Management Control Committee	01/01/2022	31/12/2022	-	-	65.0	-	-
Franchini Roberto		Member of the Board of Directors and of the Management Control Committee	01/01/2022	31/12/2022	-	-	260.0	-	-
Locatelli Rossella		Member of the Board of Directors	01/01/2022	29/04/2022	-	-	39.1	-	-
		Chair of the Risks and Sustainability Committee	01/01/2022	29/04/2022	-	-	64.6	-	-
		Member of the Committee for transactions with related parties	01/01/2022	29/04/2022	-	-	15.0	-	-
Sironi Andrea		Member of the Board of Directors	01/01/2022	28/02/2022	-	-	19.4	-	-
		Member of the Remuneration Committee	01/01/2022	28/02/2022	-	-	20.0	-	-
		Member of the Committee for transactions with related parties	01/01/2022	28/02/2022	-	-	7.5	-	-
Weber Guglielmo		Member of the Board of Directors	01/01/2022	29/04/2022	-	-	39.1	-	-
		Member of the Risks and Sustainability Committee	01/01/2022	29/04/2022	-	-	45.0	-	-
	(a)	Intesa Sanpaolo Assicura - Chair	04/05/2022	31/12/2022	-	-	86.0	-	-
Vernero Paolo		Full Member of the Surveillance Board	01/01/2022	31/12/2022	-	-	25.0	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 7 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Fixed Remuneration		Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
									Bonuses and other incentives (xx)	Profit-sharing
Cortellazzo Andrea		Chair of the Surveillance Board	01/01/2022	31/12/2022	10.0		-	-	-	-
		Full Member of the Surveillance Board	01/01/2022	31/12/2022	25.0		-	-	-	-
Dalla Sega Franco		Full Member of the Surveillance Board	01/01/2022	31/12/2022	25.0		-	-	-	-
	a)	BANCOMAT S.p.A. – Chair	01/01/2022	31/12/2022	70.0		-	-	-	-
Key Managers (*)		Total remuneration and attendance fees awarded by Intesa Sanpaolo	01/01/2022	31/12/2022	17,834.0	c)	-	-	8,591.9	-
		Total remuneration and attendance fees awarded by subsidiaries and associates	01/01/2022	31/12/2022	835.0	d)	-	-	1,126.4	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 8 of 8)*

(thousands of euro)

Surname and Name		Office	Office held since (x)	End of office (x)	Non-monetary benefits	Other remuneration	Total		Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Cortellazzo Andrea		Chair of the Surveillance Board	01/01/2022	31/12/2022	-	-	10.0	-	-	-
		Full Member of the Surveillance Board	01/01/2022	31/12/2022	-	-	25.0	-	-	-
							-			
Dalla Sega Franco		Full Member of the Surveillance Board	01/01/2022	31/12/2022	-	-	25.0	-	-	-
	a)	BANCOMAT S.p.A. – Chair	01/01/2022	31/12/2022	-	-	70.0	-	-	-
							-			
Key Managers (*)		Total remuneration and attendance fees awarded by Intesa Sanpaolo	01/01/2022	31/12/2022	986.0	-	27,411.9	(c)	10,510.7	-
		Total remuneration and attendance fees awarded by subsidiaries and associates	01/01/2022	31/12/2022	51.0	-	2,012.4	(d)	1,331.9	-

(a) Remuneration/Attendance fees in subsidiaries and/or associates.

(b) The amount does not include the remunerations for the office equal to euro 10,000 as they have been waived.

(c) The data reported does not include other remunerations for offices in company subsidiaries and/or associates and equal to euro 677,595, since entirely transferred to the parent company.

(d) The data reported does not include other remunerations recognized for offices in company subsidiaries and/or associates and equal to euro 190,000 since entirely waived/transferred to subsidiaries companies.

(*) Remuneration refers to 20 Key Managers, of whom No. 19 are still in force as at 31 December 2022.

(x) It should be noted that the Shareholders Meeting of 29/04/2022 appointed the members of the Board of Directors and of the Management Control Committee for the following financial years 2022/2023/2024. The Board of Directors established the Internal Committees with a resolution of 6/05/2022.

(xx) The data reported refers to the portions of bonus assigned, both upfront and deferred, awarded following 2022 performance (for further details please see table 3B).

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers *(Tab. 1 of 2)*

(thousands of euro)

			Options held at the beginning of the year			Options awarded during the year					
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Surname and Name	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair Value at the awarding date (x)	Awarding date	Market share price of the shares underlying the award of options
Messina Carlo	Managing Director and Chief Executive Officer		21,205,158								
			of which 16,466,726 restructured options	2.4937	10/03/2023	-	-	-	-	-	-
	General Manager		of which 4,738,432 original option	3.0755	11/03/2022						
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) (**)	95,521,402								
			of which 74,176,512 restructured options	2.4937	10/03/2023	-	-	-	-	-	-
			of which 21,344,890 original option	3.0755	11/03/2022						
	Total Remuneration awarded by subsidiaries		11,010,370								
			of which 8,550,030 restructured options	2.4937	10/03/2023	-	-	-	-	-	-
			of which 2,460,340 original option	3.0755	11/03/2022						

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers *(Tab. 2 of 2)*

(thousands of euro)

			Options expired during the year			Options held at end of the year	Options for the year	Options held at the beginning of the year
A	B	(1)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Surname and Name	Office	Plan	Number of options	Exercise price	Market share price of the shares underlying the exercise date	Number of options	Number of options	Fair value
Messina Carlo	Managing Director and Chief Executive Officer General Manager		-	-	-	4,738,432	16,466,726	0
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) (**)	-	-	-	21,344,890	74,176,512	0
	Total Remuneration awarded by subsidiaries		-	-	-	2,460,340	8,550,030	0

(x) The overall Fair Value, intended as an employee benefit, is determined considering also the probability of completion of the service period in the Company, the Fair Value adjustments due to non-negotiability, deferral of the instruments assignment and unavailability constraints on the shares received according to the Plan schedule.

(*) Remuneration refers to 20 Key Managers, of whom No. 19 are still in force as at 31 December 2022.

(**) The Plan was approved on 27/04/2018; The Plan amendment was subsequently approved on 29/04/2021.

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers *(Tab. 1 of 2)*

(thousands of euro)

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year				
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surname and Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price at award date
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2016	-	-	-	-	-	-	-
		Incentive 2017	134,179	May 2023	-	-	-	-	-
		Incentive 2018	306,718	May 2023 - May 2024	-	-	-	-	-
		Incentive 2019	160,142	May 2024 - May 2025	-	-	-	-	-
		Incentive 2020	149,209	May 2024 - May 2026	-	-	-	-	-
		Incentive 2021	649,668	May 2024 - May 2027	-	-	-	-	-
		PSP Plan	-	-	-	2,620	-	30 June 2022	1.78
		Incentive 2022	-	-	(*)	2,751	May 2023 - May 2028	(*)	(*)
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2016	-	-	-	-	-	-	-
		Incentive 2017	251,387	May 2023	-	-	-	-	-
		Incentive 2018	999,395	May 2023 - May 2024	-	-	-	-	-
		Incentive 2019	713,792	May 2024 - May 2025	-	-	-	-	-
		Incentive 2020	674,697	May 2024 - May 2026	-	-	-	-	-
		Incentive 2021	2,808,421	May 2023 - May 2027	-	-	-	-	-
		PSP Plan	-	-	-	14,707.99	June 2022 - June 2031	30 June 2022	1.78
		Incentive 2022	-	-	(*)	12,586.60	June 2023 - June 2028	(*)	(*)
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2016	-	-	-	-	-	-	-
		Incentive 2017	-	-	-	-	-	-	-
			2,866.01 (2)	May 2023	-	-	-	-	-
		Incentive 2018	-	-	-	-	-	-	-
			8,199.85 (2)	May 2023 - May 2024	-	-	-	-	-
		Incentive 2019	29,579	May 2023 - May 2025	-	-	-	-	-
			6,299.43 (2)		-	-	-	-	-
		Incentive 2020	44,361	May 2023 - May 2026	-	-	-	-	-
			4,124.64 (2)		-	-	-	-	-
		Incentive 2021	203,471	May 2023 - May 2027	-	-	-	-	-
			11,824.89 (2)		-	-	-	-	-
		PSP Plan	-	-	-	1,850	-	30 June 2022	1.78
		Incentive 2022	-	-	(*)	1,689.60 (3)	May 2023 - May 2028	(*)	(*)

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers *(Tab. 2 of 2)*

(thousands of euro)

A	B	(1)	(9)	(10)		(11)	(12)	
			Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted			Financial instruments for the year	
Surname and Name	Office	Plan	Number and type of financial instruments	Number and type of fi¬nancial in-struments		Value at vesting date	Fair value	
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2016	-	62,634		122	122	
		Incentive 2017	-	134,176		261	261	
		Incentive 2018	-	153,359		298	298	
		Incentive 2019	-	85,408	(1)	166	166	
		Incentive 2020	-	77,849	(1)	151	151	
		Incentive 2021	-	324,833	(1)	631	631	
		PSP Plan	-	-		-	-	
		Incentive 2022	-	-		-	917	
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2016	-	173,844		369	369	
		Incentive 2017	-	379,040		763	763	
		Incentive 2018	-	614,529		1,234	1,234	
		Incentive 2019	-	407,694	(1)	792	792	
		Incentive 2020	-	352,019	(1)	683	683	
		Incentive 2021	-	1,265,129	(1)	2,456	2,456	
		PSP Plan	-	-		-	-	
		Incentive 2022	-	-		-	4,213	
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2016	-	12,329		24	24	
		Incentive 2017	-	14,272		28	28	
			-	2,866.02		126	126	
		Incentive 2018	-	17,139		33	33	
			-	4,099.92		114	114	
		Incentive 2019	-	15,774	(1)	31	31	
			-	3,286.66		98	98	
		Incentive 2020	-	23,144	(1)	45	45	
			-	2,356.94		73	73	
		Incentive 2021	-	101,735	(1)	198	198	
			-	-		-	-	
		PSP Plan	-	-		-	-	
		Incentive 2022	-	-		-	563	(4)

(*) The information related to the shares that will be granted as an incentive for the performance of financial year 2022 will be available following the resolutions of the Ordinary Shareholders' Meeting called on 28 April 2023.

(**) Remuneration refers to 20 Key Managers. of whom No. 19 are still in force as at 31 December 2022.

(x) The indicated number represents the assigned rights on Performance Shares. Each one assigns the right to receive No. 1 Intesa Sanpaolo Share at the end of the PSP Plan, conditioned upon the verification of the gateway conditions, of the level of achievement of the performance objectives and of the possible application of de-multipliers. Such number was calculated for each cluster of beneficiaries by dividing the value of the initial grant (for the Managing Director and CEO equal to 100% of the fixed remuneration) by the market price at grant date determined by applying some Fair Value adjustments – based on the valuation models certified in the Group's Fair Value Policy - due to sale and availability constraints (please see the Report of the Board of Directors, Ordinary Part – Point 3f of the agenda of 15 March 2022).

1) Shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

2) Assigned in UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, in his capacity as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

3) Of which 839 thousand euro assigned in UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, in his capacity as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

4) Of which 280 thousand euro assigned in UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, in his capacity as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

Note: this information refers to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

A	B	(1)	(2)			(3)			(4)
Surname and Name	Office	Plan	Bonus of the year			Bonus from previous years			Other bonuses
			(A) Payable / Paid	(B) Deferred	(C) Deferral period	(A) No longer payable	(B) Payable / Paid	(C) Still deferred	
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2016	-	-	-	-	178 (1)	-	-
		Incentive 2017	-	-	-	-	-	385	-
		Incentive 2018	-	-	-	-	-	325	-
		Incentive 2019	-	-	-	-	91	478	-
		Incentive 2020	-	-	-	-	-	361	-
		Incentive 2021	-	-	-	-	758	758	-
		Incentive 2022	917	917	May 2023 - May 2028	-	-	-	-
Key Managers (*) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2016	-	-	-	-	493 (1)	-	-
		Incentive 2017	-	-	-	-	-	982	-
		Incentive 2018	-	-	-	-	35 (2)	1,160	-
		Incentive 2019	-	-	-	-	335	2,089	-
		Incentive 2020	-	-	-	-	-	1,631	-
		Incentive 2021	-	-	-	-	3,175	3,196	-
		Incentive 2022	4,213	4,266	May 2023 - May 2028	-	-	-	113 (3)
Key Managers (*) (Remuneration awarded by subsidiaries)		Incentive 2016	-	-	-	-	35 (1)	-	-
		Incentive 2017	-	-	-	-	-	144	-
		Incentive 2018	-	-	-	-	41	98	-
		Incentive 2019	-	-	-	-	48	250	-
		Incentive 2020	-	-	-	-	-	204	-
		Incentive 2021	-	-	-	-	467	467	-
		Incentive 2022	563	563	May 2023 - May 2028	-	-	-	-

(*) Remuneration refers to 20 Key Managers, of whom No. 19 are still in force as at 31 December 2022.

1) An appreciation of 5% was calculated on the portions paid, in line with market rates.

2) An appreciation of 3% was calculated on the portions paid, in line with market rates.

3) Remuneration refers to the fidelity bonus XXXV accrued by the Chief Financial Officer.

Section 20 – Disclosure of environmental, social and governance risks (ESG risks)

Qualitative disclosure

Introduction

This section contains the specific disclosures required by Article 449a of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR) – Disclosure of environmental, social and governance risks, as set out in detailed models and related instructions in Regulation (EU) 2021/637 (as amended, in particular, by Regulation (EU) 2022/2453)[48].
In accordance with the above-mentioned regulatory requirements, the Pillar 3 document is required to contain, on a half-yearly basis starting from 31 December 2022, three qualitative sections (below "Tables") and – when fully implemented – a total of ten quantitative disclosures (below "Tables"), of which four are dedicated to climate change transition risk and one to climate change physical risk, and five provide quantitative information on the actions that institutions are implementing to mitigate climate change related risks, including information on actions aligned with the taxonomy (GAR and BTAR) and on any other mitigation actions.
Regulation (EU) 2022/2453 provides for a phase-in period for certain more complex information in terms of data collection and related risk measurement methodology, such as, in particular, information related to emissions reporting and alignment metrics, i.e. the disclosure of the Green Asset Ratio (GAR) and, on a voluntary basis, the Banking Taxonomy Alignment Ratio (BTAR). This information will therefore be incorporated into the Pillar 3 document according to the timing established in the Regulation.
This qualitative disclosure describes the integration of environmental, social and governance (ESG) risks into strategic and governance decisions, business processes and risk management.
The topics of Strategy, Governance and Risk Management are then broken down for these types of risk (E, S and G), with references, where necessary, to paragraphs that already provide an exhaustive description of the required content.

Qualitative information on environmental risk (Table 1 Reg. 2022/2453)

Business strategy and processes

a) Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning

In light of the results achieved in the previous Business Plan and the main trends that will affect the financial services and protection sectors, Intesa Sanpaolo intends to take on the coming years with the objective of continuing to create value for all stakeholders, while also building the Bank of the future: profitable, innovative and sustainable.
Intesa Sanpaolo's new 2022-2025 Business Plan, launched in February 2022, is based on four main pillars, one of which is the "Significant ESG Commitment", which, in addition to social issues, includes a significant focus on climate-related and environmental targets and objectives.
To this end, the new Plan includes commitments aimed at protecting and restoring natural capital and biodiversity, as well as indicators relating to the reduction of CO_2 emissions with clearly defined targets. Accordingly, the "Climate Net Zero Target Setting" project has been initiated to set the emission targets for the priority sectors, and a process has been developed for monitoring the emission intensity of the Bank's portfolio.
In addition, the Group intends to gear its lending strategy towards the achievement of its objectives and is completing the implementation of the new Credit Framework, which includes ESG metrics, with the following levels of granularity:

- ESG sectoral strategy assessment by sector and micro-sector;
- internal ESG score at counterparty level;
- Sustainable Products Framework;
- ESG and Reputational risk clearing process at operations level.

Intesa Sanpaolo's climate strategy is strongly geared towards the development and promotion of sustainable financial products and services aligned with the EU Taxonomy (including advisory services, training, and a further expansion of sustainable lending for retail customers) to facilitate the transition to a low-carbon economic model.

[48] Information on environmental, social and governance risks is also reported, on a consistent basis, in the Intesa Sanpaolo Group's Consolidated Non-Financial Statement (CNFS) and Task Force on Climate-related Financial Disclosures (TCFD) Report.

Intesa Sanpaolo is committed to providing strong support for the green and circular economy, as well as the green transition, through the provision of dedicated loans. In fact, 88 billion euro of new loans have been made available as follows:

- 76 billion euro, out of a total of over 400 billion euro, in relation to the National Recovery and Resilience Plan[49]. Of this amount, 8 billion euro is specifically dedicated to financing the circular economy;
- 12 billion euro to private individuals (mainly green mortgages).

Lastly, Intesa Sanpaolo has issued the new "Own Emissions Plan" – included in the 2022-2025 Business Plan – which identifies specific actions to reduce the consumption of natural gas, diesel and traditional electricity with a carbon neutrality target by 2030 for its own emissions.

b) Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information about the design of business strategy and processes

c) Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities

Intesa Sanpaolo has joined four GFANZ alliances (Net-Zero Banking Alliance, Net-Zero Asset Managers Initiative, Net-Zero Asset Owner Alliance and Net-Zero Insurance Alliance), covering all its main business lines.
The Glasgow Financial Alliance for Net Zero (GFANZ), launched in 2021, is the world's largest coalition of financial institutions committed to bringing the global economy to zero greenhouse gas emissions by 2050. Intesa Sanpaolo set the first targets within these alliances in 2022.
The Group has set and included targets in its 2022-25 Business Plan for the reduction of financed emissions aligned to Net Zero by 2030 in the Oil&Gas, Power Generation, Automotive and Coal Mining sectors. In addition: i) in 2023, the target setting will be extended to other mandatory sectors within the Net Zero Banking Alliance (NZBA); and ii) work will continue for the submission of the necessary documentation for the validation of the Science Based Targets Initiative (SBTi) certification by the first quarter of 2024.
Other targets have been set in relation to environmental protection, committing to planting 100 million trees, either directly or through dedicated customer loans, and adopting a specific biodiversity policy.
With regard to the circular economy, Intesa Sanpaolo is a strategic partner of the Ellen MacArthur Foundation, with which it has renewed its partnership agreement for the three-year period 2022-2024. The Foundation is one of the leading international promoters of the systemic transition to the circular economy.
Intesa Sanpaolo's commitment has continued with the already mentioned "Own Emissions Plan", whereby it intends to achieve carbon neutrality and 100% energy purchased from renewable sources by 2030 (level already achieved in the branches and buildings in Italy in 2021). The emission reduction target also meets the requirements of the SBTi.

d) Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks

Intesa Sanpaolo aims to increasingly improve its practices of direct and indirect engagement with counterparties, particularly with regard to ESG, environmental and climate-related issues.
In 2022, the Bank further increased its interaction with various ESG investors through targeted meetings, ESG conferences (through both investor meetings and participation in panels) and dedicated road shows. Furthermore, during the year the frequency of interactions increased, as well as the requests for formal engagement on ESG, environmental and climate-related issues from large asset managers. The focus on climate-related issues was further expanded with structured questionnaires and surveys.
In 2022, Intesa Sanpaolo continued with the initiatives related to the ESG and Circular Economy Labs. Within the ESG Lab, Intesa Sanpaolo supports sustainable transition by building a new way of doing business for Small and Medium-sized Enterprises and a greener future for Italy. These are physical and virtual meeting points between entrepreneurs, aimed at facilitating networking between enterprises, promoting discussion and raising awareness of climate-related issues. The companies involved in this process share their experiences and are supported in identifying the improvement actions and initiatives needed to draw up a strategic development plan.
The project is aimed at all companies and their sectors interested in ESG issues. After the inauguration of the first ESG Lab in October 2021 in Brescia, 8 labs had been started up by December 2022. These results are in line with the commitments made in the 2022-2025 Business Plan, which envisaged the activation by 2025 of at least one ESG Lab in each Regional Governance Centre and around 100 dedicated ESG specialists.
The Circular Economy Lab, on the other hand, aims to support and facilitate the transformation of the Italian economic system and to disseminate new models of value creation in the collective interest, accelerating the transition towards the Circular Economy. The strategy envisages the use of open innovation approaches to seek novel solutions and technologies within the Circular Economy, and the related activities are based on three pillars:

- the promotion and dissemination of the Circular Economy culture at national and international scale, through events and networking platforms with the involvement of external players and partners;
- innovative programmes aimed at companies, to support them in aligning their corporate culture to the Circular Economy;
- the acceleration of the circular transformation through Circular Economy advice for SMEs and companies.

Intesa Sanpaolo offers dedicated advisory services, aimed at generating new economic and relational value for the Group and increasing the competitiveness of enterprises.
Intesa Sanpaolo Innovation Center, in synergy and coordination with the Banca dei Territori (BdT) and IMI C&IB Divisions, provides advisory and non-financial services, offering customers transformation pathways towards innovation/circular economy. The service includes the assessment of the technical and financial aspects of the investment and its sustainability.
The IMI C&IB Division provides a full range of advisory services to customer companies, especially in relation to transition financing. It analyses customers' sustainability strategies, annual financial statements and capex plans, in addition to assisting them as an ESG structuring advisor in identifying targeted loans (including green, sustainability and sustainability-linked loans). This is accompanied by the advisory services provided by the Automotive, Power Generation and Oil & Gas

[49] 2021-2026.

desks, staffed with sustainability experts who provide customers technical and financial advice on the best solutions for financing the transition.
The Banca dei Territori Division, which is mainly dedicated to SMEs, has developed a similar offering and contributes to providing specialist advice to its customers through specific partnerships, such as the collaboration with Nativa and Circularity.
In 2022, the Banca dei Territori Division also signed partnership agreements with the leading industry, trade and craft associations, aimed at collaborating on initiatives to support their member companies in making sustainable investments through dedicated loan products. The agreements signed at national level include Federalberghi, Confesercenti, Confcommercio, Confartigianato, Finco, Confapi, Federlegno Arredo, Faita Federcamping, Confindustria Alberghi, and Federterme.
In 2022, the Banca dei Territori Division also initiated an ESG Survey (following on from a Climate Change Survey launched in 2021), based on 32 questions (of which 9 related to environmental issues), which allows customers to assess their sustainable performance and receive a report containing a benchmark of their ESG positioning. The report is also aimed at supporting customers in developing initiatives to improve their ESG profile.
Lastly, Banca dei Territori is developing a dedicated ESG platform to support its customers in assessing their ESG performance and accessing training content on key sustainability issues and recent market trends.
To provide effective support to customers in their transition to Net Zero, Intesa Sanpaolo, as part of the commitments made in joining the NZBA, is developing a framework for the structured analysis of the Transition Plans of its counterparties, conducting sectoral benchmarking and analysing the investments identified by the counterparties to achieve their decarbonisation targets.
Specifically, Intesa Sanpaolo is working on pilot projects in specific sectors to develop an internal methodology for the in-depth assessment of the transition risk of the counterparties, covering a scope of large and long-term exposures. This methodology is designed to assess the presence of a climate strategy and the consistency of the Transition Plans and to support customers in improving their alignment with industry best practices and the guidelines for the path to Net Zero. Customers' transition plans are then assessed on three different levels: overall greenhouse gas reduction, technical feasibility, and economic and financial impact.
The results of these assessments are taken into account both during the origination discussions with customers and in the loan approval process. Where there is a lack of consistency in the transition plan, the Bank will engage with customers to review the plan (corrective measure), where necessary considering an adjustment to the terms and conditions of the loans.
Intesa Sanpaolo's commitment also extends to the Group's asset management and insurance companies, which published their individual engagement and stewardship targets in 2022, in accordance with their respective GFANZ Alliances.
Eurizon Capital SGR's stewardship target, in accordance with the NZAMI, includes a commitment to establishing robust plans with investee companies, with the aim of incentivising them to implement effective decarbonisation paths. To this end, Eurizon intends to conduct engagement activities with 48 companies (representing 70% of the financed emissions of the In-Scope Portfolio) by 2025 and with a further 107 companies by 2030 (to cover 90% of the financed emissions), focusing on issuers belonging to sectors considered "material" for decarbonisation.
The asset management company's commitment to Net Zero includes its participation in the following working groups:

- IIGCC Bondholder Working Group aimed at developing guidelines for fixed income investor engagement;
- IIGCC Proxy Advisor Engagement Working Group aimed at engaging proxy advisors in the development of guidelines for assessing climate-related governance best practices;
- PRI Listed Equity Working Group aimed at identifying the best valuation approaches for equity investments in listed companies.

Eurizon has implemented its adherence to the Stewardship Code promoted at European level by the European Fund and Asset Management Association (EFAMA), in continuity with its adherence to the Italian Stewardship Principles promoted by Assogestioni and signed in 2014.
Fideuram Asset Management and Fideuram Asset Management Ireland have set a Stewardship and Engagement Target in accordance with the NZAMI. Fideuram Asset Management has estimated that it will need to engage with 53 companies by 2025, to reach the target of covering 70% of financed emissions, and with 165 companies by 2030 (to reach 90% of financed emissions). Fideuram Asset Management Ireland intends to do the same for 66 companies by 2025 (70% of financed emissions) and 195 by 2030 (to cover 90% of financed emissions).

Governance

e) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels

With the support of the Risks and Sustainability Committee, the Board of Directors approves:

- the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the fight against climate change – taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders;
- the Consolidated Non-Financial Statement (CNFS), ensuring that it is prepared and published in accordance with the applicable regulations, as well as any other significant reporting in this area, and monitoring the Group's sustainability performance, also in relation to the fight against climate change;
- the Group's Code of Ethics and Code of Conduct. The Code of Ethics stresses that:
  - for the Group, protecting the environment is one of the key elements of its commitment, through the promotion of efficient and conscious use of all resources, avoiding waste and always favouring sustainable choices over time;
  - the Group's responsibility towards the environment and society extends to the entire supply chain and therefore Intesa Sanpaolo commits its suppliers and subcontractors to orienting their policies towards environmental protection and respect for human and workers' rights.

Climate-related and environmental risks are included in the framework for determining risk appetite and are assessed by the Board of Directors in relation to the Group's strategic and sustainability objectives. Therefore, the Board approves both the

Risk Appetite Framework and the list of ESG-Sensitive areas relevant to the lending activities, assessing them based on the analysis of the external environment and in accordance with the Group's strategic and sustainability objectives.
The Board of Directors also verifies the proper implementation of risk governance strategies and policies, also in relation to ESG risks.

f) Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions

Between 2020 and 2022, significant work was done to include climate and environmental responsibilities in the management roles of the Group's various structures, down to division and business unit level:

- the Steering Committee, which is a managerial committee chaired by the Managing Director and CEO and includes the heads of the Governance Areas and Divisions, performs a key role in relation to ESG issues, as detailed below, within a dedicated session: Business Plan and Sustainability (ESG) Session;
- the ESG Control Room, which has been active since 2020 and is chaired by the CFO Governance Area and the Strategic Support Head Office Department, supports the Steering Committee – Business Plan and Sustainability (ESG) Session – in the strategic proposition relating to ESG issues and uses the Sustainability Managers, identified in each Governance Area and Division, to ensure the supervision of the initiatives;
- within the Chief Financial Officer Governance Area, and in particular within the Financial Market Coverage Head Office Department, the ESG & Sustainability function supports the Top Management in drawing up sustainability strategies and policies, aimed at generating value for all the stakeholders. In addition, it updates the Code of Ethics before its approval by the Board of Directors and monitors its implementation, with the support of the Chief Audit Officer; it prepares the Consolidated Non-Financial Statement (CNFS) and, from 2021, a specific Task Force on Climate-related Financial Disclosures (TCFD) Report; and it oversees relations with the financial community and stakeholders on sustainability and climate-related issues. Lastly, it is responsible for the Group's sustainability-related communication and training activities;
- in 2021, a new function, ESG Scoring, was created within the Financial Market Coverage Head Office Department. It is responsible for developing and managing a common scoring model for the banking book portfolios, aimed at determining the current and future sustainability positioning of the corporate counterparties of the Parent Company and the subsidiary banks based on ESG criteria;
- the Active Credit Portfolio Steering Head Office Department is responsible for drawing up and monitoring the Credit Strategies aimed at steering the loan origination activities of the Bank's divisions towards sustainable growth in line with the Risk Appetite Framework, which has been expanded with specific ESG and climate-related statements and indicators;
- the Group Treasury and Finance Head Office Department is involved in the origination and structuring of the Group's bonds related to sustainable finance (including green, sustainability and social bonds) for institutional investors;
- the Planning and Control Head Office Department oversees the collection, consolidation and analysis of the ESG reporting data, the monitoring of the relevant ESG KPIs for the achievement of the Business Plan targets, and the budget process for the ESG KPIs.

The Chief Risk Officer Governance Area (CRO) ensures the measurement and control of ESG risks and, in particular, environmental and climate change risks. The CRO also provides quarterly updates to the Risks and Sustainability Committee on the monitoring of the loan portfolio's exposure to climate-sensitive sectors.
Within the Chief Risk Officer Governance Area:

- the Enterprise Risk Management Head Office Department draws up, among others, the proposed Risk Appetite Framework. It is responsible for the identification, assessment and management of climate-related risks, in collaboration with the other competent corporate functions. Within the Enterprise Risk Management Head Office Department, the Risk Clearing function is the competence centre for climate-related and ESG risk management (including climate change) and oversees the ESG and reputational risk clearing process;
- the IMI CIB Risk Management Head Office Department and the BdT Risk Management Head Office Department define the Credit Risk Appetite, also with regard to ESG and climate-related risks, and the Credit Risk Management Head Office Department is responsible for developing and managing the Internal Rating Models.

The Chief Lending Officer Governance Area supports the integration of the ESG metrics, including those related to climate factors, into the credit granting process.
Within the Intesa Sanpaolo Innovation Center, the Circular Economy function develops and provides advisory services to corporate customers aimed at the transition towards the Circular Economy, with the objective of establishing new offer platforms and new methods for assessing circularity. It also provides specialist support to the Business Units through technical opinions issued following the analysis of credit facility applications as part of the Circular Economy credit.
The CFO, CRO and CLO Governance Areas collaborate in the application of Intesa Sanpaolo's credit strategy framework, one of the pillars of which is the assessment of the ESG sectoral strategy.
The Strategic Support Head Office Department, reporting directly to the CEO, performs the following tasks, among others:

- develops the Group's overall ESG strategy, together with the Chief Financial Officer Governance Area, and supports the Steering Committee and Corporate Bodies in preparing a proposal for the strategic ESG guidelines;
- co-chairs the ESG Control Room together with the Chief Financial Officer Governance Area;
- coordinates the relevant specific interdivisional and interfunctional projects, through the Strategic Initiatives function, to ensure consistency and develop synergies in line with the Group's strategic guidelines. This function is responsible for managing the ISP4ESG Programme with a dedicated PMO.

With regard to the Group's own environmental footprint, within the Chief Operating Officer Governance Area, the Safety, Energy and Environment Head Office Department ensures the control of compliance risk, performing the role of specialist function, with respect to the Environmental Regulations pursuant to Legislative Decree 152/2006, and identifies the actions, measures and procedures necessary to promote rational energy use. The Department is responsible for the Integrated Management System (IMS): Occupational Health and Safety, Environment and Energy, applied in all the Italian branches and buildings and certified by an international third party in accordance with ISO 14001, 50001 and 45001 standards, and for the

Group's environmental policies. In addition, the Department manages climate change risks, assessing climate-related risks for the Bank's assets, promoting adaptive behaviour and developing a prevention-oriented culture.
Within the Chief Audit Officer, the Global & Strategic Risks Audit Head Office Department ensures "cross-cutting" oversight of the strategic risk and ESG-related risks (including climate change).
In April 2021, Chief Audit Officer assumed responsibility for the assessment of the Bank's ESG framework and the monitoring of the action plan for the management of climate-related and environmental risks, also with regard to the alignment with the European Central Bank's expectations. In 2021, the Chief Audit Officer initiated a multi-year audit programme on the ESG framework, whose first action ("Cross-Sectional ESG Audit") focused mainly on the analysis of the governance of the entire ISP4ESG Programme and several initiatives concerning Credit and Sustainable Investment. The 2022 ESG audit consisted of an Audit Programme related to the analysis of the evolution of the governance and the ESG framework. A total of 10 audits were carried out on these topics in 2022.
The Chief Compliance Officer Governance Area ensures the control of compliance risk in relation to ESG issues within the regulatory topics assessed.
Through the Chief Institutional Affairs and External Communication Officer Governance Area, Intesa Sanpaolo also regularly monitors the regulatory framework relating to climate change at international, European and national level.
Lastly, the ISP4ESG Programme was launched in 2019 to consolidate the Group's leadership in sustainability. This project, which is a wide-ranging and high-impact initiative, involves all the Group's various structures and is aimed at integrating ESG and climate-related considerations into the Bank's business model and strategy. Specifically, with regard to climate-related issues, the ISP4ESG Programme coordinated:

- the drafting of the Climate Change Action Plan presented in May 2021 in relation to the 13 Expectations set by the ECB in its "Guide on climate-related and environmental risks", and it is currently monitoring the progress through quarterly reviews in the ESG Control Room. In particular, Expectation 8 requires the inclusion of climate-related and environmental risks in the credit-granting process and related risk and monitoring processes. Based on this need, again within the ISP4ESG Programme, a special project was set up which is now finishing the implementation phase[50];
- the Group's actions related to the ECB's 2022 Thematic Review, through which the Regulator conducted further investigations into climate-related and environmental risk strategies, as well as the governance and risk management processes, as set out in the Action Plan.

[50] The ISP4ESG Programme, which is highly transversal with respect to the Group's ESG-related implementation needs, has, as one of its main activities, also defined the ESG scope of the 2022-25 Business Plan in collaboration with the other structures, and specifically managed the general coordination of the Group's activities related to sustainable investments (in particular those related to the SFDR and the setting of the Net Zero targets of the various alliances).

g) Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels

The Board of Directors has an internal Management Control Committee, appointed by the Shareholders' Meeting, which is composed of five independent directors in accordance with the Articles of Association and performs control functions, also in its capacity as the Internal Control and Audit Committee (pursuant to Legislative Decree no. 39/2010).
In addition, the Board of Directors has four other internal committees, whose members are appointed by the Board from among its members, with assessment, advisory and propositional tasks:
- Nomination Committee;
- Remuneration Committee;
- Risks and Sustainability Committee;
- Committee for Transactions with Related Parties.

In view of the growing focus on sustainability issues, also confirmed by the provisions of the 2022-2025 Business Plan, in 2022 the responsibilities already assigned to the Risks Committee were strengthened and expanded and the Committee was accordingly renamed "Risks and Sustainability Committee".
The main ESG responsibilities of Intesa Sanpaolo's Bodies and Structures are specified below.

Risks and Sustainability Committee	The Risks and Sustainability Committee supports the Board of Directors: in the assessment and investigation of the sustainability issues (ESG) associated with the performance of the Bank's activities and in the approval of the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, contributing to ensuring more efficient risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders; in approving the list of ESG-sensitive sectors for the purposes of the Group's loan activity; in approving the updates to the Code of Ethics and reviewing the Annual Report on the Code of Ethics; in approving the CNFS, analysing, in particular, the potentially most relevant sustainability issues, as well as any other report of particular importance in this area submitted to the Board of Directors; in verifying the Group's positioning with respect to national and international best practices in sustainability, with particular reference to Intesa Sanpaolo's participation in the main sustainability indices.
Management Control Committee	The Management Control Committee, with the support of the competent sustainability (ESG) and internal audit, supervises compliance with the principles and values of the Code of Ethics; with reference to the CNFS, it monitors compliance with the provisions set out in Italian Legislative Decree 254/2016 and reports on this in its annual report to the Shareholders' Meeting.
Managing Director and CEO	The Managing Director and CEO governs sustainability performance and has the power to submit proposals to the Board for the adoption of resolutions within its remit.
Steering Committee	The Steering Committee is a managerial committee chaired by the Managing Director and CEO and includes his/her first lines of reporting, i.e. the heads of the Governance Areas and Divisions. The Committee collaborates in the identification of sustainability issues (ESG) that are potentially relevant for the definition and updating of the material issues. It collaborates, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders, in defining the strategic guidelines and sustainability (ESG) policies, including the social and cultural responsibility model and the fight against climate change, which the Managing Director and CEO submits to the competent Board Committees and the Board of Directors. It reviews the CNFS prior to its presentation to the Board. In order to review these issues, the Committee meets at least on a quarterly basis in the context of the Business Plan and Sustainability (ESG) Session. It is also tasked with guiding the consistency of technological development, with specific reference to artificial intelligence/machine learning, with the Group's ethical principles.
ESG Control Room	The ESG Control Room is chaired by the CFO Area and the Strategic Support Department and relies on the Sustainability Managers, identified in each Governance Area and Division, who guarantee an overall and integrated supervision of ESG initiatives for the relevant scope and contribute to the Group's strategic proposition on these issues. It was introduced as part of the ISP4ESG Programme and has been operational since October 2020. The ESG Control Room supports the Steering Committee – Business Plan and Sustainability (ESG) Session – in the strategic proposition relating to ESG issues; it performs operating coordination duties for the implementation of the most relevant ESG initiatives and assesses the opportunity and solidity of any new initiatives in this area.

h) Lines of reporting and frequency of reporting relating to environmental risk

Intesa Sanpaolo's governance is designed to maintain a strong level of reporting and communication between the various functions, with the Board of Directors and with the other corporate bodies.
The Chief Financial Officer and the Chief Risk Officer – and the structures within their respective Governance Areas – report directly to the Managing Director and CEO and provide regular updates at the Risks and Sustainability Committee meetings.
The Board of Directors and the Risks and Sustainability Committee review the:

- periodic reports submitted by the corporate control functions with their Tableau de Bord, which also include sustainability-related (ESG) risks;
- Tableau de Bord for the Group's risks;
- Group Integrated Tableau de Bord of the corporate control functions and the Manager responsible for preparing the Company's financial reports, which also contain the main critical concerns identified in relation to ESG and the related corrective measures;
- Report on the Code of Ethics and on the principles of social and environmental responsibility.

In addition, the Board of Directors reviews the quarterly reporting produced by the Steering Committee.
It is also important to note the frequency of the Committee meetings:

- The Steering Committee held 9 meetings, 4 of which were on climate-related topics;
- The ESG Control Room met 11 times in 2022 and each meeting included some climate-related topics.

i) Alignment of the remuneration policy with institution's environmental risk-related objectives

The Remuneration and Incentive Policies of the Intesa Sanpaolo Group (below also Policies) – which are an integral part of the Report on remuneration policy and compensation paid, available on the website – aim to align the management's and personnel's behaviour with the interests of all Stakeholders, guiding their action towards the achievement of sustainable medium-long term objectives within the framework of a prudent assumption of current and prospective risks.
Specifically, with regard to environmental risks, the Group establishes a link to them in both the short-term and long-term incentive plans.
Specifically, the annual incentive system for Risk Takers and Middle Management of the Group includes a specific and comprehensive ESG KPI. This KPI – present since 2021 – has been assigned within the 2022 scorecards for the CEO and around 3,000 of the Group's managers (in Italy and abroad), in line with the Bank's growing commitment to social, cultural and environmental sustainability and with the aim of creating long-term value for its people, customers, the community and the environment.
The establishment of this KPI is also in line with the increasing attention on these issues by Regulators, Proxy Advisors, Shareholders and Stakeholders of the Group.
The ESG KPI (15% weight) is assessed according to specific drivers.
In particular, for the CEO:

- Presence of Intesa Sanpaolo in the sustainability indices of specialist companies (no. of presences);
- Achievement of the commitments on gender equality: i) in annual hires; and ii) in the pool of candidates for first appointment to management positions;
- Group ESG initiatives:
  - support for the green economy and the circular economy: i) year-on-year increase in the volumes of loans to customers relating to ESG products (Sustainability Linked Loans, Green/Transition Loans, Circular Economy Loans and Green Mortgages); and ii) reduced of exposure in ESG risk sectors;
  - growth of sustainable investments by increasing the assets of ESG products managed;
  - "Giovani e Lavoro" programme;
  - promotion of the Group's artistic and cultural heritage.

For the remaining population, the ESG KPI assessment takes place:

- both at Group level, to recognise the Bank's overall commitment in terms of Intesa Sanpaolo's presence in sustainability indices of specialised companies;
- and at Governance Area/Division level, in order to enhance the areas of action of the individual structures. In particular, specific projects/actions in relation to ESG are assessed, as well as the achievement of the commitments on gender equality expressed in line with the Group's Principles on Diversity & Inclusion.

The ESG component, albeit based on different mechanisms, has also been included in the two new Long-Term Incentive Plans launched in conjunction with the new 2022-2025 Business Plan.
Specifically, the Performance Share Plan (PSP) for Management – around 3,100 beneficiaries (including the Managing Director and CEO, the remaining Group Top Risk Takers, and the other Group Risk Takers) – is based on shares awarded in the future upon achievement of specific economic and financial performance targets and includes an ESG KPI composed of a sub-KPI for each of the three ESG factors (Environmental, Social and Governance) whose target level is set in the 2022-2025 Business Plan. This KPI, from the perspective of sustainability, acts as a demultiplier, reducing the number of shares by 10/20%, based on the degree of achievement.
On the other hand, the LECOIP 3.0 Plan was launched for all the Professionals in Italy (45,629 people have subscribed to the Plan) based on certificates with Intesa Sanpaolo shares as underlyings, which pays a minimum return (of 4%) on the capital initially allocated upon the Group's achievement of the same composite ESG KPI as the PSP Plan. If the indicator is not achieved, the amount that would have been paid to employees will be invested by the Bank in ESG projects that contribute to the achievement of the ESG objectives concerned.

For both Plans, the sub-KPI referring to the Environmental component of the composite ESG KPI, which is given a weight of 40%[51], relates to the new lending for the green/circular economy and green transition with a focus on supporting the transition of Corporates/SMEs.

Risk management

j) Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

To enable the assessment of the short-, medium- and long-term effects of environmental factors and risks in the risk framework, climate-related time horizons have been identified and subdivided into:
- Short-term (ST): 0 to 5 years
- Medium-term (MT): 5 to 10 years
- Long-term (LT): 10 to 30 years

This structure is in line with the assessment time horizons of the scenario analysis.
The table below provides a breakdown of the potential impacts of climate change risks for the different risk categories, assessed over the short, medium and long term.

Risks Concerned	Physical	Transition
	Climate-related / **Environmental**	**Climate-related** / **Environmental**
	- Extreme weather events *- Chronic weather patterns* *- Water stress* *- Resource scarcity* *- Biodiversity loss* *- Pollution* *- Other*	*- Economic policies and regulation* *- Technology* *- Market sentiment* *- Preferences and expectations of consumers and investors*
Credit risks	The estimated probability of default (PD) and loss given default (LGD) of exposures within sectors or geographies vulnerable to physical risk may be affected by physical events that impact the counterparties' assets (with consequent effects on the financials) or the collateral securing the loans	Energy efficiency standards will, on the one hand, lead to high adaptation costs with possible strains on the profitability indicators and a consequent increase in PD; on the other hand, properties that do not adapt will have a lower value with a consequent impact on the value of the collateral
Market risks	Severe physical events may lead to shifts in market expectations and could result in sudden risk reassessment, higher volatility and losses in asset values on some markets	Transition risk factors may generate impacts, also sudden in nature, on the prices of financial instruments, similar asset classes or market sectors, as well as significant increases in the volatility associated with those instruments
Liquidity risks	Climate-related and environmental risks may have direct impacts in determining cash outflows (e.g. cash withdrawals from accounts by customers to finance damages) or indirect impacts, for example as a result of potential strains in financial markets	Transition risk factors may, directly and indirectly, adversely affect the expected cash flows, i.e. they may affect the available liquidity reserves, making some assets less liquid or reducing their value, with an adverse impact on the Bank's overall liquidity position
Reputational risks	Extreme weather events may result in disruptions to the Group's operations, with possible repercussions in terms of image. Reputational risk factors may arise if the Group fails to adhere to or meet the sustainability and carbon neutrality targets set for its operations	Negative perceptions or deterioration of the Group's image because the expectations of customers, counterparties, investors or Supervisory Authorities regarding the management of climate-related and environmental risks are not met, may result, for example, from: - failure to comply with international standards/objectives the Group has subscribed to; - complaints from customers concerning climate-related and environmental issues; - media campaigns or NGO initiatives related to the funding of environmentally controversial activities
Non-financial risks - Operational risks	The Group's operations may be interrupted due to material damage to properties as a result of extreme weather events	Evolving consumer awareness of climate-related issues may lead to legal liability risks for the Group due to scandals caused by the funding of environmentally controversial activities
Other Types of Risk (strategic risk)		These may affect the financial sustainability of certain lines of business and generate strategic risk for certain business models in the absence of the necessary adaptation or diversification measures

The range of risks and opportunities related to climate change is analysed by the various corporate functions, in order to include them in the ordinary processes of risk identification, assessment and monitoring, in the Group's credit strategies and commercial offering.

[51] The Social sub-KPI (number of employees who successfully completed re-skilling training and were employed in a job in line with their newly acquired skills, or who completed up-skilling training) has a weight of 40%; the Governance sub-KPI (% of women newly nominated in senior positions, i.e. -1 and -2 organisational levels below the CEO) has a weight of 20%.

k) Definitions, methodologies and international standards on which the environmental risk management framework is based

Intesa Sanpaolo has developed its own control framework for ESG risks, including environmental risks, on the basis of the principles set out by international best practices and the developments promoted and issued by the Supervisory Authorities at international level.

Specifically, the **regulatory framework** includes:

- European Parliament Resolution of 29 May 2018 on Sustainable Finance;
- EBA Action Plan on sustainable finance of 6 December 2019;
- ECB Guide on climate-related and environmental risks of 27 November 2020;
- EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06);
- EBA Report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18);
- Regulation (EU) 2019/2088 (SFDR) of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector;
- Regulation (EU) 2020/852 (Taxonomy Regulation) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment;
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives;
- Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ("European Climate Law");
- Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation;
- UNEP FI, "Guidelines for Climate Target Setting for Banks", guidelines developed by the signatories of the commitment, as part of the UNEP FI Principles for Responsible Banking;
- Science Based Targets, "Financial Sector Science-Based Targets Guidance", which outlines the requirements for setting targets for both scope 1+2 and scope 3 for investment and lending activities.

Intesa Sanpaolo is also committed to observing the principles of sustainable development and has subscribed to important international initiatives (e.g. UN Global Compact, UNEP FI, Principles for Responsible Banking, Principles for Responsible Investment, Principles for Sustainable Insurance, and Equator Principles) aimed at promoting dialogue between enterprises, supranational bodies and civil society and pursuing respect for the environment and human rights, in addition to supporting associations that promote the dissemination of a culture of sustainability and transparency (e.g. TCFD, Global Reporting Initiative).

As described in point b), the Intesa Sanpaolo Group has joined four GFANZ alliances.

The **internal regulatory framework**, developed taking into account the above-mentioned regulations, is made up of documents providing guidelines, principles and definitions, together with more operational documents. These include in particular:

- Guidelines for the governance of ESG risks, which define the roles and responsibilities of the corporate functions and the Corporate Bodies and the macro-processes controlling those risks, and identify the sectors most exposed to ESG and reputational risks;
- Group Guidelines for the Governance of the Most Significant Transactions;
- Self-regulatory policies, aimed at setting the limits and exclusions in relation to operations in sectors most exposed to ESG risks;
- Rules relating to the Equator Principles;
- Rules for the classification of sustainable credit products and transactions, aimed at improving internal and external transparency in relation to sustainable products and transactions;
- Rules for Valuation of Financial Instruments at Fair Value, which set out the criteria for the valuation of financial instruments that contain clauses conditioning contractual cash flows on the achievement of environmental, social or governance objectives;
- Investment Guidelines for the Corporate portfolios of the IMI Corporate & Investment Banking Division that integrate sustainability criteria into the economic and financial metrics for the investments. The sustainability criteria are currently structured in terms of sectoral and counterparty exclusion criteria (set in line with the Guidelines for the governance of ESG risks), inclusion criteria based on the use of ESG scores at counterparty level, and average ESG profile targets summarised by the portfolio ESG score.

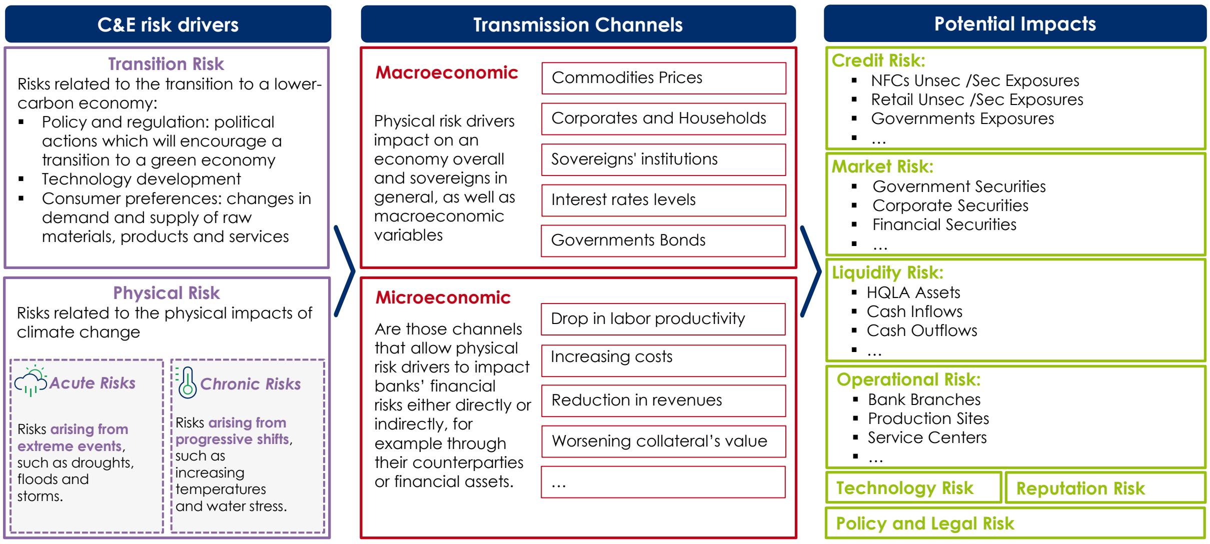
With specific regard to climate change risk, the **taxonomy adopted** by Intesa Sanpaolo divides climate change risks into physical and transition risks.
Physical risks represent the negative financial impact from climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss, and deforestation. These types of risks – which can usually arise in both the short/medium and long term – can be broken down into acute and chronic risks:

- **acute physical risks** refer to specific events that have the potential to create significant physical damage (e.g. flooding of rivers and oceans, tropical storms). These events are occurring more frequently, on both a regional and global basis;
- **chronic physical risks** involve a series of physical impacts of considerably longer duration than those posed by acute risks. They are identifiable as processes of change rather than single events. In most cases, the impacts are localised (e.g., drought) but chronic risks are likely to become more significant in the long term.

Transition risks are the negative financial impacts that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy, arising from:

- **public policy and legal risks**: this category includes policies that attempt to limit actions that contribute to the negative effects of climate change or political actions that seek to promote adaptation to climate change and the legal risk arising from the inability of organisations to mitigate/adapt to climate change;
- **technological developments**: these include innovations that support the transition to a low-carbon and energy-efficient economic system;
- **consumer preferences**: changes in the demand and supply of certain goods, products and services;
- **reputational risk** arising from changes in customer or community perceptions of an organisation's contribution to the transition to a low-carbon economy.

Climate change risk may be broken down in terms of its impact on financial risks through the relevant transmission channels.



The likelihood and magnitude of the impact of climate-related risk factors may be influenced by a number of additional variables such as the geographical location of the company or asset. The interactions and interdependencies between transmission channels and climate-related risk factors may result in an amplification of the related impacts.

l) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels

Proper risk management and control are essential to ensuring reliable and sustainable value generation and protecting the Group's financial strength and reputation. To this end, specific processes and responsibilities have been defined and set up to also identify, manage and monitor environmental/climate-related risks, in order to ensure long-term solidity and business continuity, extending the benefits to the Group's stakeholders.
With regard to the **identification and monitoring of environmental risks** in particular, the ESG risk governance framework includes:

- a **materiality analysis** (ESG/Climate Materiality Assessment), aimed at assessing the relevance of ESG risk factors with respect to different risk portfolios and categories. One of the main tools supporting this analysis is the ESG Sectoral Assessment, which also forms the basis for establishing targeted controls and developing ESG sectoral strategies, and focuses in particular on the assessment of climate-related risks (physical and transition risks);
- a **counterparty ESG score** for non-financial companies;
- a **process of identification and assessment of the ESG and reputational risks** associated with corporate counterparties most exposed to ESG risks (ESG & Reputational Risk Clearing);
- **monitoring** of the exposure to these risks with particular regard to the results of the materiality analysis, the exposures in the relevant geographies and portfolios, the limits/attention thresholds and key risk indicators defined in the Risk Appetite Framework, and the Net Zero targets set by the Group.

The **materiality assessment** is a process of assessing the potential impacts of ESG risks, and in particular climate-related risks, for the Group. This analysis is based on an organic and structured approach to risk assessment involving a granular breakdown of the risk drivers and the integration of forward-looking elements.
The materiality assessment is based on an analysis of the composition of each exposure class for each financial risk considering, with regard to climate-related risks, the operational impact and transmission channels identified for each climate-related risk driver. The main tool is the annually updated ESG sectoral assessment, which identifies the sectors most exposed to climate change and ESG risks. The methodology used involves assigning scores to each risk driver (transition risk, physical risk, environmental risk, social risk and governance risk).
The results of the Materiality Assessment form the basis for setting the ESG sectoral strategies and guide the identification of dedicated controls within the Risk Appetite Framework and specific actions aimed at containing ESG risks, particularly with regard to the sectors most exposed to those risks (e.g. establishment of criteria for limiting or excluding loans for certain sectors or economic activities).
In addition to the sectoral identification of ESG risks, Intesa Sanpaolo has developed a **counterparty ESG score** for non-financial companies. The ESG Score is a qualitative/quantitative assessment that analyses information on the ESG profile of a customer company and takes into account both the risks it is exposed to and the opportunities that may arise in these areas. The main purpose of the ESG Score is to provide a better understanding of the ESG profile of customers in order to mitigate the risks and enable the pursuit of sustainable transition opportunities.
The analysis of the Score is carried out on over 100 parameters (for larger companies), both point data relating to environmental, social and governance issues, such as CO_2 emissions, and indicators of possible disputes that enable the analysis of risks and areas of attention related to these domains. The data used to build the ESG Score come from both internal data sources, derived from knowledge of customers, and external data sources via a panel of leading data providers.
The ESG Score is a summary assessment made up of three pillars (Environmental, Social and Governance), which in turn consist of thematic blocks that summarise a variety of information gathered on that topic for that specific counterparty.
The Environmental Pillar is a summary assessment of a company's performance in several environmental thematic areas, including all the areas considered by the EU Taxonomy as well as aspects of opportunities arising from the development and sale of green products and services. The elements assessed include, in particular, carbon footprint, water consumption, biodiversity protection, etc.
The Social Pillar analyses the quality of relationships with all the company's main stakeholders: employees, customers and the community where the company operates. The elements assessed also include the development of human capital, diversity and inclusion.
Lastly, the Governance Pillar assesses the company's alignment with the ethical principles and best practices in corporate governance, also taking into account the diversity of the composition of the management bodies, as well as their independence, and the quality and transparency of reporting.
By the end of 2022, the ESG Score calculation had already been performed on the Bank's IT systems with a fully digitised process and covered a scope of over 200 thousand customer companies, ranging from large listed customers to small and medium-sized enterprises, with over 180 billion euro in loans.
The ESG Score is already used in a variety of decision-making processes. For example, it is employed within the credit strategies that steer the development of the Bank's loan portfolio towards virtuous sectors and counterparties. The ESG Score is also considered for the purposes of the Governance of Environmental, Social and Governance Risks of the Group. Specifically, the ESG Score is used within the Credit Risk Appetite, whose purpose is to guide behaviour towards prudent credit risk management by identifying parts of the loan portfolio with growth potential and parts requiring careful management.
In addition, within corporate credit granting, the counterparty ESG Score is one of the triggers for the **ESG & Reputational Risk Clearing process**, aimed at the prior identification and assessment of potential ESG and reputational risks associated with credit transactions involving counterparties operating in sectors most exposed to ESG and/or reputational risks. This clearing process is applied on a proportional basis and in a differentiated manner according to the complexity of the counterparties/transactions and has escalation mechanisms differentiated according to the ESG/reputational risk class assigned to the transaction/counterparty.
The process is divided into two levels of control:
- a first level performed by the line functions, which verify certain potentially critical elements of the transaction and counterparty ESG profile (e.g. internal ESG score) and the feasibility with respect to limits and exclusions established by the company regulations, in addition to carrying out an assessment of the counterparty's transition plan, for the sectors with high transition risk;
- a second level, activated according to the outcome of the first level, by the risk management function, which carries out a detailed assessment of the ESG and reputational risk associated with the transaction and counterparty, considering both the structural elements of the company's sustainability profile and more contingent elements (e.g. adverse media campaigns). The second level assessment assigns an ESG/reputational risk class to the transaction, with the activation of escalation mechanisms when there are risk classes that are not consistent with the Bank's risk appetite.

The second level assessment includes:
- for reputational risk profiles, the analysis of the counterparty's media exposure caused by information campaigns by NGOs or negative media reports;
- for environmental risks, the assessment of the risks related to the environmental impacts of the counterparty's sector and operations, for example with respect to pollutant emissions and effects on biodiversity, and verification of whether the counterparty has adopted containment and mitigation measures to improve the sustainability of the business; for climate change risk (transition risk) in particular, the degree of exposure to this risk is assessed, examining the counterparty's commitment to adopting transition plans aimed at reducing GHG (Greenhouse Gas) emissions and setting targets within an established timeframe for achieving carbon neutrality and increasing the use and/or production of energy from renewable sources, together with an assessment, for the sectors subject to target setting, of consistency with the commitment made by Intesa Sanpaolo;
- for social risks, the analysis considers the impacts that the counterparty's business generates on communities, local areas and people, as well as the level of disclosure and information that the borrower makes available, e.g. through non-

financial reporting/sustainability reporting to assess whether the actions taken or planned can mitigate any social impacts generated. The assessment also considers the adoption, within the internal organisation, of measures to promote the protection of health and safety, gender balance, and clarity of remuneration policies;
- for governance risk, a review of the level of transparency of the corporate organisation, control systems and independent bodies, the adoption of ethical standards, the governance model and any negative media exposure of the top management.

Within the ESG & Reputational Risk Clearing process, particular importance is also given to the application of the Equator Principles, which are international guidelines, for all countries and all industrial sectors, applicable to the financing of infrastructure and industrial projects (e.g. power plants, petrochemical plants, mines, transport and telecommunications infrastructure) that due to their nature may have adverse effects on people and the environment. In compliance with these guidelines, applied on a voluntary basis by Intesa Sanpaolo, transactions governed by the Equator Principles are subject to a specific analysis of the ESG risks related to the project and subsequent monitoring over the course of its implementation.

Environmental risks are **monitored and reported** on a quarterly basis in the Tableau de Bord for the Group's risks, with particular regard to:
- representation of the exposure to the sectors most exposed to ESG risks;
- monitoring of the limits/attention thresholds and indicators established in the Risk Appetite Framework (see point q).

The following monitoring processes are also in place:
- quarterly monitoring of the relevant loan portfolio against the Net Zero targets (performance of emission intensity curves related to the exposures to the sectors subject to commitments);
- weekly monitoring of Intesa Sanpaolo's web reputation, which includes specific focuses on ESG and climate-related risks (e.g. monitoring of transactions with counterparties involved in disputes and/or subject to negative media attention, also for environmental or social reasons);
- quarterly monitoring of the investment portfolio of the IMI Corporate & Investment Banking Division aimed at reporting the exposures to the sectors and counterparties most exposed to ESG risks and verifying the consistency of the investment activity with the sustainability criteria established within the investment guidelines. The results of the monitoring are reported to the Group Financial Risk Committee.

m) Activities, commitments and exposures contributing to mitigate environmental risks

At Intesa Sanpaolo, environmental risk mitigation is based on a structure that includes limits and processes for risk management and mitigation for the most relevant ESG risk exposures, with a focus on climate change risks. The Group identifies a risk profile consistent with its strategic objectives, which are geared towards long-term value creation and ensuring sustainability and profitability over time.

As discussed in point (b) above, Intesa Sanpaolo has established objectives and commitments in line with the Net Zero target and approved exclusion policies for coal and unconventional oil & gas. The Group's strategic objectives are then also implemented through controls in the risk management processes with particular regard to the Risk Appetite Framework and the credit framework (see points l and q).

The pursuit of ESG objectives also includes an offering of sustainable products aimed at supporting customers in their process of transition to a more sustainable, low-carbon economy (see point a).

Intesa Sanpaolo's main lines of action in relation to the potential impacts of indirect climate change risks, and their timeframes, are summarised below.

Potential risks	Timeframe (*)	Potential impacts	Actions	Opportunities
Transition	Short/medium/long-term	**Loans**	**Loans**	**Loans**
Changes in public policies Technological changes Changes in customer/consumer preferences		Reduction of business or increased costs for corporate customers with possible consequences on creditworthiness and solvency Reputational impacts	Assessment of ESG and climate risks on loans Inclusion of ESG risks when assessing creditworthiness Assessment of the materiality of ESG risks in the business sectors Counterparty ESG scoring Implementation and updating of self-regulatory policies for the assessment and management of socio-environmental risk of loans in sensitive sectors Partecipation in Net-Zero initiatives with a reduction in emissions associated with loans Active monitoring of ESG regulations	Energy transition support through lending for the green and circular economy and related advisory services
		Asset Management	**Asset Management**	**Asset Management**
		Consequences of climate change on portfolio companies with consequent reduction in the value of assets under management Documentary impacts Impacts on the offering of products and services to customers Impacts on internal and IT procedures Reputational impacts	Assessment and control of ESG risks in the investment portfolio Implementation of sustainability self-regulation policies Partecipation in Net-Zero initiatives with a reduction in emissions associated with investments Active monitoring of ESG regulations IT investments	Adaptation and expansion of the range of products and services

Transition Changes in public policies Technological changes Changes in customer/consumer preferences	Short/medium/long-term	Reputational impact, negative perception by stakeholders and in particular by ESG investors due to nil or inadequate management of these risks Possible exclusion from sustainability indices (ESG) or a worse ESG position or lower rating	Inclusion of ESG risks when assessing creditworthiness Implementation and updating of self-regulatory policies for the assessment and management of socio-environmental risk of loans in sensitive sectors Stakeholder engagement initiatives Participation in international working groups on climate change issues Partecipation in Net-Zero initiatives with targets to reduce financed emissions Active monitoring of ESG regulations	
Transition Changes in environmental regulations Introduction of new greenhouse gas emission limits or new related reporting systems	Short/medium term	**Loans** Financial implications of environmental and ESG regulations and emission limits and/or taxes imposed on customers operating in certain economic sectors	**Loans** Participation in working groups and initiatives relating to climate change Active collaboration with policy makers to highlight the need for stable and clear environmental and ESG regulations Target setting initiatives for the reduction of credit portfolio emissions	**Loans** Offering of dedicated financial solutions and specialist advisory services for customers in the field of renewable energies, energy efficiency and the transition
Transition Introduction of regulation on climate risks for the financial sector	Short/medium term	Reduction of Group revenues deriving from excessive exposure to more vulnerable sectors to climate risk	Inclusion of climate risk in risk management systems Target setting initiatives for the reduction of credit portfolio emissions Counterparty ESG scoring ESG sector mapping	Expansion of the offering of transition-related products and services Rebalancing of portfolios
Transition Changes in customer/ consumer preferences	Short/medium term	Reduction in Group revenues due to the increased competition generated by the growing demand for ESG products and the fall in demand for nonESG services/products	Identification of sustainable credit products on the basis of the "Rules for the identification of sustainable credit products and lending transactions" as part of the Group's Product Governance processes	Strengthening of the offering of products and services for the Green economy, Circular Economy and the ecological transition Green and ESG bond issues
Physical Extreme atmospheric events (floods, landslides, avalanches, rains, hailstorms, heavy snowfalls, tornadoes, hurricanes, cyclones and storm surges)	Short/ medium/long term	Financial implications for corporate and retail customers damaged by extreme weather events, with possible consequences on their creditworthiness and solvency	Suspension or moratorium of repayments of loans issued to customers who incurred damage	New subsidised loans intended to restore damaged structures Insurance products for damage caused by extreme climate events

(*) 0-5 years short-term; 5-10 years medium-term; 10-30 years long-term.

n) Implementation of tools for identification, measurement and management of environmental risks

Scenario analysis is a key element in integrating the risks and opportunities associated with climate change into the business strategies, also considering the medium- to long-term implications. In general, Climate Scenario Analysis is used to explore potential portfolio vulnerabilities, particularly credit related, within regulatory stress testing exercises or the ICAAP.

In 2022, Intesa Sanpaolo participated in the 2022 SSM Climate Risk Stress Test conducted by the ECB for the purpose of assessing banks' vulnerability to climate and environmental risks. The results of this exercise were integrated into the supervisory review and assessment process (SREP). Capabilities and methodologies have also been developed for identifying and assessing physical risk, aimed at introducing stresses, starting from the ICAAP/ILAAP 2023 report, related to climate risk, both long- and short-term, with regard to both the transition risk and the physical risk.

In conducting this activity, Intesa Sanpaolo adopts an approach that incorporates the following components:

- **dedicated solution for verifying the impact of transition risk on the NFC portfolio**: the assessment is carried out through shocks applied to the financial statements of each company, differentiating between Corporate and Corporate SME. For the former, the impact of the climate scenario on the financial statements is derived through a bottom-up approach, while for Corporate SMEs, the model involves top-down modelling, where the impact on the company's financial statements is determined by the evolution of its sector;
- **dedicated solution for verifying the impact of transition risk on the Residential Real Estate portfolio**: the assessment is carried out at asset level and is aimed at measuring the loss of value of the properties provided as collateral in relation to the energy class they belong to;
- **methodology for quantifying the physical risk on the properties underlying the collateral for the mortgage portfolio and the corporate portfolio with real estate collateral**: the impact in this case depends on the geographical location of the properties and the types of damage resulting from the different levels of risk of acute and chronic weather events.

For the calibration of the calculation engines, NGFS scenarios were considered as a common reference for the climate-related stress testing. Specifically, the following scenarios were used:

- **Orderly Transition** ("Net Zero 2050"): assuming that climate policies are introduced in advance and gradually become more stringent;
- **Disorderly Transition** ("Divergent Net Zero"): exploring risks related to delayed or divergent policies across countries and sectors;
- **Hot House World** ("Current Policies"): based on the assumption that some climate policies are implemented in some jurisdictions, but that global efforts are insufficient to stop significant global warming. These scenarios involve serious physical risks.

o) Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile

From 2023, the Bank is integrating climate-related scenarios into its ICAAP/ILAAP, in order to provide an overall picture of the main vulnerabilities to Climate-Related Risk, for the Group's main exposures and main assets. The integrated ICAAP/ILAAP exercise was carried out over a **short-term to medium-term** perspective aimed at assessing the impact – in a macroeconomic scenario that considers the current context (e.g. geopolitical tensions and possible energy crises) – of specific climate-related risk events (e.g. floods, heat waves), assuming that there is no immediate response by the Bank (static balance sheet).

For the ICAAP, a **long-term** perspective was also included to assess, on the basis of the latest available NGFS scenarios, how the Bank may approach an Orderly Transition or, conversely, a Current Policies situation. This exercise includes transition and physical risk drivers (chronic risk, included in the NGFS scenarios, as well as two acute risks) and was performed assuming a portfolio recomposition due to market needs and the Bank's strategy.

The results of the analyses conducted so far (materiality assessment and the stress test), have shown that the Group is not exposed in the short term to a material extent to the above-mentioned risks. In particular, with regard to the Transition Risk on the most emission-intensive sectors of the Banking Book (Oil & Gas, Power Generation and Automotive), intermediate sector targets to 2030 have been set in the Business Plan – aligned to the Net Zero target by 2050 – subject to a transition plan in accordance with the NZBA guidance, to mitigate the potential future risk. Further areas will gradually be added to the three mentioned above, as a result of the analyses that will be carried out in relation to the commitments made when joining the NZBA and to the SBTI (Science Based Target Initiative) validation.

p) Data availability, quality and accuracy, and efforts to improve these aspects

ESG risk management requires the identification, collection and analysis of specific data as an increasingly crucial resource for banks. An ESG database that is as complete, accurate and robust as possible is a fundamental element of the framework for governing these risks. To this end, Intesa Sanpaolo, in line with the Group's Data Strategy, has established an ESG data framework that involves the implementation of a common reference database aimed at supporting the internal analysis and assessment processes and enabling the development of reporting processes, in order to avoid fragmented, redundant data solutions with inconsistent information among the various uses. The common ESG database has now been enhanced with information used to calculate the counterparty ESG Score, and the result of this calculation feeds into the calculations of the counterparty physical and transition risk metrics (e.g. sector, geography, CO_2 emissions), and the scenario analyses. Lastly, the ESG database has been established as the main input for the GAR (Green Asset Ratio) engine, in addition to being a common access point for retrieving data used for management reporting.

The information that makes up Intesa Sanpaolo's ESG data assets mainly comes from specialist info-providers, data collected directly from customers and computations produced by the risk management function (risk metrics). It is well known that the domain of ESG data suffers from gaps in terms of completeness for certain scopes, as well as a lack of standardisation in the universe of descriptors available from different sources and a high degree of variability in the KPIs used to measure them. In some cases these factors result in the need to use proxies, generally developed to supplement the point data already available. The following are used to measure ESG risks:

- internal data from customers (e.g. sector, geography);
- data on counterparties from public sources (e.g. CNFS);

- specialist info-providers (e.g. MSCI, Vigeo, CDP); data from research institutes (e.g. UNEP FI).

With regard to climate change risk, particular attention is given to collecting and analysing data on CO_2 emissions, a key element for the assessments and actions related to the NZBA commitments (climate neutrality by 2050). The use of a variety of sources (external, internal) and approaches (top-down and bottom-up assessments) and increasing knowledge of the relevant metrics enable the refinement and improvement of the available set of information over time.

Accordingly, the Bank is committed to enhancing its database through its operations and its relationship with its customers. This includes, for example, the initiatives launched in 2022 to improve the counterparty ESG score, by collecting information directly from customers, and expand the available information on the Energy Performance Certificate (EPC) for properties provided as collateral.

Lastly, the Group, as it awaits shared and uniform standards of reference, is focusing in particular on the potential consistency risk of this multi-source framework and has put in place internal rules to establish hierarchies between the sources.

q) Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits

The RAF integrates and translates what has been defined in terms of strategic guidelines into specific controls, and the ESG/Climate Materiality Assessment and the ESG Sectoral Strategy are used to identify, on an annual basis, limits, key risk indicators and specific actions aimed at containing the ESG risks. This also includes controls related to the Group's commitment to the Net-Zero objectives. The development of the ESG RAF controls also takes into account the findings of the main risk assessment processes.

Since 2021, the Group's RAF has introduced a section dedicated to ESG, climate change and reputational risk. This includes qualitative and quantitative information that integrates:

- awareness that climate change is a significant risk factor for both current and future credit risk, in addition to influencing investor preferences;
- the Bank's commitment to being a responsible financial intermediary and supporting the transition to a low-emission economy;
- the firmly established role of social media as highly effective tools for generating public opinion and guiding the behaviour of consumers and counterparties and influencing the Bank's reputation.

Specific limits have therefore been set in relation to the exposure to the coal mining and oil & gas sectors, which are more exposed to transition risk. For coal mining in particular, the limit is reviewed annually in line with the target of phasing out lending by 2025. In order to fulfil the commitments made within the Net-Zero Banking Alliance, specific attention thresholds/monitoring have been introduced relating to the CO_2 emissions of financed counterparties from the Oil & Gas, Power Generation and Automotive sectors.

The RAF also identifies the main choices in terms of limitations and exclusions to lending to sectors/counterparties most exposed to ESG risks, which are then integrated into the self-regulatory policy and/or company processes. Specifically, Intesa Sanpaolo has issued the "Rules for lending operations in the coal sector" and the "Rules for lending operations in the unconventional oil&gas sector" aimed at establishing general and specific criteria for limiting and excluding lending operations to counterparties in those sectors. In addition, all transactions with counterparties with significant environmental/climate-related risk elements (e.g. top polluting companies) are subject to the ESG & Reputational Risk Clearing process, classified as Most Significant Transactions and therefore subject to an enhanced assessment and the binding opinion of the Chief Risk Officer.

A limit on the Group's exposure has also been introduced for the sectors most exposed to social and governance risks, in line with the ESG sectoral strategy of associated credit disincentives.

From 2023, in order to improve the quality of the residential properties taken as collateral and thus reduce the transition risk related to retail residential mortgages, monitoring has been introduced for new loans, broken down by label of energy performance class (EPC). In addition, in order to integrate the impacts of physical risk into long-term strategic planning, monitoring has been set up on the physical risk of the real estate portfolio.

With regard to the Credit Risk Appetite (CRA), an indicator that guides the relationship managers in the assessment of counterparties during credit origination, specific risk and resilience factors have been established to consider the sustainability of the counterparties also in social and environmental terms. These factors contribute to the classification of the counterparties for the purpose of allocating them the CRA limits for the transactions considered most risky or to be monitored. These ESG factors, introduced into the framework from 2020, have been progressively developed, and in 2022 the internal counterparty ESG score was factored into the CRA framework.

Lastly, with regard to reputational risk and its interrelation with ESG risks, monitoring is carried out on specific key risk indicators relating to transactions with controversial counterparties, the Group's web reputation and any ESG disputes to which the Group may be exposed.

r) Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

Intesa Sanpaolo's risk management framework involves the integration of climate and environmental risk factors with the different risk categories impacted. This decision takes into account the fact that the impact of climate and environmental risks may be direct, for example due to lower earnings of companies or the reduction in value of assets, or indirect, for example due to legal actions (legal risk) or reputational damage that arises when the public, counterparties of the institution and/or investors associate the institution with adverse environmental effects (reputational risk).

With regard to the management of **credit risk**, climate-related and environmental risk factors are taken into account in the assessment of the creditworthiness of counterparties and in the credit granting process, ensuring their monitoring within own portfolios, particularly with regard to the assignment of credit ratings, within the Credit Risk Appetite (CRA), and during the assessment of collateral for lending purposes and the corporate credit granting process. The corporate credit granting process includes, for credit risk, the adoption of a corporate rating model, validated by the ECB, which includes social and environmental elements (e.g. environmental certifications, research and development) which could lead to an improvement in the rating. During 2021, an application was submitted to the Supervisory Authorities for the validation and authorisation of a new rating model which further strengthens the analysis of ESG factors by defining and including ESG information at

corporate counterparty level in the model. For Italian corporate counterparties, the qualitative portion of the rating model also includes the assessment of aspects linked to catastrophic events based on the specific geographic area.
In managing **market risk**, Intesa Sanpaolo also assesses the effects of climate and environmental factors on its current positions exposed to market risk. Specifically, the Group:

- analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
- analyses the impact of climate and environmental risks on the fair value measurement of financial instruments, focusing in particular on the main asset classes, payoffs and positions explicitly linked to climate and environmental (C&E) risk factors, as well as the future investments proposed by the business structures;
- classifies current positions subject to market risk using the ESG indicators available internally (e.g. ESG Sectoral Assessment, ESG Sectoral Strategy and counterparty ESG Score) and externally (e.g. economic-industrial business sectors, ESG score/rating), also through recognised providers.

In addition, with regard to the valuation of financial instruments, where there are contractual clauses conditioning the cash flows of the instrument on the achievement of ESG objectives by the counterparty, a fair value adjustment is made on a conservative basis.
With regard to the measurement of **liquidity risk**, climate-related and environmental risk factors are considered in order to assess the potential increase in net cash outflows and the possible reduction in the value of the available liquidity reserves. Even though, according to the general consensus in the banking industry, the link between ESG risks and liquidity is mainly indirect and potentially more long term in nature, these risk factors and their potential transmission are analysed for the liquidity position, both current, through the materiality assessment, and future, through the scenario analyses.
To this end, after the prior identification of climate-related and environmental risk factors that could adversely affect the Group's liquidity positions, the materiality assessments are carried out on the risk factors identified, maintaining a connection with the qualitative assessments adopted by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes.
On the other hand, the analysis of the future liquidity positions is based on the assessment of forward-looking scenarios, including stress scenarios that, over short-term horizons, could compromise the balance of expected inflows and outflows over time and the quantitative and qualitative adequacy of the Group's liquidity reserves. These analyses were incorporated into the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP) without highlighting material absorptions of available reserves.
In managing **operational risks**, Intesa Sanpaolo also considers the possible adverse impact of climate and environmental events on its real estate, business continuity and litigation risk. Specifically, the Group:

- within the loss data collection for operational events, identifies those related to climate and environmental risks and those related to climate/environmental litigation, through specific event types;
- during the Operational Risk Assessment process, uses specific risk scenarios dedicated to climate and environmental risks to assess possible losses resulting from property damage, possible disruptions to its operations and potential legal liabilities;
- to protect business continuity, assesses the impact of the physical risks associated with IT centres and sites (including outsourced IT services), identifying alternative locations for disaster recovery.

With regard to the control of litigation risk, the Supervisory Authorities and International Institutions have pointed to the prospect of growth in climate and environmental issues. This trend calls for close monitoring of the related risks by Supervisory Authorities and Central Banks, and consequently by financial institutions. In relation to climate/environmental litigation risk, Intesa Sanpaolo has set up monitoring of disputes that affect the main financial institutions (domestic and international), refined its litigation monitoring process, and launched a special training initiative for the staff involved.
In managing **reputational risk**, the Group makes prior assessments of the potential ESG and reputational risks associated with the Group's business operations and supplier/partner selection through the already mentioned ESG & Reputational Risk Clearing process. In addition, it monitors its web reputation by integrating specific assessments of events related to environmental risks/climate change (e.g. events resulting from protests or adverse campaigns arising from the Bank's lending activities). Lastly, specific scenarios relating to ESG and climate change issues are included in the annual reputational risk assessment by the top management.
With regard to **direct environmental risks**, in view of the joining, in October 2021, of the Net-Zero Banking Alliance and the increasing strategic significance of the issue of CO_2 emissions, in 2022 Intesa Sanpaolo – as already mentioned – drew up a new plan, called the Own Emissions Plan, which replaces the previous Climate Change Action Plan, setting a carbon neutrality target for its emissions to 2030 through energy efficiency measures and greater use of energy from renewable sources. With regard to hydrogeological risk (floods and landslides), which also relates to climate change and the possible occurrence of crisis scenarios in Italy which could have repercussions on Intesa Sanpaolo's properties, a series of company structures is to be activated. In order to ensure business continuity in the areas most affected by the inclement weather, the crisis delegates of local and central structures are activated for timely reporting of critical situations, with particular regard to delays in the transport of valuables and correspondence, difficulties for personnel in reaching their workplaces, operational issues and problems with branch physical plant. In parallel, the Critical Events Management company structure is activated from the first weather alert, along with, in very serious disaster situations, the Emergency Management Operations Centre of the Business Continuity Management Department, which monitors the situation and assesses whether to close facilities temporarily and to take any additional action. The analysis conducted in relation to hydrogeological/landslide risk found that in Italy, approximately 290 of the properties are in areas with medium or high flood risk, while only 16 properties are in areas with high or very high landslide risk (there are currently over 3,000 owner-occupied properties located in Italy subject to analysis). In addition, the branches in Venice, which are affected by the emergency related to the "high water" problem caused by rising tide levels, regularly consult the tide bulletin to be able to give advance notification to the competent structures to activate the procedures set out in the specific Emergency Plans.
In 2022, a project was launched to map the exposure of all the physical risks, both acute and chronic, from climate change for all the banking assets. The project involves setting up scoring of the climate risk exposure of Intesa Sanpaolo's buildings, carrying out projections and simulations of forecasting scenarios and assessing environmental vulnerabilities through a platform used to identify hazard risk for each real estate asset of the Intesa Sanpaolo Group related to Climate Change Risks

and other Geographical Risks. The aim is to establish an application to produce an index of exposure to physical risks from climate change (floods, hydrogeological risks, droughts, fires, etc.) and internal risks (e.g. radon, asbestos, etc.) for all the company real estate assets, as support for the monitoring and preparation of the risk mitigation plan. The scope of areas subject to constraints related to the protection of biodiversity will also be taken into account. In 2023 the platform, initially focused on the capital assets in Italy, will be gradually extended to the international branches and offices.

Qualitative information on social risk (Table 2 Reg. 2022/2453)

Business strategy and processes

a) Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning

The 2022-2025 Business Plan prioritises the following areas of intervention related to social issues:
- support to address social needs;
- strong focus on financial inclusion through social lending;
- continuous commitment to culture;
- promoting innovation;
- supporting customers through the ESG transition;
- Group people.

Intesa Sanpaolo supports the 17 Sustainable Development Goals (SDGs) by promoting concrete actions for the equitable and sustainable development of the communities in which it operates and subscribes to major international initiatives (in addition to those of a more strictly environmental nature) that also define the Group’s strategic commitment to social issues:
- Global Compact: UN initiative promoting corporate social responsibility through adherence to ten fundamental principles relating to human rights, labour, environment and anti-corruption;
- Women’s Empowerment Principles: UN-sponsored principles that establish guidelines for companies aimed at promoting gender equality and women’s professional development in the workplace;
- UNEP Finance Initiative - Principles for Responsible Banking (PRB): a UNEP FI programme aimed at helping the banking sector align with the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. The Bank subscribed to the PRB in 2019 as a Founding Signatory;
- UNEP Finance Initiative - Principles for Sustainable Insurance (PSI): a UNEP FI programme for the insurance sector to address risks and opportunities related to environmental, social and governance issues. The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Intesa Sanpaolo Vita;
- Principles for Responsible Investment (PRI): principles on the integration of ESG criteria on investments, the result of the partnership between the UNEP FI and the Global Compact. The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Eurizon Capital SGR, Fideuram ISPB Asset Management SGR, Fideuram Asset Management SGR, Fideuram Asset Management (Ireland) and the Group’s Pension Fund;
- Equator Principles: guidelines for social and environmental risk assessment and management in projects based on the criteria of the International Finance Corporation, a World Bank body;
- B4SI: an internationally recognised reporting standard in measuring and managing corporate social impact.

b) Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

The Group has set out objectives on the various areas of intervention in the 2022-2025 Business Plan, objectives that also contribute to the achievement of the Sustainable Development Goals (SDGs), namely:

Support to address social needs	Supporting people in need	Expansion of the food and shelter programme for people in need with around 50 million interventions to distribute meals, bed places, medicines and clothes
	Fostering youth education and employability	Launch of employability programmes for more than 3,000 young people and involvement of more than 4,000 schools and universities in inclusive education programmes
		Promoting 3,000-4,000 social housing units for youth (e.g. students, young workers) in Italy
	Assisting senior population	Creating around 30 senior community hubs to provide, at the local level, social and leisure activities and dedicated health and social assistance services
		Promoting 3,000-4,000 social housing units for seniors (e.g. seniors with low income, living alone) in Italy
	Total contribution of around 500 million euro, through investments and donations, to address social needs	

<table>
<tr><td rowspan="5">Strong focus on financial inclusion through social lending</td><td>Lending to the Third sector</td><td>Lending and dedicated services for non-profit organisations to promote local initiatives that benefit communities and the environment</td></tr>
<tr><td>Fund for Impact</td><td>Direct support to individuals unable to access credit through traditional financial channels, with dedicated programmes such as “MAMMA@WORK”, a highly subsidised loan to balance motherhood and work in their children’s early years of life, “Per Merito”, the first line of credit without collateral dedicated to university students and XME StudioStation, loans to families to assist with distance learning</td></tr>
<tr><td>Lending for urban regeneration</td><td>Dedicated programme for urban regeneration with investments in hospitals, smart mobility, broadband networks, education and service and sustainable infrastructure</td></tr>
<tr><td>Lending to vulnerable and underserved individuals</td><td>Direct support to vulnerable and underserved individuals
Support to families affected by natural disasters through subsidised loans
Partnerships to provide micro-credit to individuals or small businesses in difficulty</td></tr>
<tr><td colspan="2">25 billion euro of cumulative flows of social lending envisaged in 2022-2025</td></tr>
<tr><td>Continuous commitment to culture</td><td colspan="2">Two new museums for Gallerie d’Italia in Turin and Naples[52] and expansion of exhibition spaces in Milan and Vicenza with an overall increase in the exhibition spaces from 14,200 square metres in 2021 to 30,000 in 2025
Multi-year programme of original temporary exhibitions, educational labs with schools and social inclusion projects dedicated to vulnerable categories
Creation of a centre of excellence in the new Gallerie d’Italia in Turin to promote the value of photography.
“Restituzioni” programme, dedicated to restoration and promotion of the national heritage curated by the Bank in collaboration with the Cultural Ministry
Professional education programmes in art and culture
Partnerships with museums, public/private institutions in Italy and abroad
Sponsorship of cultural activities and events</td></tr>
<tr><td>Promoting innovation</td><td colspan="2">Development of multidisciplinary applied research projects (e.g. AI, neuroscience, robotics) via collaboration with top-notch research centres, promoting technology transfer and spin-offs and creating intangible assets and intellectual property
Support to high-potential startups through non-financial services (e.g. acceleration programmes) and in connection with/with the support of venture capital funds, also thanks to NEVA SGR
Support to the development of innovation ecosystems with an international perspective, coordinating the network of relationships with corporates, incubators, R&D centres, universities, national and international institutions
Acceleration of business transformation and support to corporates’ long-term development (e.g. scouting new technologies) promoting de-risking and competitiveness through Open Innovation programmes
Diffusion of innovation mindset/culture through events and new educational formats
Launch of around 800 innovation projects in 2022-2025
Around 100 million euro of investments of NEVA SGR in startups</td></tr>
<tr><td rowspan="4">Supporting customers through the ESG/climate transition</td><td>Sustainable lending for Retail customers</td><td>Further boost of sustainable lending for Retail customers with a focus on the green transition</td></tr>
<tr><td>Support to SMEs/Corporates on the sustainability journey</td><td>Strengthening of sustainable lending to SMEs/Corporates
Dedicated Circular economy Lab and strategic partner of the Ellen MacArthur Foundation
More than 12 ESG Labs, at least one in each Regional Governance Centre, with around 100 dedicated ESG specialists, in collaboration with specialised partners to support SMEs/Corporates in the ESG transition
Skills4ESG platform for customer training and engagement</td></tr>
<tr><td colspan="2">Support for the green transition: 88 billion euro of new lending for the green economy, circular economy and green transition (76 billion euro in relation to the National Recovery and Resilience Plan[53], 12 billion euro to individuals[54]), of which 8 billion euro dedicated to the circular economy</td></tr>
<tr><td>Customer assessment based on Intesa Sanpaolo proprietary ESG scoring</td><td>Proprietary ESG scoring fully embedded in Intesa Sanpaolo’s credit risk appetite model, as a key component for sustainable lending assessment together with considerations at a sector level (ESG/climate sectoral heatmap) and also included in the creditworthiness assessment of the entire Intesa Sanpaolo customer base, in line with the expected regulatory evolution
Inclusion of ESG scoring within the credit strategy framework</td></tr>
</table>

52 Transformation of Palazzo Turinetti in Piazza San Carlo in Turin and of the former Banco di Napoli building in Naples into new museums.

53 2021-2026.

54 2022-2025.

	Enhancement of ESG proposition in Asset Management	Expansion of the ESG asset management offering Increase in new ESG funds[55] as a percentage of total new funds introduced from 58% in 2021 to 70% in 2025 Increase in Assets under Management (AuM) in sustainable investments[56] from 110 billion euro in 2021 to 156 billion euro in 2025 with a percentage of total AuM from 46% in 2021 to 60% in 2025 Further development of the Eurizon proprietary ESG scoring, with the extension to new asset classes Development of dedicated ESG advisory services for Fideuram
	Development of dedicated ESG insurance offering	Development of dedicated non-life ESG offering Expansion of the ESG/climate offering within the Group's life insurance range
Group's people	Next way of working	"Next way of working" on large scale (physical-remote hybrid) ensuring maximum flexibility for all employees by strengthening IT systems and improving workplace layouts Around 33% of days worked remotely in 2025 (excluding the branch network) Initiatives for the well-being and safety of people on a large scale New incentive plans to foster individual entrepreneurship
	Innovative talent strategy	"Future leaders" programme involving around 1,000 talents and key people at Group level International footprint reinforcement with distinctive capabilities in key markets and insourcing of core capabilities in the digital space
	Diversity & Inclusion	Promotion of an inclusive and diverse environment thanks to a set of dedicated initiatives and a focus on gender equality New senior leadership appointments[57] balanced by gender[58]
	Learning ecosystem	Increase in reskilled/upskilled People from around 5,000 in 2018-2021 to around 8,000 in 2022-2025 Around 4,600 new hires over the course of the Plan, of which around 500 in 2021 Increase in training hours from around 45 million in 2018-2021 to around 50 million in 2022-2025 with 100% of Intesa Sanpaolo People trained on ESG Creation of the leading education player in Italy to position itself as an aggregator of the best Italian players in the industry, offer the Group's People best-in-class training on critical capabilities for both the digital and green transition and invest in top-notch learning technologies to provide an ever more effective learning experience New "job communities" (clusters of professionals with similar skills, learning paths and titles) aimed at defining a coherent development model throughout the Group with an increase in the number of people participating from around 4,000 in 2018-2021 to around 20,000 in 2022-2025
	Tech-enabled process streamlining	Cloud infrastructure enabling a new Group "HR platform" Organisational streamlining to improve efficiency and time-to-market Innovative organisational models in selected areas of the Group enhancing agility and entrepreneurship

[55] Eurizon perimeter – Funds pursuant to Articles 8 and 9 SFDR 2088.
[56] Eurizon perimeter – Funds pursuant to Articles 8 and 9 SFDR 2088.
[57] 1-2 organisational levels below the Managing Director and CEO.
[58] Expected to reach around 30% of women in senior leadership positions by 2025.

c) Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities

Intesa Sanpaolo is also committed to developing a sustainability-based business culture among its corporate customers, as set out in the 2022-2025 Business Plan: this is a key step to guide them towards an economic transition that is sustainable, not only from a financial perspective.

To increase the knowledge and skills that corporate customers require in this area, a project has been developed that involves both a dedicated online platform and custom designed training and support programmes, taking advantage of internal skills and external partnerships.

In particular, in 2022 Intesa Sanpaolo Formazione continued to develop digital training activities dedicated to businesses through the **Skills4Capital training platform**, with the goal of supporting the growth of businesses, developing skills and taking advantage of the opportunities that arise in a continuously evolving market. Subscribers to the platform were able to benefit from training initiatives on different ESG issues thanks to the range of "Higher Education" courses held in dedicated and interactive virtual classrooms and/or via digital training packages.

Intesa Sanpaolo Formazione also designed Skills4ESG, an initiative aimed at raising awareness of ESG issues via a **customer portal**, a single access point for ESG training with a range of dedicated content, news and success stories on ESG issues and sustainability, presentations of Group initiatives on sustainability issues with social, environmental and governance impact, and additional training services (e.g. advanced training courses, one-to-one training, multi-business workshops).

In 2022, the **ESG Labs** initiative continued, as mentioned in point d) above.

In 2022, Intesa Sanpaolo launched the fourth edition of "**Imprese Vincenti**", the programme designed to promote Italian small- and medium-sized enterprises that stand out for their entrepreneurial excellence. Inspired by the development goals of the National Recovery and Resilience Plan, the fourth edition focused on local areas and business development or transformation projects that have enabled SMEs to effectively respond to the current difficult times, with the first and sixth stages (Milan and Padua) dedicated to the topic of sustainability.

Governance

d) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to: i) activities towards the community and society; ii) employee relationships and labour standards; iii) customer protection and product responsibility; and iv) human rights

In addition to what has already been described above, the Board of Directors is responsible for corporate management and may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, of both an ordinary and extraordinary nature. It performs guidance and strategic supervision duties over the Company and passes resolutions on all the most important corporate actions.

The Board of Directors, with the support of the Risks and Sustainability Committee, approves the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the fight against climate change – taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders.

The Board of Directors is responsible for approving the Group's Code of Ethics and Code of Conduct. The Code of Ethics sets out the "principles of conduct in customer relations" in the knowledge that investment decisions and credit policy must also take social and environmental risks into account, based on the principle that an activity that produces economic value cannot ignore the related social and environmental value. In this context, the Code of Ethics promotes:

- adherence to national and international protocols for compliance with socio-environmental protection standards;
- the exclusion of financial relationships in support of economic activities that contribute, even indirectly, to violating fundamental human rights, hindering their development, or seriously harming health and the environment;
- peaceful coexistence also by avoiding financial support for economic activities that could jeopardise it;
- projects with high environmental and social value to facilitate the transition to a sustainable economy.

As stated in the Guidelines for the Governance of ESG Risks, approved by the Board of Directors, the Group undertakes not to finance companies and projects if, at the time of the assessment of the transaction, they are located in areas of active armed conflict, or if evidence emerges, such as legal proceedings instituted by the competent authorities, of human rights violations and forced or child labour practices. In addition, the Group carefully assesses its exposure to counterparties active in the production or marketing of tobacco or in the gambling industry.

The Code of Ethics recognises that the Group's responsibility towards the environment and society extends to the entire supply chain and therefore Intesa Sanpaolo commits its suppliers and subcontractors to orienting their policies towards environmental protection and respect for human and workers' rights.

e) Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body

The strategic guidelines and policies on sustainability/ESG are approved by the Board of Directors, with the support of the Risks and Sustainability Committee, taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders. More information on the existing committees can be found in the section Qualitative information on environmental risk, point g).

f) Lines of reporting and frequency of reporting relating to social risk

Within the ESG risk processes and monitoring, the CRO reports quarterly to the Risks and Sustainability Committee on the portfolio exposure to sectors exposed to ESG and climate-related risks, as part of the Tableau de Bord for the Group's risks.

In addition, 25 meetings of the Board of Directors were held in 2022, of which 22 also discussed ESG-related topics, among others:

- Update of the Group Guidelines for the Governance of the Most Significant Transactions;
- Diversity & Inclusion - Gender equality and application of the principles;
- Report on the implementation and governance of the Code of Ethics;

- Gender neutrality of the Group's Remuneration Policies;
- Gender pay gap analysis;
- 2021 Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016;
- Modern Slavery Statement;
- Progetto Cultura;
- Update of the Guidelines for the governance of environmental, social and governance (ESG) risks of the Group.

g) Alignment of the remuneration policy in line with institution's social risk-related objectives

The ESG perspective is of central importance in the Incentive System.

Specifically, with regard to social risks, the Group establishes a link to them in both the short-term and long-term incentive plans.

Specifically, the annual incentive system for Risk Takers and Middle Management of the Group includes a specific and comprehensive ESG KPI. This KPI – present since 2021 and which represents an evolution from the previous transversal Diversity & Inclusion KPI – has been assigned, as already stated, within the 2022 scorecards for the CEO and around 3,000 of the Group's managers (in Italy and abroad), in line with the Bank's growing commitment to social, cultural and environmental sustainability and its goal of creating long-term value for its people, customers, the community and the environment. For more details on the structure of the ESG KPI, see the section Qualitative information on environmental risk, point i).

The ESG component has also been included in the two new Long-Term Incentive Plans – launched in conjunction with the new 2022-2025 Business Plan – according to different mechanisms described in the section Qualitative information on environmental risk, point i).

For both Plans, the composite ESG KPI includes a sub-KPI referring to the Social component, which is given a weight of 40%[59] and relates to number of employees who successfully completed re-skilling training and were employed in a job in line with their newly acquired skills, or who completed up-skilling training.

Risk management

h) Definitions, methodologies and international standards on which the social risk management framework is based

Intesa Sanpaolo has developed its own control framework for social risks on the basis of the principles set out by international best practices and the developments promoted and issued by the Supervisory Authorities at international level.

In terms of **regulatory references**, in addition to what is stated, with regard to ESG risks, in point k) of the section "environmental risk management", the Group:

- protects the fundamental rights contained in the eight fundamental conventions of the ILO (International Labour Organization);
- upholds the human rights affirmed in the Universal Declaration of 1948 and the subsequent declarations;
- adheres to the international conventions on civil and political rights and on economic, social and cultural rights;
- supports the OECD (Organisation for Economic Co-operation and Development) guidelines and the principles against corruption laid down by the United Nations in 2003.

The **internal regulatory framework** stems from the Code of Ethics and includes:

- a human rights policy describing the Group's commitment to human rights;
- the Modern Slavery Statement, which describes the measures taken to combat the risk of slavery in its operations and its supply chain;
- the Rules on diversity of sexual orientation and identity, which set out Intesa Sanpaolo's commitment to this issue;
- the Rules for combating sexual harassment, aimed at ensuring full respect for each person and maximum protection of their dignity;
- the Rules governing transactions with subjects active in the armaments sector, which prohibit any financing/investment in activities related to the manufacture of unconventional weapons[60].

As stated in the Guidelines for the Governance of ESG Risks, the Group undertakes not to finance companies and projects if, at the time of the assessment of the transaction, they are located in areas of active armed conflict, or if evidence emerges, such as legal proceedings instituted by the competent authorities, of human rights violations and forced or child labour practices. In addition, the Group carefully assesses its exposure to counterparties active in the production or marketing of tobacco or in the gambling industry.

i) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels

For the processes of identifying and monitoring social risks, see, in general, the description already provided in point l) of the section "environmental risk management". With regard to the above-mentioned ESG/Climate Materiality Assessment process and, in particular, the ESG sectoral assessment, the sectoral analysis of social risks enables the identification of the sectors most exposed to those risks, which are then subject to control/action through ESG sectoral strategies of credit disincentives and the introduction of specific controls (limits, attention thresholds) in the Risk Appetite Framework.

For the **Investment Services**, the Bank has updated its "Rules for the provision of advisory and other investment services" with particular regard to issues concerning the classification of financial products for ESG purposes and the development of the related service model.

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[59] The Environmental sub-KPI (new lending for the green/circular economy and green transition with a focus on supporting the transition of Corporates/SMEs) has a weight of 40% and the Governance sub-KPI (% of women newly nominated in senior positions, i.e. -1 and -2 organisational levels below the CEO) has a weight of 20%.

[60] In line with the values and principles set out in the Code of Ethics, Intesa Sanpaolo expressly forbids any type of banking activity and/or loans related to the production and/or sale of weapons that are controversial and/or banned by international treaties, such as: anti-personnel mines; cluster bombs; nuclear weapons; depleted uranium; biological weapons; chemical weapons; non-detectable fragment weapons; blinding lasers; incendiary weapons; and white phosphorous.

With specific regard to **asset management**, Eurizon Capital SGR, as a signatory of the United Nations "Principles for Sustainable Investment" (UN PRI), focuses particular attention on the policies on environmental, social and corporate governance topics implemented by the issuers in which it invests. In this context, the asset management company has adopted specific methods for selecting financial instruments that take into account environmental, social and governance factors and Sustainable and Responsible Investment (SRI) principles.
In particular, the asset management company's Sustainability Policy includes specific "ESG Exclusions or Restrictions" for "critical" issuers, i.e. for the issuers most exposed to ESG risks – identified through the "CCC" rating from the specialist info-provider MSCI ESG Research. The issuer's ESG rating also reflects any social disputes to which an issuer may be exposed, e.g. with regard to respect for human rights, health and safety, and labour rights. Specifically, the financial instruments selection processes, duly calibrated according to the characteristics and objectives of the individual products managed, consider:

- "SRI (Socially Responsible Investment) Exclusions and Restrictions" with respect to issuers operating in sectors deemed not "socially responsible" to which restrictions or exclusions are applied with respect to the Benchmark/Investment Universe of the individual managed assets ("SRI Binding screening");
- "ESG Exclusions and Restrictions" with respect to "critical" issuers for which an escalation process is activated that leads to restrictions and/or exclusions with respect to the Investment Universe of the individual managed assets ("ESG Binding screening");
- "Integration of ESG factors" into the analysis, selection and composition of the managed portfolios ("ESG integration");
- "Carbon Footprint", which envisages the integration of procedures to measure the carbon dioxide (CO_2) emissions generated by issuers, in order to create portfolios with a carbon footprint below that of the investment universe;
- "Sustainable Investment Objectives" that use investment selection methodologies aimed at (i) contributing to sustainable development objectives ("SDG Investing"); and (ii) generating a social or environmental impact together with a measurable financial return ("Impact Investing");
- "Active ownership - engagement", with the promotion of proactive engagement with issuers by exercising participating and voting rights, and engagement with investees, encouraging effective communication with the Management of the companies.

For each of the Strategies, Eurizon has established specific decision-making processes and operating limits aimed at containing risks, including reputational risks, of the managed portfolios, whose compliance is monitored by the Risk Management Function with the support of the Compliance & AML Function.
In addition, Eurizon assesses the negative impacts generated by the investments of its managed assets with respect to the main environmental, social and governance indicators established by Regulation (EU) 2019/2088. In the social domain, these include, in particular: (i) for investments in corporate securities, indicators relating to employees, respect for human rights, and combating corruption and bribery; and (ii) for investments in sovereign and supranational securities, the countries affected by social violations.
Social issues are also controlled through Eurizon's Corporate Governance activities: in line with the United Nations Sustainable Development Goals (SDGs), Eurizon promotes respect for human and labour rights by supporting shareholder proposals that call for greater transparency on the effects of company policies on these issues.
With regard to the **management of suppliers**, Intesa Sanpaolo is aware that procurement relations and policies can create the conditions to foster economic development that is mindful of environmental protection and respect for human rights, and pays attention to the sourcing, qualification and monitoring of suppliers, which are centralised within the Parent Company. The assessment of the suppliers registered in the Supplier Portal takes into account not only the economic-financial and technical-organisational characteristics of each supplier, but also includes checks on business ethics and respect for human rights, labour rights and the environment, based on the declarations made when completing the specific questionnaires and/or the possession of particular certifications. If the result of this assessment is positive, the suppliers are admitted to the Group Supplier Register and can be invited to procurement events.
In 2022, the new ESG questionnaire was introduced, which aims to map suppliers in relation to social, environmental and governance sustainability, in order to strengthen the criteria for assessing and selecting the best suppliers. Completion of the questionnaire is mandatory for all new suppliers. In addition, a campaign has been launched to recover all former, recurrently used suppliers, with the aim of achieving an overall assessment by 2025.
By the end of 2022, a total of 35% of the qualified suppliers engaged by the Procurement Head Office Department had completed the questionnaire and obtained an ESG score.
In 2023, the ESG assessment model for suppliers will be refined, by adopting a model that follows the criteria used for the ESG Scoring designed for customers.

j) Activities, commitments and assets contributing to mitigate social risk

The Intesa Sanpaolo Group, in line with its sustainability/ESG approach and in accordance with the principles set out in its Code of Ethics, recognises the importance of allocating resources correctly and responsibly, on the basis of social and environmental sustainability criteria. It therefore promotes balanced growth aimed at redirecting capital flows towards sustainable investments that reconcile interests such as the preservation of the natural environment, combating climate change, health, employment, the welfare of society as a whole, and the preservation of the system of social relations.
By developing the offering of ESG products and solutions, the Group aims to mitigate the main social risks identified. For example, in the new 2022-2025 Business Plan Intesa Sanpaolo has committed to providing 25 billion euro in social lending over the entire period. The Bank has thus contributed to creating business and employment opportunities and to helping people in difficulty through various forms, as set out in the new Plan: social loans; anti-usury loans; products and services aimed at non-profit sector associations and entities; products for the most vulnerable social groups to promote their financial inclusion; and loans to support populations affected by disaster situations.

The table below provides details and a description of the main controls relating to the social risks identified:

Issue	Potential risk	Potential impacts	Mitigation measures
Financial inclusion and supporting production	Inadequate offering of products/services to customers Reputational risks	Loss of competitiveness, customers and market shares leading to reduced profitability Damage to reputation and brand	Offering development in favour or financial inclusion for vulnerable people Development of solutions in support of the Third Sector Offering development to support production
Sustainable investments and insurance	Assessment and control of ESG risks in the investment portfolio Investments in controversial sectors Reputational risks Failure to comply with regulations	Loss of competitiveness, market shares and customers that are conscious of ESG aspects, leading to reduced profitability Damage to reputation and brand Fines and penalties	Integration of ESG factors into the investment process Development of the range of ESG funds Company engagement activities ESG training Internal control system Subscription to the Principles for Responsible Investment (PRI) and the Stewardship Principles Subscription to the Principles for Sustainable Insurance (PSI)
Community support and commitment to culture	Reputational risks	Damage to reputation and brand	Development of investments and partnerships with social impacts in communities Development of training and employment projects for the new generations Initiatives to promote culture Development of institutional initiatives in support of the community
Employment protection	Conflicts and related labour dispute risks	Disputes Strikes with impacts on service continuity for customers and on profitability Employee dissatisfaction with impacts on productivity	Investments in the Group's People Responsible management of corporate restructuring processes, with the re-skilling of personnel for other activities New hires to promote generational change Management of labour dispute risks System of industrial relations
Retention, enhancement, diversity and inclusion of the Group's people	Inadequate employee development and motivation Inability to attract and retain talent Termination of employment relationships with managers holding key roles Insufficient focus on diversity and inclusion	Employee dissatisfaction with impacts on productivity Lack of adequately trained and qualified personnel Inadequate customer service levels Damage to reputation and brand	Investment in training Talent Attraction strategy (short and long term) which, broken down by various communication actions and on different channels, is defined with respect to the different targets of interest Talent management programmes (e.g. Future leaders) Recognition of employee merit New incentive plans (including LTIs) to foster individual entrepreneurship Succession plans for business continuity Initiatives to enhance diversity and inclusion, including specifically focused training on the topic Diversity & Inclusion Principles Rules on diversity of sexual orientation and identity Rules for combating sexual harassment Commitment to the United Nations "Women's Empowerment Principles" Application for certification on relevant topics (e.g. ISO PDR 125:2022)
Health, safety and well-being of the Group's people	Accidents in the workplace Occupational diseases Risks associated with the COVID-19 pandemic Robberies Inadequate employee motivation Work-life balance difficulties	Employee dissatisfaction with impacts on productivity Damage to persons arising from the COVID-19 pandemic Damage to persons or property during robberies Damage to reputation and brand Loss of skills as a result of employee exits	Health and safety training Certification of the health and safety management system (ISO 45001) in all branches and buildings in Italy Assessment and management of infection risk Risk assessment for workplaces and processes Preventing and combating robberies Risk assessment for individual and social conditions Assessment of work-related stress Work-life balance initiatives Flexible working and new organisational models Offering solutions for welfare and quality of life in the company Implementation of personnel satisfaction surveys

Transition to a sustainable, green and circular economy	Management of ESG risks in loans Transactions or loans in controversial sectors Reputational risks Regulatory compliance risk Litigation risk	Loss of competitiveness, market shares and customers that are conscious of ESG aspects, leading to reduced profitability Problem loans or need for provisions Damage to reputation and brand	Inclusion of ESG, climate change and reputational risks within the Risk Appetite Framework Rating model that also includes qualitative aspects of the companies in relation to ESG issues Risk clearing processes that include environmental, social and governance aspects Equator Principles for project finance Guidelines for the Governance of Environmental, Social and Governance (ESG) risks of the Group Inclusion of ESG factors into the credit framework with Rules for the classification of sustainable credit products and transactions Development of a specific offering to facilitate the transition with dedicated credit lines, also with a view to loan de-risking Drafting of a transition plan for the target sectors Employee, customer and stakeholder training and engagement Conducting studies and research

k) Implementation of tools for identification and management of social risk

See the description provided in points l) and r) of the section “environmental risk management”.

l) Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits

With regard to the limits and controls set for social risks, see the description regarding the internal regulatory framework in point h) and points l) and q) of the section “environmental risk management”.

m) Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

With regard to ESG risks, see point r) of the section “environmental risk management”.

Qualitative information on governance risk (Table 3 Reg. 2022/2453)

Governance

a) Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics

The strategic guidelines and policies on sustainability/ESG are approved by the Board of Directors, with the support of the Risks and Sustainability Committee, taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders. More information on the existing committees can be found in the section Qualitative information on environmental risk, point g).

b) Institution's accounting of the counterparty's highest governance body's role in non-financial reporting

In line with the paradigm of sustainable economic development, the environmental, social or governance factors of an economic activity can have a positive (opportunities) or negative (risk factors) impact on the economic/financial performance or solvency of a counterparty, the environment and the community in relation to specific transmission channels.
Intesa Sanpaolo assesses the "corporate governance" dimension of the counterparty ESG risk factors in terms of: ethics and transparency of corporate governance; the presence of independent or non-executive directors; the presence of diversity policies in the composition of the corporate bodies; the presence of sustainability plans and objectives linked to the remuneration of the board and senior managers; and control procedures, policies and, more generally, the conduct of senior management and the company in terms of ethics and compliance (see Group Guidelines for the governance of ESG risks).
The following are used to assess ESG risk factors:

- internal data from customers (e.g. sector, geography);
- data on counterparties from public sources (e.g. CNFS);
- specialist info-providers (e.g. MSCI, Vigeo, CDP); data from research institutes (e.g. UNEP FI).

In this context, the large companies subject to assessment come under the scope of national legislative decrees in accordance with the EU Directive on the Non-Financial Statement. Specifically, Italian counterparties covered by Legislative Decree 254/2016 are required to publish an annual non-financial disclosure, which must be approved by the Board of Directors.

c) Institution's integration in governance arrangements of the governance performance of their counterparties including: ethical considerations; strategy and risk management; inclusiveness; transparency; management of conflict of interest; and internal communication on critical concerns

As already highlighted in the section Qualitative information on environmental risk - environmental risk management, the governance dimension is an integral part of the counterparty ESG score and the ESG sectoral assessment.
The counterparty ESG score supports the decision-making processes, particularly in relation to credit strategies and the credit granting process. The internal counterparty ESG score uses information from specialist external info-providers, with regard to the governance aspects of large companies that publish a CNFS.
In addition, Intesa Sanpaolo regulates the risk governance macro-processes and the various information flows to the corporate bodies and committees relating to ESG risk management, aimed at the following, among other things:

- analysis and understanding of the rationales and any dynamics underlying the trend in the level of exposure to ESG risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

Risk management

d) Institution's integration in risk management arrangements of the governance performance of their counterparties considering: i) ethical considerations; ii) strategy and risk management; iii) inclusiveness; iv) transparency; v) management of conflict of interest; and vi) internal communication on critical concerns

With regard to the integration of counterparty governance risks in risk management arrangements, see the section Qualitative information on environmental risk, "environmental risk management" in relation to ESG risks.
With regard to the **counterparty ESG score** and the **ESG & Reputational Risk Clearing** process in particular, see point l).
With particular regard to **supplier management**, in addition to the information provided in point i) of the section "social risk management", the Procurement Head Office Department promotes shared procurement policies and best practices for the entire Group, in order to safeguard the principles of ethical, social and environmental responsibility shared by Intesa Sanpaolo. This structure, which is responsible for procurement within the scope set out in the related Guidelines and Rules, oversees the procurement process, ensuring the correctness and consistency of procurement with respect to the guidance laid down in the relevant policies and internal regulations.
The computerisation of the qualification process, already started in 2015 and progressively rolled out, has enabled continuous, accurate and timely monitoring of the active suppliers engaged, in order to contribute to strengthening and improving the efficiency of the control and due diligence activities.

Quantitative disclosure

The quantitative disclosures relating to ESG risks, as required by Regulation (EU) 2021/637 (as amended, including Regulation (EU) 2022/2453) pursuant to Article 449a CRR, are provided below.

With regard to Templates 1, 2, 4 and 5 on transition risk and physical risks related to climate change, the scope includes:

- in Templates 1, 4 - NFC (Non-Financial Corporation) Transition Risk - information on exposures to non-financial corporations, including loans and advances, debt securities and equity instruments, classified in the accounting portfolios in the banking book, excluding financial assets held for trading or assets held for sale;
- in Template 2 - Real Estate Transition Risk - information on loans collateralised by commercial and residential immovable property and repossessed real estate collateral;
- in Template 5 - Physical Risk - information on both of the above scopes.

Template 3, which under the above-mentioned Regulation must be published as at the first reporting date of 30 June 2024, is not covered by this disclosure.

Template 1 shows the exposures to non-financial corporations with a focus on the sectors most exposed to climate transition risks.
The template shows, by counterparty NACE sector, the quality of the exposure and related provisions in terms of non-performing exposure status, Stage 2 classification and maturity bucket.
The figure shows the totals by NACE sector, including sub-totals to sectors and sub-sectors that highly contribute to climate change. In particular, it shows the total to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) 1893/2006, which include the oil, gas, mining and transport sectors, identified as sectors that highly contribute to climate change, as specified in Recital 6 of Commission Delegated Regulation (EU) 2020/1818[61], and a total of exposures to "other sectors". The counterparty NACE sector allocation is carried out in accordance with point 4 of Regulation 2022/2453, which requires that holding companies and special purpose vehicles be allocated to the sector of the obligor that receives the funding and of the parent company of the special purpose vehicle.

The disclosure is accompanied by information on companies that are excluded from the EU Paris-aligned benchmarks as specified in Article 12(1), subparagraphs (d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818.
The counterparties referred to in subparagraphs (d)-(g) of Article 12.1 consist of:

- d) companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- e) companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- f) companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- g) companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO_2e/kWh;

and have been identified using information on the nature of the counterparty's revenues provided by external providers, where available, or by internally tracing the main economic activity to the scope defined in the regulations.
As stated in Article 12.2, companies that are considered to significantly harm one or more of the environmental objectives set out in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council[62] have also been identified as excluded from the benchmarks. To this end, information was used on the alignment of the counterparty's activities with environmental objectives provided by external providers; the results of the Bank's internal materiality and ESG analyses were also used.

The current reporting does not include the following: i) the columns relating to the disclosure of *environmentally sustainable exposures* in terms of climate change mitigation or that enable mitigation, in accordance with Articles 10 and 16 of Regulation (EU) 2020/852, for which the regulation requires the first disclosure as at the reporting date of 31 December 2023; and ii) the columns of *GHG financed emissions* for which a phase-in period ending on 30 June 2024 is envisaged.

The estimation of the financed emissions on the loan and investment portfolio is made according to a timeframe in line with that defined in relation to the subscription to the Net-Zero Banking Alliance (NZBA) and the commitment to obtain the SBTi certification.

[61] Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).
[62] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 1 of 4)*

(millions of euro)

Sector/subsector	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		of which exposures towards companies excluded from EU Paris-aligned Benchmarks**	of which stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
Exposures towards sectors that highly contribute to climate change*	**182,439**	**9,964**	**22,480**	**6,265**	**4,500**	**1,121**	**3,077**
A - Agriculture, forestry and fishing	4,196	-	571	179	142	33	99
B - Mining and quarrying	3,561	2,592	1,759	245	292	124	165
B.05 - Mining of coal and lignite	*154*	*154*	*47*	*105*	*47*	*7*	*40*
B.06 - Extraction of crude petroleum and natural gas	*1,533*	*1,367*	*597*	*40*	*119*	*79*	*38*
B.07 - Mining of metal ores	*350*	*-*	*223*	*91*	*96*	*14*	*82*
B.08 - Other mining and quarrying	*352*	*-*	*107*	*6*	*11*	*8*	*3*
B.09 - Mining support service activities	*1,172*	*1,071*	*785*	*3*	*19*	*16*	*2*
C - Manufacturing	63,944	2,288	4,502	1,614	1,066	195	791
C.10 - Manufacture of food products	*7,108*	*-*	*517*	*170*	*112*	*18*	*83*
C.11 - Manufacture of beverages	*1,775*	*-*	*357*	*25*	*21*	*3*	*16*
C.12 - Manufacture of tobacco products	*14*	*-*	*-*	*-*	*-*	*-*	*-*
C.13 - Manufacture of textiles	*1,669*	*-*	*165*	*32*	*25*	*3*	*20*
C.14 - Manufacture of wearing apparel	*2,479*	*-*	*185*	*81*	*63*	*3*	*56*
C.15 - Manufacture of leather and related products	*1,389*	*-*	*122*	*60*	*35*	*3*	*30*
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*853*	*-*	*48*	*55*	*40*	*4*	*34*
C.17 - Manufacture of paper and paper products	*1,316*	*-*	*65*	*24*	*17*	*3*	*11*
C.18 - Printing and reproduction of recorded media	*898*	*-*	*166*	*25*	*15*	*4*	*9*
C.19 - Manufacture of coke and refined petroleum products	*2,507*	*1,571*	*98*	*58*	*42*	*10*	*30*
C.20 - Production of chemicals	*3,243*	*35*	*167*	*38*	*27*	*7*	*15*
C.21 - Manufacture of pharmaceutical preparations	*1,166*	*21*	*27*	*1*	*3*	*2*	*1*
C.22 - Manufacture of rubber products	*4,974*	*-*	*241*	*64*	*41*	*7*	*28*
C.23 - Manufacture of other non-metallic mineral products	*2,132*	*49*	*127*	*47*	*37*	*8*	*25*
C.24 - Manufacture of basic metals	*4,129*	*74*	*567*	*46*	*90*	*69*	*17*
C.25 - Manufacture of fabricated metal products, except machinery and equipment	*6,990*	*50*	*427*	*154*	*107*	*15*	*81*
C.26 - Manufacture of computer, electronic and optical products	*1,944*	*20*	*117*	*27*	*21*	*1*	*18*
C.27 - Manufacture of electrical equipment	*3,078*	*-*	*224*	*33*	*21*	*3*	*16*
C.28 - Manufacture of machinery and equipment n.e.c.	*6,284*	*10*	*381*	*192*	*100*	*7*	*86*
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*2,704*	*378*	*119*	*86*	*26*	*6*	*17*
C.30 - Manufacture of other transport equipment	*2,201*	*-*	*118*	*8*	*7*	*1*	*5*
C.31 - Manufacture of furniture	*1,305*	*-*	*84*	*49*	*29*	*4*	*23*
C.32 - Other manufacturing	*2,991*	*80*	*127*	*319*	*174*	*13*	*159*
C.33 - Repair and installation of machinery and equipment	*795*	*-*	*53*	*20*	*13*	*1*	*11*

Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 2 of 4)*

(millions of euro)

Sector/subsector	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		of which exposures towards companies excluded from EU Paris-aligned Benchmarks**	of which stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
D - Electricity, gas, steam and air conditioning supply	15,503	1,910	1,796	149	136	37	81
D35.1 - Electric power generation, transmission and distribution	*11,861*	*1,313*	*1,442*	*120*	*109*	*27*	*66*
D35.11 - Production of electricity	*6,934*	*1,060*	*1,209*	*120*	*73*	*19*	*44*
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	*3,233*	*547*	*335*	*29*	*25*	*8*	*15*
D35.3 - Steam and air conditioning supply	*409*	*50*	*19*	*-*	*2*	*2*	*-*
E - Water supply; sewerage, waste management and remediation activities	2,738	150	268	40	38	18	17
F - Construction	16,988	207	2,633	1,271	804	146	617
F.41 - Construction of buildings	*8,735*	*1*	*1,902*	*967*	*630*	*133*	*470*
F.42 - Civil engineering	*4,942*	*206*	*452*	*140*	*82*	*5*	*70*
F.43 - Specialised construction activities	*3,311*	*-*	*279*	*164*	*92*	*8*	*77*
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	34,620	1,437	2,901	1,026	750	112	573
H - Transportation and storage	17,639	1,367	3,061	222	195	72	104
H.49 - Land transport and transport via pipelines	*5,313*	*945*	*970*	*101*	*83*	*23*	*50*
H.50 - Water transport	*1,841*	*318*	*930*	*30*	*27*	*13*	*12*
H.51 - Air transport	*262*	*-*	*110*	*22*	*24*	*12*	*12*
H.52 - Warehousing and support activities for transportation	*6,279*	*104*	*1,043*	*65*	*59*	*24*	*29*
H.53 - Postal and courier activities	*3,944*	*-*	*8*	*4*	*2*	*-*	*1*
I - Accommodation and food service activities	6,793	-	1,648	342	250	109	125
L - Real estate activities	16,457	13	3,341	1,177	827	275	505
Exposures towards sectors other than those that highly contribute to climate change*	**28,385**	**460**	**4,622**	**671**	**518**	**115**	**341**
K - Financial and insurance activities	1,659	100	128	3	5	1	2
Exposures to other sectors (NACE codes J, M - U)	26,726	360	4,494	668	513	114	339
TOTAL	**210,824**	**10,424**	**27,102**	**6,936**	**5,018**	**1,236**	**3,418**

* in accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

** in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation.

Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 3 of 4)*

(millions of euro)

Sector/subsector	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
Exposures towards sectors that highly contribute to climate change*	**134,305**	**33,988**	**13,323**	**823**	**3.95**
A - Agriculture, forestry and fishing	2,486	1,059	564	87	5.55
B - Mining and quarrying	2,069	992	500	-	5.29
B.05 - Mining of coal and lignite	*154*	*-*	*-*	*-*	*1.38*
B.06 - Extraction of crude petroleum and natural gas	*977*	*128*	*428*	*-*	*5.44*
B.07 - Mining of metal ores	*350*	*-*	*-*	*-*	*2.46*
B.08 - Other mining and quarrying	*260*	*73*	*19*	*-*	*4.26*
B.09 - Mining support service activities	*328*	*791*	*53*	*-*	*6.66*
C - Manufacturing	52,106	10,236	1,514	88	3.12
C.10 - Manufacture of food products	*5,450*	*1,382*	*268*	*8*	*3.36*
C.11 - Manufacture of beverages	*1,422*	*294*	*59*	*-*	*2.75*
C.12 - Manufacture of tobacco products	*14*	*-*	*-*	*-*	*2.46*
C.13 - Manufacture of textiles	*1,290*	*333*	*45*	*1*	*3.47*
C.14 - Manufacture of wearing apparel	*2,179*	*256*	*44*	*-*	*2.84*
C.15 - Manufacture of leather and related products	*1,096*	*256*	*37*	*-*	*3.34*
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*633*	*166*	*53*	*1*	*3.85*
C.17 - Manufacture of paper and paper products	*1,022*	*269*	*25*	*-*	*3.39*
C.18 - Printing and reproduction of recorded media	*742*	*119*	*37*	*-*	*3.59*
C.19 - Manufacture of coke and refined petroleum products	*2,101*	*393*	*13*	*-*	*3.04*
C.20 - Production of chemicals	*2,593*	*602*	*47*	*1*	*3.35*
C.21 - Manufacture of pharmaceutical preparations	*966*	*166*	*13*	*21*	*3.47*
C.22 - Manufacture of rubber products	*4,263*	*624*	*77*	*10*	*2.94*
C.23 - Manufacture of other non-metallic mineral products	*1,726*	*369*	*37*	*-*	*3.06*
C.24 - Manufacture of basic metals	*3,286*	*826*	*6*	*11*	*2.73*
C.25 - Manufacture of fabricated metal products, except machinery and equipment	*5,435*	*1,325*	*209*	*21*	*3.47*
C.26 - Manufacture of computer, electronic and optical products	*1,649*	*275*	*20*	*-*	*3.03*
C.27 - Manufacture of electrical equipment	*2,632*	*417*	*29*	*-*	*2.80*
C.28 - Manufacture of machinery and equipment n.e.c.	*5,062*	*1,089*	*132*	*1*	*3.24*
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*2,433*	*250*	*21*	*-*	*2.42*
C.30 - Manufacture of other transport equipment	*1,815*	*212*	*174*	*-*	*2.95*
C.31 - Manufacture of furniture	*973*	*271*	*61*	*-*	*3.69*
C.32 - Other manufacturing	*2,716*	*178*	*84*	*13*	*2.60*
C.33 - Repair and installation of machinery and equipment	*608*	*164*	*23*	*-*	*3.59*

Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 4 of 4)*

(millions of euro)

Sector/subsector	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
D - Electricity, gas, steam and air conditioning supply	10,760	3,634	1,096	13	3.89
D35.1 - Electric power generation, transmission and distribution	*8,101*	*3,002*	*745*	*13*	*4.06*
D35.11 - Production of electricity	*4,096*	*2,337*	*494*	*7*	*4.92*
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	*2,305*	*590*	*338*	*-*	*4.12*
D35.3 - Steam and air conditioning supply	*354*	*42*	*13*	*-*	*3.30*
E - Water supply; sewerage, waste management and remediation activities	1,714	650	360	14	4.88
F – Construction	11,306	2,989	2,351	342	5.37
F.41 - Construction of buildings	*5,550*	*1,678*	*1,290*	*217*	*5.67*
F.42 - Civil engineering	*3,238*	*655*	*930*	*119*	*5.97*
F.43 - Specialised construction activities	*2,518*	*656*	*131*	*6*	*3.68*
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	28,397	5,146	1,062	15	2.92
H - Transportation and storage	14,164	2,168	1,237	70	3.79
H.49 - Land transport and transport via pipelines	*3,940*	*1,009*	*361*	*3*	*3.88*
H.50 - Water transport	*1,428*	*403*	*10*	*-*	*3.57*
H.51 - Air transport	*161*	*12*	*89*	*-*	*6.63*
H.52 - Warehousing and support activities for transportation	*4,839*	*659*	*718*	*63*	*4.27*
H.53 - Postal and courier activities	*3,796*	*85*	*59*	*4*	*2.82*
I - Accommodation and food service activities	2,928	2,290	1,549	26	7.02
L - Real estate activities	8,375	4,824	3,090	168	5.95
Exposures towards sectors other than those that highly contribute to climate change*	**21,380**	**5,459**	**1,381**	**165**	**3.64**
K - Financial and insurance activities	1,238	315	103	3	3.56
Exposures to other sectors (NACE codes J, M - U)	20,142	5,144	1,278	162	3.64
TOTAL	**155,685**	**39,447**	**14,704**	**988**	**3.91**

Template 2 shows the exposures collateralised by commercial and residential immovable property and repossessed real estate collateral, including information on the energy efficiency level of the collateral measured in terms of kWh/m^2 energy consumption and label of the energy performance certificate (EPC). The presentation is broken down according to the geographical area in which the collateralised property is located (EU and non-EU area).
Where the energy efficiency level in terms of kWh/m²/year is an estimated figure, this is stated in the row concerned. For the estimate, the Bank has adopted techniques used in the calculation of the transition risk impacts for the ICAAP, which draw on the mapping designed on the data from the real estate market concerned, as well as machine learning techniques based on algorithms trained with the information characterising the Bank's real estate collateral.

Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral (Template 2 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

Counterparty sector	Total gross carrying amount						
		Level of energy efficiency (EP[1] score in kWh/m² of collateral)					
		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500
Total EU area	**170,419**	**42,691**	**56,328**	**26,273**	**20,270**	**1,244**	**7,798**
Of which Loans collateralised by commercial immovable property	34,464	2,125	6,052	3,034	16,754	388	1,371
Of which Loans collateralised by residential immovable property	135,598	40,562	50,213	23,023	3,515	855	6,424
Of which Collateral obtained by taking possession: residential and commercial immovable properties	357	4	63	216	1	1	3
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	116,468	28,907	43,469	19,348	17,538	273	6,933
Total non-EU area	**2,540**	**37**	**-**	**1,117**	**22**	**-**	**47**
Of which Loans collateralised by commercial immovable property	821	15	-	126	22	-	47
Of which Loans collateralised by residential immovable property	1,699	22	-	990	-	-	-
Of which Collateral obtained by taking possession: residential and commercial immovable properties	20	-	-	1	-	-	-
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	1,222	37	-	1,116	22	-	47

Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral (Template 2 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

Counterparty sector	Level of energy efficiency (EPC[2] label of collateral)							Without EPC[2] label of collateral	
	A	B	C	D	E	F	G		of which level of energy efficiency (EP[1] score in kWh/m² of collateral) estimated
Total EU area	**9,021**	**3,646**	**2,824**	**3,949**	**4,879**	**5,928**	**9,725**	**130,447**	**0.88**
Of which Loans collateralised by commercial immovable property	828	566	619	598	344	418	497	30,594	0.85
Of which Loans collateralised by residential immovable property	8,193	3,080	2,194	3,350	4,534	5,510	9,226	99,511	0.89
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	11	1	1	-	2	342	0.80
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated								116,468	1.00
Total non-EU area	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,540**	**0.48**
Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	821	0.26
Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	1,699	0.59
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	20	0.06
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated								1,222	1.00

(1) EP: Energy Performance
(2) EPC: Energy performance certificate

Template 4 shows the Banking Group's overall exposure to the world's most carbon-intensive counterparties as defined by the Climate Accountability Institute[63] (Top 20 CO2e 2018 Table).

The current disclosure does not include information on *environmentally sustainable exposures* in terms of climate change mitigation, or that enable mitigation, in accordance with Articles 10 and 16 of Regulation (EU) 2020/852, in line with the regulations that require their first disclosure as at the reporting date of 31 December 2023.

Banking book - Indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms (Template 4 Reg. 2021/637)

(millions of euro)

Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Weighted average maturity	Number of top 20 polluting firms included
1,135	0.193%	5.53	9

*For counterparties among the top 20 carbon emitting companies in the world.

Template 5 provides information on exposures in the banking book, including loans and advances, debt securities and equity instruments not held for trading and not held for sale, towards non-financial corporations, on loans collateralised by immovable property and on repossessed real estate collateral, exposed to chronic and acute climate-related hazards, with a breakdown by sector of economic activity (NACE classification) and by geography of location of the activity of the counterparty or of the collateral, for those sectors and geographical areas subject to climate change acute and chronic events.

Sensitive exposures are shown separately:
- for the impact from chronic events only, including hazards relating to gradual changes in weather and climate and having a possible impact on economic output and productivity;
- for the impact from acute events only, including hazards that may cause sudden damage to properties, disruption of supply chains, and depreciation of assets;
- for both of the above impacts.

For the identification of exposures subject to climate change physical risk, the Bank has used an external provider that, through a dedicated engine, has provided mapping and measurement of the physical risks at individual real estate asset level through:
- geographical location of offices and production sites for companies and of the building for properties provided as collateral;
- calculation of the risk maps using long-term climate scenarios (NGFS for this purpose) and subsequent allocation of the climatological forecasts to high granularity grids with the calculation of hazard-specific indicators;
- mapping of the risk by calculating a high granularity Synthetic Physical Risk Indicator (SPRI) for each location, subsequently allocating it to the exposure and identifying the associated level of risk.

The physical risk events considered differ according to the business sectors of the companies and the loans collateralised by immovable property based on the specific characteristics of each type of exposure.
In particular, a wide range of acute and chronic risks have been considered, as listed in the table:

TYPE OF PHYSICAL RISK	RISK EVENT
ACUTE	FOREST FIRES
	INTENSE RAINFALL
	LANDSLIDE
	COLD SPELL
	HEAT WAVE
	DROUGHT
	WIND BLAST
	FLOODING
CHRONIC	TEMPERATURE VARIATION
	CHANGING IN WIND PATTERNS
	CHANGE IN RAINFALL PATTERNS
	RAINFALL VARIABILITY
	WATER STRESS
	HEAT STRESS
	TEMPERATURE VARIABILITY
	SEA LEVEL RISE

63 https://climateaccountability.org/carbonmajors.html.

The NGFS scenarios underlying the analysis represent common practice for climate stress tests. The typical trajectories considered are:

- Orderly Transition: assumes that climate policies will be introduced soon and gradually become more stringent. The physical and transition risks are relatively low;
- Disorderly Transition: considers a higher transition risk due to delayed or divergent policies across countries and sectors;
- Hot House World (HHW) ("Current Policies"): assumes that some climate policies are being implemented in some jurisdictions, but that global efforts are insufficient to stop significant global warming.

For the purposes of compiling Template 5, the Bank has prudently chosen to use the "Current Policies" scenario (RCP 6.0) provided by NGFS as the baseline scenario, as it assumes that current policies are not subject to any changes by regulators, resulting in very high physical risks.

The mapping of climate-related risk events, in a given geo-referenced location of the exposure, enables the identification of ranges of probability of occurrence of the damaging event, allowing qualitative indicators (e.g. LOW, MEDIUM, HIGH, VERY HIGH) to be associated with each specific event. This is used to design the above-mentioned Synthetic Physical Risk Indicator (SPRI) on the counterparty/property, which has been conservatively set as the worst level assigned to the events considered.
Following the assignment of the SPRI, the decision whether or not an exposure is subject to physical risk weather events is based on two criteria: maturity and evolution of the severity of the physical risk indicator, estimated by aggregating the individual risk events (Overall SPRI).

In order to provide a prioritised view of the Bank's areas of greatest exposure, the disclosure as at 31 December 2022 is limited to the Bank's Italy portfolio and its main European subsidiaries in Croatia, Slovakia, Serbia and Hungary (VUB, BIB, PBZ and CIB). Further developments are underway, in line with the overall evolution of the Bank's ESG risk management framework.

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Italy (Table 1 of 2)*

(millions of euro)

Geographical area: Italy	Gross carrying amount	of which exposures sensitive to impact from climate change physical events – Breakdown by maturity bucket: <= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
A - Agriculture, forestry and fishing	3,249	380	179	82	26	5.95
B - Mining and quarrying	603	275	140	4	-	2.89
C - Manufacturing	50,373	11,268	1,732	358	12	3.00
D - Electricity, gas, steam and air conditioning supply	8,077	1,320	445	110	13	3.71
E - Water supply; sewerage, waste management and remediation activities	2,001	222	78	18	14	5.09
F - Construction	13,373	1,935	483	309	125	5.33
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	26,066	3,203	706	69	7	2.91
H - Transportation and storage	12,127	1,676	527	71	6	3.86
L - Real estate activities	14,603	491	320	156	6	6.17
Loans collateralised by residential immovable property	123,341	848	2,059	7,610	7,000	18.96
Loans collateralised by commercial immovable property	32,218	1,280	1,152	1,275	104	8.58
Repossessed collaterals	333					
Other relevant sectors	21,807	2,513	838	530	18	4.81

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Italy (Table 2 of 2)*

(millions of euro)

Geographical area: Italy	Gross carrying amount – of which exposures sensitive to impact from climate change physical events: of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	of which Stage 2 exposures	of which non-performing exposures
A - Agriculture, forestry and fishing	535	103	29	93	39	30	3	25
B - Mining and quarrying	19	52	348	4	-	-	-	-
C - Manufacturing	3,993	6,098	3,279	538	119	70	7	53
D - Electricity, gas, steam and air conditioning supply	695	691	502	190	7	6	4	2
E - Water supply; sewerage, waste management and remediation activities	215	92	25	41	2	3	2	1
F - Construction	1,477	1,043	332	436	267	158	13	139
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,416	1,965	604	358	69	53	9	40
H - Transportation and storage	1,268	468	544	180	26	21	5	13
L - Real estate activities	421	491	61	183	74	46	7	37
Loans collateralised by residential immovable property	-	17,517	-	915	197	112	44	57
Loans collateralised by commercial immovable property	-	3,811	-	770	275	168	51	106
Repossessed collaterals	-	64	-			16		
Other relevant sectors	1,575	1,888	436	1,309	171	124	31	88

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary) (Table 1 of 2)*

(millions of euro)

Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary)	Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events				
		Breakdown by maturity bucket				
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
A - Agriculture, forestry and fishing	629	12	-	-	-	1.98
B - Mining and quarrying	165	-	-	-	-	-
C - Manufacturing	2,254	68	3	-	8	3.65
D - Electricity, gas, steam and air conditioning supply	1,746	60	39	-	-	1.71
E - Water supply; sewerage, waste management and remediation activities	109	-	-	-	-	2.03
F - Construction	870	9	-	37	-	3.06
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,636	17	23	-	16	7.23
H - Transportation and storage	887	208	115	38	9	4.90
L - Real estate activities	1,001	86	3	-	-	4.31
Loans collateralised by residential immovable property	12,692	26	54	250	656	19.65
Loans collateralised by commercial immovable property	2,534	55	110	6	1	5.19
Repossessed collaterals	6					
Other relevant sectors	2,448	210	15	1	22	5.36

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary) (Table 2 of 2)*

(millions of euro)

Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary)	Gross carrying amount							
	of which exposures sensitive to impact from climate change physical events							
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
							of which Stage 2 exposures	of which non-performing exposures
A - Agriculture, forestry and fishing	3	9	-	-	1	1	-	1
B - Mining and quarrying	-	-	-	-	-	-	-	-
C - Manufacturing	2	76	1	7	-	-	-	-
D - Electricity, gas, steam and air conditioning supply	-	99	-	-	-	-	-	-
E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-
F - Construction	3	43	-	6	-	-	-	-
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	-	55	1	-	-	-	-	-
H - Transportation and storage	39	152	179	111	-	3	3	-
L - Real estate activities	-	89	-	8	-	2	2	-
Loans collateralised by residential immovable property	-	986	-	46	19	13	4	9
Loans collateralised by commercial immovable property	-	172	-	15	2	2	1	1
Repossessed collaterals	-	-	-			-		
Other relevant sectors	1	151	96	15	-	3	3	-

Other climate change mitigating actions that are not covered by the EU Taxonomy (Regulation (EU) 2020/852) (Template 10 Reg. 2021/637)

The purpose of Template 10 is to report exposures to customers that are aimed at supporting climate change adaptation and mitigation objectives but are not in line with the European Taxonomy standard (i.e. are not covered by the GAR and BTAR metrics, which will apply from December 2023 and December 2024 respectively).

While awaiting the finalisation of specific internal rules for the application of the Taxonomy (Regulation (EU) 2020/852), the Group has identified the Green Bond transactions subject to disclosure in Template 10 using information from info-providers and the Green Loan transactions on the basis of the rules set out in the Group's internal regulations for the classification of sustainable credit products and transactions. Specifically, the Template includes the bonds issued by counterparties classified as Financial and Non-Financial corporations, as well as the residual category of "Other counterparties" (mainly public entities), with the purpose of mainly financing investments in renewable energy and energy efficiency projects, the purchase and construction of environmentally sustainable immovable property, as well as investments aimed at financing sustainable water and wastewater management and protecting natural living resources and the use of land. With regard to the reported loan component, these mostly include loans for investments in the circular economy and renewable energy (with specific reference to Financial, Non-Financial and Other counterparties), and for the purchase of environmentally sustainable housing (with specific reference to Households counterparties).

The financial instruments included in the template – bonds and loans – contribute to the mitigation of the physical and transition risks from climate change. The identification of these risks is based on the ECB's "Guide on climate-related and environmental risks - Supervisory expectations relating to risk management and disclosure" in which physical risk is attributed to climate change and environmental degradation in terms of air, water and land pollution, and biodiversity loss and deforestation, while transition risk is attributed to the process of change towards a low-carbon and more environmentally sustainable economy, as well as the findings of the "EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms" EBA/REP/2021/18 which sets out the categories of physical and transition risk factors.

(millions of euro)

Type of financial instrument	Type of counterparty	Gross carrying amount	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	418	Yes	Yes	This mainly includes Bonds issued with the aim of financing: Renewable energy projects, Green building constructions and Sustainable water and wastewater management projects
	Non-financial corporations	471	Yes	Yes	This mainly includes Bonds issued with the aim of financing: Renewable energy, Energy efficiency projects as well as the prevention of living natural resouces and land use
	Of which Loans collateralised by commercial immovable property	-	-	-	-
	Other counterparties	257	Yes	Yes	This mainly includes Bonds issued with the aim of financing: Energy efficiency projects, the prevention of living natural resouces and land use and Sustainable water and wastewater management initiatives
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	625	Yes	No	This mainly includes loans financing circular economy initiatives
	Non-financial corporations	4,815	Yes	No	This mainly includes loans financing circular economy initiatives as well as renewable energy projects
	Of which Loans collateralised by commercial immovable property	424	Yes	No	
	Households	5,872	Yes	No	This mainly includes loans financing energy efficient property purchasing
	Of which Loans collateralised by residential immovable property	5,312	Yes	No	
	Of which building renovation loans	447	Yes	Yes	
	Other counterparties	39	Yes	No	This mainly includes loans financing circular economy initiatives

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

The Manager responsible for preparing the Company’s financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document, “Basel 3 – Pillar 3 Disclosure as at 31 December 2022” corresponds to the document results, books and accounting records.

Milano, 16 March 2023

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

Certification compliant with Article 431 (3) of the CRR (Regulation (EU) 575/2013, as amended) on the disclosure obligations pursuant to Part 8 of the CRR

The undersigned Carlo Messina, in his role as Managing Director and CEO of Intesa Sanpaolo

CERTIFIES

that, in compliance with the provisions of Article 431 (3) of the CRR (Regulation (EU) 575/2013, as amended) on the disclosure obligations pursuant to Part 8 of the CRR, the information provided under Part 8 has been drawn up in compliance with the formal policy and the internal processes, systems and controls agreed at the level of the management body.

Milano, 16 March 2023

Carlo Messina
Managing Director and CEO

Independent Auditors' Report on Basel 3 Pillar 3

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Independent auditor's report on the Basel 3 Pillar 3 disclosure as at 31 December 2022

(Translation from the original Italian text)

To the Board of Directors of
Intesa Sanpaolo S.p.A.

We have been engaged to perform a limited assurance engagement on the accompanying Basel 3 Pillar 3 - Disclosure as at 31 December 2022 of the Intesa Sanpaolo Group (the "Pillar 3 disclosure") prepared in accordance with the provisions of part VIII of Regulation (EU) no. 575 of 26 June 2013.

Management's responsibility

Management of Intesa Sanpaolo S.p.A. (the "Bank") is responsible for the preparation of the Pillar 3 disclosure in accordance with the provisions of part VIII of Regulation (EU) no. 575 of 26 June 2013, as modified by Regulation (EU) no. 876 of 20 May 2019 and in accordance with the Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent amendments.

Management is also responsible for such internal controls as it determines is necessary to enable the preparation of a Pillar 3 disclosure that is free from material misstatement, whether due to fraud or error.

Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 ("ISQC Italia 1") and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditors' responsibility

Our responsibility is to express a conclusion on the Pillar 3 disclosure based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with the provisions of the standard "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised") issued by the International Auditing and Assurance Standards Board ("IAASB"). This standard requires that we plan and perform our procedures to obtain limited assurance whether the Pillar 3 disclosure is free from material misstatement.

The procedures we performed were based on our professional judgment and include inquiries, primarily of the Bank's personnel responsible for the preparation of the Pillar 3 disclosure, documental analyses, recalculations, reconciliations and other evidence gathering procedures.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Specifically, we carried out the following procedures:

- comparing the financial information presented in the Pillar 3 disclosure to those included in the Group's consolidated financial statements as at and for the year ended 31 December 2022, on which we issued our report dated 23 March 2023 pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014;
- interviews and discussions with Bank's management to gather information on the accounting, reporting and technology systems used in preparing the Pillar 3 disclosure and on the processes and internal control procedures used to gather, combine, process and transfer data and information to the manager in charge of financial reporting for the preparation of the Pillar 3 disclosure;
- sample-based analyses of documentation supporting the preparation of the Pillar 3 disclosure to obtain evidence of the processes put in place to prepare the data and information presented therein;
- reading correspondence with the European Central Bank in relation to the authorization process for use of internal models to calculate regulatory capital requirements;
- reading the reports issued by the internal audit department and obtaining the observations of the internal validation department on the management systems and internal control processes relevant for the preparation of the data and information presented in the Pillar 3 disclosure;
- obtaining the representation letter on the compliance of the Pillar 3 disclosure with part VIII of Regulation (EU) no. 575 of 26 June 2013, as modified by Regulation (EU) no. 876 of 20 May 2019 and on the compliance with the Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent amendments, as well as on the reliability and completeness of the information and data contained therein.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE 3000 revised and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Conclusion

Based on the procedures we have performed, nothing has come to our attention that causes us to believe that the Pillar 3 disclosure of the Intesa Sanpaolo Group as at 31 December 2022 has not been prepared, in all material respects, in accordance with part VIII of Regulation (EU) no. 575 of 26 June 2013, as modified by Regulation (EU) no. 876 of 20 May 2019, and in accordance with the Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent amendments.

Other matters

This report has been prepared solely for the purposes described in the first paragraph and, accordingly, it may not be suitable for other purposes.

Milan, 23 March 2023

EY S.p.A.
Signed by: Matteo Caccialanza, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachment 1

Own Funds: Main features of regulatory own funds instruments (EU CCA Reg. 2021/637)

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000072618
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art. 28 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	38,422
9	Nominal amount of instrument (million)	N/A
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	N/A
EU 9a	Issue price	N/A
EU 9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAU14
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	871
9	Nominal amount of instrument (million)	1,000 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	887
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	17/09/2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	17/09/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 17/09/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7.70% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1548475968
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,241
9	Nominal amount of instrument (million)	1,250 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,250
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	11/01/2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	11/01/2027
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 11/01/2027
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1614415542
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	743
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16/05/2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	16/05/2024
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting thereafter 16/05/2024
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.25% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Reyl & Cie SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CH0450495376
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Swiss law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	10
9	Nominal amount of instrument (million)	12 CHF
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	10.6
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/11/2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/11/2023
16	Subsequent call dates, if applicable	Early redemption exercisable starting from 30/11/2023 or on each anniversary date of the First Redemption Date. Moreover, the Issuer shall be entitled to cancel the outstanding Tier 1 Note if, subject to FINMA's written approval, it no longer qualifies as Additional Tier 1 Capital, in part or in full, including following a regulatory change.
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.75% payable annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity, junior to unsubordinated debts
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Reyl & Cie SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CH0511381185
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Swiss law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	13
9	Nominal amount of instrument (million)	15 CHF
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	13.6
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/11/2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/11/2024
16	Subsequent call dates, if applicable	Early redemption exercisable starting from 30/11/2024 or on each anniversary date of the First Redemption Date. Moreover, the Issuer shall be entitled to cancel the outstanding Tier 1 Note if, subject to FINMA's written approval, it no longer qualifies as Additional Tier 1 Capital, in part or in full, including following a regulatory change.
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.75% payable annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity, junior to unsubordinated debts
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2105110329
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	377
9	Nominal amount of instrument (million)	400 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	400
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	20/01/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	20/01/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 20/01/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of UBI Banca is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of UBI Banca returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://archivio.ubibanca.it/pagine/AT1-Documentazione.aspx

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2124979753
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	27/02/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Sì
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2124980256
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	27/02/2030
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2030
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.125% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2223762381
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	742
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/03/2028
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 1/03/2028 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.5% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2223761813
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	736
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/09/2031
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 1/9/2031 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2463450408
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	984
9	Nominal amount of instrument (million)	1,000 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30/03/2022
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/09/2028
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 30/09/2028 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.375% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0971213201
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	205
9	Nominal amount of instrument (million)	1,446 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,446
EU 9a	Issue price	99
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	13/09/2013
12	Perpetual or dated	Dated
13	Original maturity date	13/09/2023
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.625%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAT41
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	540
9	Nominal amount of instrument (million)	2,000 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,466
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	26/06/2014
12	Perpetual or dated	Dated
13	Original maturity date	26/06/2024
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.017%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1109765005
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	701
9	Nominal amount of instrument (million)	1,000 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/09/2014
12	Perpetual or dated	Dated
13	Original maturity date	15/09/2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.928%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1222597905
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 486 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	221
9	Nominal amount of instrument (million)	500 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	23/04/2015
12	Perpetual or dated	Dated
13	Original maturity date	23/04/2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.855%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAW79
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	820
9	Nominal amount of instrument (million)	1,500 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,377
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/01/2016
12	Perpetual or dated	Dated
13	Original maturity date	15/01/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.71% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005279887
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	251
9	Nominal amount of instrument (million)	724 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	724
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	26/09/2017
12	Perpetual or dated	Dated
13	Original maturity date	26/09/2024
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	(3m EURIBOR + 1.90%) / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1958656552
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	521
9	Nominal amount of instrument (million)	500 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	04/03/2019
12	Perpetual or dated	Dated
13	Original maturity date	04/03/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	04/03/2024
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 5.875% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2026295126
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	300
9	Nominal amount of instrument (million)	300 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	300
EU 9a	Issue price	99.613
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	12/07/2019
12	Perpetual or dated	Dated
13	Original maturity date	12/07/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	12/07/2024
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 4.375% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005390833
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	110
9	Nominal amount of instrument (million)	160 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	160
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	11/12/2019
12	Perpetual or dated	Dated
13	Original maturity date	11/12/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.98% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's nonsubordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005390825
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	139
9	Nominal amount of instrument (million)	188 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	188
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	11/12/2019
12	Perpetual or dated	Dated
13	Original maturity date	11/12/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 206 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's nonsubordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2185883100
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	296
9	Nominal amount of instrument (million)	350 GBP
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	393
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	10/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	10/06/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.148% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005412264
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	237
9	Nominal amount of instrument (million)	309 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	309
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005412256
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	482
9	Nominal amount of instrument (million)	591 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	591
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 405 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2243298069
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	413
9	Nominal amount of instrument (million)	500 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	14/10/2020
12	Perpetual or dated	Dated
13	Original maturity date	14/10/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 2.925%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer’s non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer’s financial instruments having the same subordination level and with the Issuer’s creditors having the same subordination level; iii) in any case, before the Issuer’s shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HBQ92
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	589
9	Nominal amount of instrument (million)	750 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	614
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/06/2021
12	Perpetual or dated	Dated
13	Original maturity date	01/06/2032
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/06/2031
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.198% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HBS58
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	558
9	Nominal amount of instrument (million)	750 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	614
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/06/2021
12	Perpetual or dated	Dated
13	Original maturity date	01/06/2042
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/06/2041
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.950% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005495244
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	833
9	Nominal amount of instrument (million)	861.8 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	861.8
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	16/06/2022
12	Perpetual or dated	Dated
13	Original maturity date	16/06/2032
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	Regulatory call
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 345 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2534883363
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	432
9	Nominal amount of instrument (million)	400 GBP
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	459
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	20/09/2022
12	Perpetual or dated	Dated
13	Original maturity date	20/09/2032
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Regulatory call
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	8.505% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005508707
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	660
9	Nominal amount of instrument (million)	677,4 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	677.4
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	14/10/2022
12	Perpetual or dated	Dated
13	Original maturity date	14/10/2032
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	Regulatory call
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 415 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

Attachment 2

Own funds: Composition of regulatory own funds (EU CC1 Reg. 2021/637)

(millions of euro)

		31.12.2022	31.12.2021	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Reference article of Regulation (EU) 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	38,422	37,370	9, 10	26, paragraph 1, 27, 28, 29
	of which: instrument type 1	38,422	37,370	9, 10	EBA list as per article 26 (3)
	of which: instrument type 2	-	-		EBA list as per article 26 (3)
	of which: instrument type 3	-	-		EBA list as per article 26 (3)
2	Retained earnings	19,041	20,927	8	26, paragraph 2(c)
3	Accumulated other comprehensive income (and other reserves)	-5,900	-3,499	6, 8	26, paragraph 1, 27, 28, 29
EU3a	Funds for general banking risk	-	-		26, paragraph 1(f)
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-		486, paragraph 2
5	Minority interests (amount allowed in consolidated CET1)	-	3	12.1	84
EU5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,189	1,154	13	26, paragraph 2
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**52,752**	**55,955**		**Sum of rows from 1 to 5a**
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-201	-235	15	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-8,201	-7,755	1.1, 2, 5.2.1	36, paragraph 1(b), 37
9	Not applicable				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-2,154	-1,914	3, 3.1	36, paragraph 1(c), 38
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	365	602	6, 6.3	33, paragraph 1(a)
12	Negative amounts resulting from the calculation of expected loss amounts	-240	-318	17	36, paragraph 1(d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	-		32, paragraph 1
14	Gains or losses on liabilities measured at fair value resulting from changes in own credit standing	71	77	14	33, paragraph 1(b)
15	Defined-benefit pension fund assets (negative amount)	-	-		36, paragraph 1(e), 41
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-1,869	-266	11	36, paragraph 1(f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		36, paragraph 1(g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	1	36(1)(h), 43, 45, 46, 49 (2 and 3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	1	36(1)(i), 43, 45, 47, 48(1)(b), 49 (1,2 and 3), 79
20	Not applicable				
EU20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-62	-155	16	36, paragraph 1(k)
EU20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-		36, paragraph 1(k)(i), 89, 90, 91
EU20c	of which: securitisation positions (negative amount)	-62	-155	16	36, paragraph 1(k)(ii), 244 (1)(b), 245 (1)(b), 253
EU20d	of which: free deliveries (negative amount)	-	-		36, paragraph 1(k)(iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-		36, paragraph 1(c), 38, 48 (1)(a)
22	Amount exceeding the 17.65% threshold (negative amount)	-	-		48, paragraph 1
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-		36(1)(i), 48(1)(b)
24	Not applicable				
25	of which: deferred tax assets arising from temporary differences	-	-		36, paragraph 1(c), 38, 48 (1)(a)
EU25a	Losses for the current financial year (negative amount)	-	-		36, paragraph 1(a)
EU25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-242	21	36, paragraph 1(l)
26	Not applicable				
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-		36, paragraph 1(j)
27a	Other regulatory adjustments	311	1,498	8.1, 19, 21	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-11,980**	**-8,708**		**Sum of rows from 7 to 20a, 21, 22 and from 25a to 27a**
29	**Common Equity Tier 1 (CET1) capital**	**40,772**	**47,247**		**Row 6 less row 28**

(millions of euro)

			31.12.2022	31.12.2021	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Reference article of Regulation (EU) 575/2013
Additional Tier 1 (AT1) capital: instruments						
30		Capital instruments and the related share premium accounts	7,307	6,307	7	51, 52
	31	of which: classified as equity under applicable accounting standards	7,307	6,307	7	
	32	of which: classified as liabilities under applicable accounting standards	-	-		
33		Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-		486, paragraph 3
EU33a		Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-		494a, paragraph 1
EU33b		Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-		494b, paragraph 1
34		Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	1	12.2	85, 86
	35	of which: instruments issued by subsidiaries subject to phase out	-	-		486, paragraph 3
36		**Additional Tier 1 (AT1) capital before regulatory adjustments**	**7,307**	**6,308**		**Sum of rows 30, 33, 33a, 33b and 34**
Additional Tier 1 (AT1) capital: regulatory adjustments						
37		Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-100	-44	7	52, paragraph 1(b), 56 (a), 57
38		Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		56 (b), 58
39		Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-		56 (c), 59, 60, 79
40		Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-		56 (d), 59, 79
41		Not applicable				
42		Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-		56 (e)
42a		Other regulatory adjustments to AT1 capital	-	-		
43		**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-100**	**-44**		**Sum of rows from 37 to 42a**
44		**Additional Tier 1 (AT1) capital**	**7,207**	**6,264**		**Row 36 less row 43**
45		**Tier 1 capital (T1 = CET1 + AT1)**	**47,979**	**53,511**		**Sum of rows 29 and 44**
Tier 2 (T2) capital: instruments						
46		Capital instruments and the related share premium accounts	8,474	9,336	4, 4.2	62, 63
47		Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2	-	-		486, paragraph 4
EU47a		Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-		494a, paragraph 2
EU47b		Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-		494b, paragraph 2
48		Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	1	12.3	87, 88
	49	of which: instruments issued by subsidiaries subject to phase out	-	-		486, paragraph 4
50		Credit risk adjustments	820	916	18	62 (c)(d) and Art. 473a Reg. 2395/2017 (7)(c)
51		**Tier 2 (T2) capital before regulatory adjustments**	**9,294**	**10,253**		
Tier 2 (T2) capital: regulatory adjustments						
52		Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-166	-173	4, 4.2	63 (b)(i), 66 (a), 67
53		Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		66 (b), 68
54		Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-		66 (c), 69, 70, 79
54a		Not applicable				
55		Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-223	20	66 (d), 69, 79
56		Not applicable				
EU56a		Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-		66 (e)
EU56b		Other regulatory adjustments to T2 capital	-747	-916		
57		**Total regulatory adjustments to Tier 2 (T2) capital**	**-913**	**-1,312**		**Sum of rows from 52 to 56b**
58		**Tier 2 (T2) capital**	**8,381**	**8,941**		**Row 51 less row 57**
59		**Total capital (TC = T1 + T2)**	**56,360**	**62,452**		**Sum of rows 45 and 58**
60		**Total Risk exposure amount**	**295,443**	**326,903**		

(millions of euro)

		31.12.2022	31.12.2021	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Reference article of Regulation (EU) 575/2013
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	13.80%	14.45%		92, paragraph 2(a)
62	Tier 1 capital (as a percentage of the risk exposure amount)	16.24%	16.37%		92, paragraph 2(b)
63	Total capital (as a percentage of the risk exposure amount)	19.08%	19.10%		92, paragraph 2(c)
64	Institution CET1 overall capital requirements	8.84%	8.63%		CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	2.50%		
66	of which: countercyclical buffer requirement	0.08%	0.04%		
67	of which: systemic risk buffer requirement	-	-		
EU67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.75%	0.75%		
EU67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.01%	0.84%		
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (a)	8.29%	9.11%		CRD 128
National minima (if different from Basel III)					
69	Not applicable		-		
70	Not applicable				
71	Not applicable				
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,335	2,364		36(1)(h), 46, 45, 56 (c) 59, 60; 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	989	1,294		36, paragraph 1(i), 45, 48
74	Not applicable				
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	3,308	2,820		36, paragraph 1(c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	928	1,859		62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	820	916		62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-		484 (3), 486 (2 and 5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-		484 (3), 486 (2 and 5)
82	Current cap on AT1 instruments subject to phase-out arrangements	-	615		484 (4), 486 (3 and 5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-		484 (4), 486 (3 and 5)
84	Current cap on T2 instruments subject to phase-out arrangements	-	1,418		484 (5), 486 (4 and 5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-		484 (5), 486 (4 and 5)

(a) The minimum capital requirements considered in the calculation are the CET1 ratio (4.5%, Article 92(1)(a) CRR) and the additional SREP requirement for CET1 (Article 104a CRD).

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
– Senior/Supersenior Tranche: the tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it is rated AAA.
– Mezzanine Tranche: the tranche with intermediate subordination level between junior and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are typically distinguished by lower ratings than for senior securities.

– Junior Tranche: the riskiest portion of the portfolio, it is also known as “first loss” and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.

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

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

Synthetic securitisations
“Synthetic securitisations” are different from traditional securitisations because, under the latter, the loans are physically transferred to the vehicle company and derecognised from the originator’s financial statements, but in the former, the risk on the loans is simply transferred, through derivative contracts on loans or guarantees, and the loans remain in the originator’s financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cybersecurity
A condition in which cyberspace is protected by appropriate physical, logical and procedural security measures, against events of a voluntary or accidental nature, consisting of the improper acquisition or transfer of data, unlawful modification or destruction of such data, or the blocking of information systems. Cybersecurity measures include: security audits, management of security updates (patches), authentication procedures, access management, IT risk analysis, identification and response to cyber incidents and attacks, impact mitigation, recovery of components subject to attack, training and preparation of personnel, and verification and enhancement of the physical security of the premises where information and communications system are located.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ERP (equity risk premium)
Risk premium requested by investors on the market of reference, i.e. the expected return in excess of risk-free assets. To test goodwill for impairment, ISP uses that calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2022) by New York University - Stern School of Business.

ESG
Acronym standing for “environmental, social and governance”, three not strictly economic and financial aspects that are increasingly considered in business management and financial investments.

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

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

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

Fair value
It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outsourcing
The transfer of business processes to external providers.

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

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

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

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

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

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

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

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

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

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

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk These evaluations cover, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be distributed.

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

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

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

Risk-free
Return on risk-free investments: within the Group, for the Italy CGU and countries of 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 – Regulatory Technical Standards
Regulatory technical standards issued by European supervisory authorities to complement or implement European Union legislation on aspects of a strictly technical nature.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trust
A trust is a legal institution of Anglo-Saxon origin whereby one party’s assets are separated to pursue specific interests for certain beneficiaries or to achieve a given purpose. The separated assets are managed by a person (trustee) or professional firm (trust company).

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

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

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

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

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

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

Expected life
This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank’s exposure to credit losses to the contractual 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 and exposure at default (see entry) until they occur.

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

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

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

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

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

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

Gallerie d’Italia - Milano hosts, in a building of great architectural importance, a significant selection of two hundred 19th century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on 20th century Italian art.

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

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

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

Cover:

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