



Basel 3 Pillar 3

Disclosure as at 30 June 2021

This is an English translation of the original Italian document "Terzo Pilastro di Basilea 3 Informativa al pubblico al 30 giugno 2021". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.

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

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

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

Basel 3 Pillar 3

Disclosure as at 30 June 2021

Contents

Introduction	7
Own Funds	15
Capital Requirements	27
Liquidity risk	39
Credit risk: credit quality	45
Credit risk: disclosures on portfolios subject to the standardised approach	55
Credit risk: disclosures on portfolios subject to IRB approaches	59
Credit Risk mitigation techniques	69
Counterparty risk	71
Securitisations	79
Market risks	85
Operational risk	95
Interest rate risk on positions not included in the trading book	97
Leverage ratio	103
Declaration of the Manager responsible for preparing the Company's financial reports	107
Attachment 1 Own funds: Main features of regulatory own funds instruments issued during the half year (EU CCA Reg. 2021/637)	109
Attachment 2 - Own funds: Composition of regulatory own funds (EU CC1 Reg. 2021/637)	113
Glossary	119
Contacts	137

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, Pillar 3 – which concerns public disclosure obligations on capital adequacy, risk exposure and the general characteristics of related management and control systems, with the aim of better regulating the market – was also reviewed. Amongst other things, the amendments introduced greater transparency requirements, more information on the composition of regulatory capital and the methods used by banks to calculate capital ratios.

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

- Regulation (EU) 575/2013 of 26 June 2013 (CRR) as amended, 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) 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 equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy, in particular with Circular 285 of 17 December 2013, 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 above Circular did not dictate specific rules for the preparation and disclosure of Pillar 3 reporting, but simply reports the list of provisions envisaged for that purpose by the CRR. Therefore, the issue is directly regulated by:

- CRR, Part Eight “Disclosure by Institutions” (Articles 431-455), as amended by Regulation (EU) 2019/876 (CRR II), applicable from 28 June 2021;
- European Commission Regulations, whose preparation may be delegated to the EBA (European Banking Authority), which draws up draft regulatory or implementing technical standards; of particular importance in this context are Regulation (EU) 2021/637 of 15 March 2021, applicable from 28 June 2021, which, as mandated by CRR II - Article 434a (“Uniform disclosure formats”), lays down “implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) 575/2013 and repealing Commission Implementing Regulation (EU) 1423/2013 (Disclosure of own funds requirements), Commission Delegated Regulation (EU) 2015/1555 (Disclosure of countercyclical buffer), Commission Implementing Regulation (EU) 2016/200 (Disclosure of leverage ratio) and Commission Delegated Regulation (EU) 2017/2295 (Disclosure of encumbered and unencumbered assets)”;
- 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.

The issue of disclosure, handled for the first time in 2004, and subsequently revised in 2006 in the “Basel Framework” document, was the subject of an initial revision by the Basel Committee through its standard “Revised Pillar 3 disclosure requirements”, published in January 2015. This document contains indications that the Supervisory Authorities should incorporate in the national regulations (in our case the EU) so that they come into force. At the end of March 2017, the Basel Committee published the standard “Pillar 3 disclosure requirements - consolidated and enhanced framework” which constitutes the second phase of the review of the regulatory framework concerning public disclosure, started with the abovementioned document issued in January 2015. This second review aims to further promote market regulations through the consolidation of all the requirements already introduced and the arrangement of a dashboard of a bank’s key prudential metrics to support the market in the analysis of the data and achieve greater comparability.

The third phase of the review process initiated by the Basel Committee on Banking Supervision (BCBS) was completed in December 2018 – following the public consultation launched in February and concluded in May of that year – with the publication of the final version of the document “Pillar 3 disclosure requirements - updated framework”. This document, in line with the previous revision phases and together with the revision of the leverage ratio disclosure requirements contained in the document “Revisions to leverage ratio disclosure requirements” published in June 2019, aims to establish a single reference framework for disclosure, with a view to harmonising the market rules. The new updated framework covers the following areas:

- i) revisions and additions to the Pillar 3 regulatory framework resulting from the completion of the reform of the Basel 3 regulatory framework in December 2017, with the introduction of changes to the disclosure requirements for credit risk,

operational risk, leverage ratio, credit valuation adjustment (CVA), the risk management summary models, the determination of risk-weighted assets (RWA), and the key prudential metrics;

- ii) new requirements on encumbered assets, with the introduction of a new disclosure requirement that obliges banks to provide disclosure on both encumbered and unencumbered assets;
- iii) new disclosure requirements on capital distribution restrictions to provide Pillar 3 users with additional information on the capital ratios that would give rise to capital distribution restrictions imposed by national regulators.

The new information introduced is intended to strengthen the disclosure requirement, with particular regard to the risk of coupon cancellation, and to provide greater support for investment decisions, price formation and market stability.

Further guidance on Pillar 3 was provided by the EBA in December 2014 with a specific document (EBA/GL/2014/14 – Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) 575/2013) regarding the guidance on materiality, proprietary and confidentiality and on the frequency of disclosure to be provided in Pillar 3.

In January 2018, the EBA issued the “Guidelines on uniform disclosures under Article 473a of Regulation (EU) 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds” (EBA/GL/2018/01) which establish 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 own funds, Common Equity Tier 1 Capital, Tier 1 Capital, CET1 ratio, Tier 1 ratio, Total ratio and fully loaded Leverage ratio, as if it had not adopted this transitional arrangement. As explained in the remainder of this introduction, these Guidelines were amended by the Guidelines EBA/GL/2020/12 as part of the measures introduced in the wake of the COVID-19 epidemic.

As mentioned above, following the publication in the Official Journal of the European Union on 7 June 2019 of Regulation (EU) 2019/876 – also known as CRR II (Capital Requirements Regulation) and 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, particularly with regard to Part Eight of the CRR. In line with the regulatory changes introduced by CRR II, and to streamline and standardise the periodic disclosure to be provided to the market, the EBA, in accordance with the mandate given to it by Article 434 bis “Uniform disclosure formats” of CRR II, has drawn up implementing technical standards (ITS 2020/04) as the single regulatory framework for disclosure, replacing the previous variety of regulatory sources. In addition, to facilitate the application of the disclosure requirements by institutions and strengthen their consistency and comparability, the EBA has made a mapping tool available to institutions, consisting of an Excel file that links most of the quantitative public disclosure templates with those in the prudential supervisory reports. This ITS was transposed in the above-mentioned Commission Implementing Regulation (EU) 2021/637 of 15 March 2021, published on 21 April 2021 and applicable from 28 June 2021. This Regulation, which repealed Implementing Regulation 1423/2013 (Disclosure of own funds requirements), Regulation 2015/1555 (Disclosure of countercyclical buffer), Regulation 2016/200 (Disclosure of leverage ratio) and Regulation 2017/2295 (Disclosure of encumbered and unencumbered assets) 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 CRR, in order to streamline the related treatment, by providing institutions with a comprehensive integrated uniform set of formats, templates and tables, able to ensure high quality disclosure and a consistent framework aligned to the international standards.

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 – currently not included in Regulation 2021/637 described above – 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) will also become applicable from June 2021. In this regard, on 28 May the EBA initiated a consultation for a period of three months (ending on 30 August) for the draft Implementing Technical Standards (ITS - “Draft Implementing Technical Standards amending the Implementing Regulation (EU) No 637/2021 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 of Regulation (EU) No 575/2013”) on the qualitative and quantitative disclosure to be published in accordance with that article, which will subsequently be submitted to the European Commission for adoption and ultimately incorporated into the above-mentioned Regulation 2021/637.

The Intesa Sanpaolo Group, from the reporting date of 30 June 2021, shall publish the disclosures required in line with the proposal in the EBA consultation document.

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, starts 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.

Also within the emergency scenario outlined 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 FVTOCI), 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 has opted not to use either the changes to the transitional regime for the application of IFRS 9 (Article 473a CRR) or the FVTOCI prudential filter (Article 468 CRR) for the purpose of calculating own funds as at 30 June 2021, in line with the approach adopted starting from 30 June 2020.

With regard to the situation resulting from the COVID-19 pandemic more generally, details of the specific guidance provided by the Authorities and the consequent choices made by the Group can be found in the 2020 Annual Report and the Half-yearly Report as at 30 June 2021.

* * * * *

In accordance with the abovementioned provisions, 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 (integrated by the proportional consolidation of the jointly controlled entities).

Compared to December 2020, the amendments made in the consolidation scope in the first half of 2021 concern the inclusion in the line-by-line scope of consolidation of:

- RB Partecipaciones S.A.;
- Reyl & CIE S.A.;
- Asteria Investment Managers S.A.;
- Cargeas Assicurazioni S.p.A.;
- Assicurazioni Vita S.p.A. (formerly Aviva Vita);
- Lombarda Vita S.p.A.;
- Exetra S.p.A.

The first three of these changes were also relevant for the scope of prudential consolidation.

Worth mentioning is also the exclusion from the line-by-line scope of consolidation in the first half of 2021 of UBI Banca S.p.A. (merged by incorporation into Intesa Sanpaolo since 12 April 2021) and the following companies, now consolidated with the equity method in relation to the poor materiality and significance of the investments held:

- UBI Finance CB 2;
- Morval Bank & Trust Cayman LTD;
- Intesa Sanpaolo ForValue;
- UBI Finance;
- ISP CB Ipotecario;
- ISP OBG;
- ISP CB Pubblico.

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 II, 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 II ("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. For more details, see the Group's Half-yearly Report as at 30 June 2021 and 2020 Annual Report.

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

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 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. Furthermore, as regards 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 Art. 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 and updated in 2020, as required by Art. 154-bis of the Consolidated Law on Finance, which has qualified by law the role of the Manager responsible for preparing the Company’s financial reports, assigning to this role specific responsibilities aimed at guaranteeing the presentation of a true and fair view of the information on balance sheet, income statement and financial position of the Group.

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: “Indicators of the assessment methodology to identify the global systemically important banks”).

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 II Part Eight and Regulation 2021/637.

In accordance with the above regulatory requirements, the quantitative information in table and text form that requires quarterly or half yearly disclosure has been published in the document as at 30 June 2021 for Own Funds, Capital Requirements, Liquidity Risk, Credit Risk (standardised approach, IRB models and mitigation techniques), Counterparty Risk, Market Risk, Operational Risk, Securitisations and Leverage Ratio.

CRR II Article	Pillar 3 Section Reference as at 30 June 2021	Frequency of publishing Pillar 3 disclosures
435 - Disclosure of the risk management objectives and policies	-	▪ Annual
436 - Disclosure of the scope of application	-	▪ Annual
437 – Disclosure of own funds	<ul style="list-style-type: none"> ▪ Own funds ▪ Attachment 1 - Own funds: Main features of regulatory own funds instruments issued during the half year (EU CCA Reg. 2021/637) ▪ Attachment 2 - Own funds: Composition of regulatory own funds (EU CC1 Reg. 2021/637) 	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Capital requirements ▪ Credit risk: disclosures on portfolios subject to IRB approaches 	▪ Quarterly (summary) / Annual (full)
439 - Disclosure of exposures to counterparty credit risk	▪ Counterparty risk	▪ Half-yearly (summary) / Annual (full)
440 - Disclosure of countercyclical capital buffers	▪ 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	▪ Credit risk: credit quality	▪ Half-yearly (summary) / Annual (full)
443 - Disclosure of encumbered and unencumbered assets	-	▪ Annual
444 - Disclosure of the use of the Standardised Approach	▪ Credit risk: disclosures on portfolios subject to the standardised approach	▪ Half-yearly (summary) / Annual (full)
445 - Disclosure of exposure to market risk	▪ Market risk	▪ Half-yearly
446 - Disclosure of operational risk management	▪ Operational risk	▪ Half-yearly (summary) / Annual (full)
447 - Disclosure of key metrics	▪ Capital requirements	▪ Quarterly
448 - Disclosure of exposures to interest rate risk on positions not held in the trading book	▪ Interest rate risk on positions not included in the trading book	▪ Half-yearly (summary) / Annual (full)
449 - Disclosure of exposures to securitisation positions	▪ Securitisations	▪ Half-yearly (summary) / Annual (full)
449a - Disclosure of environmental, social and governance risks (ESG risks)	-	N/A – Applicable from 2022
450 - Disclosure of remuneration policy	-	▪ Annual
451 - Disclosure of the leverage ratio	▪ Leverage ratio	▪ Quarterly (summary) / Annual (full)
451a - Disclosure of liquidity requirements	▪ Liquidity risk	▪ Quarterly (summary) / Annual (full)
452 - Disclosure of the use of the IRB Approach to credit risk	<ul style="list-style-type: none"> ▪ Credit risk: disclosures on portfolios subject to IRB approaches ▪ Counterparty risk 	▪ Half-yearly (summary) / Annual (full)
453 - Disclosure of the use of credit risk mitigation techniques	<ul style="list-style-type: none"> ▪ Credit risk: disclosures on portfolios subject to the standardised approach ▪ Credit risk: disclosures on portfolios subject to IRB approaches ▪ Credit risk: mitigation techniques 	▪ Half-yearly (summary) / Annual (full)
454 - Disclosure of the use of the Advanced Measurement Approaches to operational risk	▪ Operational risk	▪ Half-yearly (summary) / Annual (full)
455 - Use of Internal Market Risk Models	▪ Market risks	▪ Quarterly (summary) / Annual (full)

Reference to the requirements of Regulation 2021/637, 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 the new Regulation 2021/637 applicable from June 2021 containing the implementing technical standards for the publication by institutions of the information required by Part Eight CRR II, 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)		
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	Quarterly		Section 5 – Liquidity Risk
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		
EU CR1	Performing and non-performing exposures and related impairment and provisions	Half-yearly	Section 7 – Credit risk: Credit quality	
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	
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Half-yearly	Section 8 – Credit risk: Disclosures on portfolios subject to the standardised approach
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	
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	Section 9 – Credit risk: Disclosures on portfolios subject to IRB approaches
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 – 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	
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	Section 11 – Counterparty risk
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	
EU SEC1	Securitisation exposures in the non-trading book	Half-yearly	
EU SEC2	Securitisation exposures in the trading book	Half-yearly	Section 12 – Securitisations
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	
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	Section 13 – Market risk
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	

Basel 3 Pillar 3 - Introduction

EU AE1	Encumbered and unencumbered assets	Annual	
EU AE2	Collateral received and own debt securities issued	Annual	Section 17 – Encumbered and unencumbered assets
EU AE3	Sources of encumbrance	Annual	
EU AE4	Accompanying narrative information	Annual	
EU LRA	Disclosure of LR qualitative information	Half-yearly	
EU LR2	LRCOM – Leverage ratio common disclosure	Half-yearly	Section 18 - Leverage ratio
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	
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	Section 19 – Remuneration policy
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	
EU CCA	Main features of regulatory own funds instruments	Quarterly (instruments issued in the period)	Attachment 1
EU CC1	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 30 June 2021 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".

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 (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 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) 2017/2395¹ 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;
- 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.

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;

¹ As already mentioned in the Introduction of this document, this Regulation has been amended by Regulation (EU) 2020/873.

- 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 clients and the present value of the minimum amount that the institution has committed as a guarantee for those clients (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 class 2 instruments with a residual duration of less than five years (being amortised) is determined based on the carrying amount instead of the nominal value.

The transitional period for the introduction of the “Basel 3” regulatory framework, which provided for the partial inclusion within or deduction from Own Funds of certain items to enable a gradual impact of the new regulatory requirements, in accordance with the provisions of Directive 2013/36/EU (CRD IV) and the CRR, ended in 2017, and the exemption period established by Regulation (EU) 575/2013 (CRR), regarding the amendments to be applied to IAS 19, also ended in 2018. In addition, as at 30 June 2021, the Intesa Sanpaolo Group no longer held any subordinated instruments subject to specific transitional rules (i.e. grandfathering, which would have ended in 2021) aimed at the gradual exclusion from own funds of instruments that do not meet the requirements of the new rules.

The transitional period (2018-2022), also 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 EU Regulation 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 Group may also elect to change this approach once only, 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. As at 30 June 2021, the Intesa Sanpaolo Group 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 FVTOCI category, both introduced by the European Commission in Regulation 2020/873 of 24 June 2020 (quick fix).

Lastly, for the purposes of calculating capital ratios as at 30 June 2021, the Intesa Sanpaolo Group applied Commission Delegated Regulation (EU) 2020/2176, which entered into force on 23 December 2020 and which 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.

Quantitative disclosure

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 30 June 2021 is summarised in the table below.

	(millions of euro)	
	30.06.2021	31.12.2020
A. Common Equity Tier 1 (CET1) before the application of prudential filters	57,832	57,717
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	506	706
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	58,338	58,423
D. Items to be deducted from CET1	-10,864	-9,482
E. Transitional period - Impact on CET1 (+/-)	1,518	2,129
F. Total Common Equity Tier 1 (CET1) (C-D +/- E)	48,992	51,070
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	6,265	7,486
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)	6,265	7,486
M. Tier 2 (T2) before items to be deducted and effects of transitional period	9,834	9,632
of which T2 instruments subject to transitional adjustments	-	-
N. Items to be deducted from T2	-315	-255
O. Transitional period - Impact on T2 (+ / -)	-	-
P. Total Tier 2 (T2) (M - N +/- O)	9,519	9,377
Q. Total own funds (F + L + P)	64,776	67,933

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 new own funds disclosure required by the above-mentioned Regulation 2021/637 is reported:

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

The full terms and conditions of all the other Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments have been reported in Attachment 1 to the Basel 3 Pillar 3 - Disclosure as at 31 December 2020.

Reconciliation of net book value and Common Equity Tier 1 Capital

Captions	(millions of euro)	
	30.06.2021	31.12.2020
Group Shareholders' equity	66,232	65,894
Minority interests	318	1,172
Shareholders' equity as per the Balance Sheet	66,550	67,066
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-6,263	-7,480
- Minority interests eligible for inclusion in AT1	-2	-6
- Minority interests eligible for inclusion in T2	-3	-5
- Ineligible minority interests on full phase-in	-306	-408
- Ineligible net income for the period ^(a)	-2,203	-821
- Treasury shares included under regulatory adjustments	261	263
- Other ineligible components on full phase-in	-202	-147
Common Equity Tier 1 capital (CET1) before regulatory adjustments	57,832	58,462
Regulatory adjustments (including transitional adjustments) ^(b)	-8,840	-7,392
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	48,992	51,070

(a) Common Equity Tier 1 capital as at 30 June 2021 includes the net income as at that date, less the related dividend, calculated taking into account the payout envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments).

(b) Adjustments for the transitional period as at 30 June 2021 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (50% in 2021) set to decrease progressively until 2022.

Common Equity Tier 1 Capital (CET1)

Information	(millions of euro)	
	30.06.2021	31.12.2020
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	10,084	10,084
Share premium reserve	27,286	27,444
Reserves (a)	19,450	17,408
Accumulated other comprehensive income (b)	185	294
Net income (loss) for the period	3,023	3,277
Net income (loss) for the period not eligible (c)	-2,203	-
Dividends and other foreseeable charges	-	-821
Minority interests	7	31
Common Equity Tier 1 capital (CET1) before regulatory adjustments	57,832	57,717
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-261	-263
Goodwill	-4,483	-3,814
Other intangible assets	-3,546	-2,946
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-1,867	-1,824
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-293	-299
Defined benefit pension funds assets	-	-
Prudential filters	506	706
- of which Cash Flow Hedge Reserve	631	728
- of which Gains or Losses due to changes in own credit risk (DVA)	177	212
- of which Prudent valuation adjustments	-302	-234
- of which Other prudential filters	-	-
Exposures to securitisations deducted rather than risk weighted at 1250%	-106	-104
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	-242	-193
Positive or negative elements - other	-66	-39
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10,358	-8,776
Total adjustments in the transitional period (CET1)	1,518	2,129
Common Equity Tier 1 (CET1) - Total	48,992	51,070

(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 2020 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 30 June 2021 includes the net income as at that date, less the related dividend, calculated taking into account the payout envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments).

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

For the purposes of calculating Own Funds as at 30 June 2021 the net income for the first half of 2021 was considered, less the related dividend, calculated according to the payout ratio envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges. With regard to the payout ratio on 2021 net income, on 15 December 2020, the European Central Bank, following the previous guidance in this regard, had published a Recommendation on dividend policies during the COVID-19 epidemic, asking significant credit institutions to exercise extreme prudence when making decisions on dividends or dividend distributions to remunerate shareholders and reserving the right to review the Recommendation before 30 September 2021, when, in the absence of significant adverse developments, it would repeal the Recommendation, assessing the capital and distribution plans of each bank as part of the regular supervisory process. In this regard, on

23 July 2021 the European Central Bank communicated its decision not to extend beyond 30 September 2021 its recommendation that all banks limit dividends. As a consequence, the supervisory authorities will assess the capital and distribution plans of each bank as part of the regular supervisory process; in any case, the European Central Bank recommended that the banks should remain prudent and not underestimate credit risk when deciding on dividends.

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 30 June 2021 is equal to 106 million euro.

Additional Tier 1 Capital (AT1)

Information	(millions of euro)	
	30.06.2021	31.12.2020
Additional Tier 1 capital (AT1)		
AT1 instruments	6,263	7,480
Minority interests	2	6
Additional Tier 1 capital (AT1) before regulatory adjustments	6,265	7,486
Regulatory adjustments to Additional Tier 1 (AT1)	-	-
Adjustments in the transitional period, including minority interests (AT1)	-	-
Additional Tier 1 (AT1) - Total	6,265	7,486

Additional Tier 1 (AT1) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	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	879
Intesa Sanpaolo	6.25% fixed rate	NO	16-May-2017	perpetual	16-May-2024	Eur	NO	750,000,000	746
Intesa Sanpaolo	7.75% fixed rate	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,243
Intesa Sanpaolo	3.75% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2025	Eur	NO	750,000,000	746
Intesa Sanpaolo	4.125% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2030	Eur	NO	750,000,000	737
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Sep-2031	Eur	NO	750,000,000	746
Intesa Sanpaolo	5.5% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Mar-2028	Eur	NO	750,000,000	746
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	20-Jan-2020	perpetual	20-Jan-2025	Eur	NO	400,000,000	397
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									6,263

Tier 2 capital (T2)

(millions of euro)

	30.06.2021	31.12.2020
Tier 2 Capital (T2)		
T2 Instruments	9,831	9,627
Minority interests	3	5
Excess of provisions over expected losses eligible (excess reserve)	-	-
Tier 2 capital before regulatory adjustments	9,834	9,632
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	-315	-255
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	-315	-255
Total adjustments in the transitional period, including minority interests (T2)	-	-
Tier 2 Capital (T2) - Total	9,519	9,377

Tier 2 (T2) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	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	710
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	USD	NO	2,000,000,000	1,071
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	1,078
Intesa Sanpaolo	2.855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	394
Intesa Sanpaolo	3-month Euribor + 237 bps/4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	153
Intesa Sanpaolo	5.71% fixed rate	NO	15-Jan-2016	15-Jan-2026	NO	USD	NO	1,500,000,000	1,233
Intesa Sanpaolo	4.45% fixed rate	NO	15-Mar-2017	15-Mar-2027	15-Sep-2022	Eur	NO	500,000,000	505
Intesa Sanpaolo	3-month Euribor + 1.9%/4	NO	26-Sep-2017	26-Sep-2024	NO	Eur	NO	723,700,000	463
Intesa Sanpaolo	5.875% fixed rate	NO	04-Mar-2019	04-Mar-2029	04-Mar-2024	Eur	NO	500,000,000	546
Intesa Sanpaolo	4.375% fixed rate	NO	12-Jul-2019	12-Jul-2029	12-Jul-2024	Eur	NO	300,000,000	327
Intesa Sanpaolo	1.98% fixed rate	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	160,250,000	157
Intesa Sanpaolo	3-month Euribor + 206 bps/4	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	188,000,000	181
Intesa Sanpaolo	5,148% fixed rate	NO	10-Jun-2020	10-Jun-2030	NO	GBP	NO	350,000,000	388
Intesa Sanpaolo	3,75% fixed rate	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	309,250,000	295
Intesa Sanpaolo	3-month Euribor + 405 bps/4	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	590,500,000	570
Intesa Sanpaolo	2.925% fixed rate	NO	14-Oct-2020	14-Oct-2030	NO	Eur	NO	500,000,000	479
Intesa Sanpaolo	4.198% fixed rate	NO	01-Jun-2021	01-Jun-2032	01-Jun-2031	USD	NO	750,000,000	629
Intesa Sanpaolo	4.95% fixed rate	NO	01-Jun-2021	01-Jun-2042	01-Jun-2041	USD	NO	750,000,000	652
Total Tier 2 instruments									9,831

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

	(millions of euro)	
	30.06.2021	31.12.2020
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	4,750	4,894
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	4,750	4,894
C. Threshold of 17.65% for significant investments and DTA not deducted in the threshold described under point B	7,250	7,401

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, on the other hand, the following is envisaged:
 - o an initial threshold for deductions, 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;
 - o a further threshold is indicated, calculated on 17.65% of Common Equity (calculated in the same way as the point above, minus the DTAs that are dependent on future profitability and arise from temporary differences and significant investments in CET1 instruments issued by financial sector entities), 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 half year are shown below.

OWN FUNDS	01.01.2021 - 30.06.2021
Common Equity Tier 1 capital (CET1)	
Amount 31.12.2020	51,070
Changes of IFRS 9 filter	-611
Initial amount 01.01.2021	50,459
Shares issued during the period and relates share premium	-158
Changes in reserves [a]	-402
Accumulated other comprehensive income [b]	-206
Net income for the period (net of foreseeable dividends) [c]	820
Minority interests	-24
Regulatory adjustments	
Prudential filters [d]	-103
Own CET1 instruments	2
Goodwill and other intangible assets [e]	-1,269
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-43
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	6
Deductions deriving from securitisations	-2
Other deductions	-88
Final amount 30.06.2021	48,992
Additional Tier 1 (AT1)	
Initial amount 01.01.2021	7,486
Issues/redemptions of AT1 instruments [f]	-1,217
Minority interests	-4
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 30.06.2021	6,265
Tier 2 (T2)	
Initial amount 01.01.2021	9,377
Issues/redemptions of T2 instruments [g]	204
Minority interests	-2
Excess adjustments over expected losses (excess reserve)	-
Regulatory adjustments	
Own T2 instruments	-
Non-significant investments in T2 instruments of the financial sector	-
Significant investments in T2 instruments of the financial sector	-60
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 30.06.2021	9,519
Total Own Funds at the end of the reporting period	64,776

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

Common Equity Tier 1 capital (CET1)

- a. the reduction in reserves was mainly attributable to the implicit goodwill generated following the acquisition of the minority interest in Pramerica, the payment of coupons on AT1 securities and other minor effects;
- b. the change in accumulated other comprehensive income was due to:
 - the decrease in the AFS reserve for the insurance companies of -142 million euro;
 - the deterioration in the reserve for equity and debt securities measured at fair value of -195 million euro;
 - the improvement in the exchange rate reserve (+78 million euro) and other minor effects (+53 million euro);
- c. the consolidated net income for the period ended 30 June 2021, amounting to 3,023 million euro, was recognised in Own Funds for 820 million euro, due, as already mentioned above, to the regulatory conditions having been met for its inclusion, net of dividends (2,203 million euro as at 30 June 2021);
- d. the variance was mainly due to the change in the Group's own credit rating (DVA) (-35 million euro) and the increase in the deduction from the prudent valuation (-68 million euro);
- e. the increase in the deduction was attributable to:
 - new goodwill, mainly arising from the acquisition of Aviva Vita (now Assicurazioni Vita S.p.A.), Lombarda Vita, Cargeas and REYL, partially offset by the amount attributable to the sale of the branches to BPER and of the Custodian Bank business line;
 - the increase in other intangible assets, mainly due to the reduction in DTLs as a result of the realignment of the tax values of certain intangible assets² and the reduction in the benefit related to the prudential treatment of software introduced by Regulation (EU) 2020/2176.

Additional Tier 1 (AT1)

- f. The change was due to the early redemption of an equity instrument during the first half of the year.

Tier 2 (T2)

- g. During the half year, new T2 instruments were issued and an instrument was redeemed in advance, in addition to the period amortisation for instruments with a maturity of less than 5 years and other minor changes.

² For more details, see the Half-yearly Report as at 30 June 2021.

**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			65,923	
	Assets				
1	70. Investments in associates and companies subject to joint control	1,707	9,891	-505	8, 18, 19
1.1	<i>of which: implicit goodwill in associated companies IAS 28-31</i>	505	1,816	-505	8
2	100. Intangible assets	8,865	7,413	-7,731	8
2.1	<i>of which: goodwill</i>	3,979	2,668	-3,979	8
2.2	<i>of which: other intangible assets</i>	4,886	4,745	-3,752	8
3	110. Tax assets	19,014	18,157	-1,867	10, 25
3.1	<i>of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability</i>	2,100	2,100	-2,100	10
	Liabilities				
4	10. Securities issued	88,207	89,815	9,831	46, 52
4.1	<i>of which: subordinated instruments subject to transitional arrangements</i>	-	-	-	46, 52
4.2	<i>of which: subordinated instruments not subject to transitional arrangements</i>	-	9,831	9,831	46, 52
5	60. Tax liabilities	2,490	1,389	206	8
5.1	a) Current tax liabilities	440	391	N.A.	
5.2	b) Deferred tax liabilities	2,050	998	N.A.	
5.2.1	<i>of which: tax liabilities related to goodwill and other intangible assets</i>	-	-	206	8
6	120. Valuation reserves	185	184	814	3, 11
6.1	<i>of which: valuation reserves on securities available for sale</i>	661	-	613	
6.2	<i>of which: valuation reserves on financial assets measured at fair value through other comprehensive income</i>	-100	513	-101	
6.3	<i>of which: valuation reserves on cash flow hedges</i>	-678	-631	-	11
6.4	<i>of which: foreign exchange differences</i>	-1,083	-1,083	-1,083	3
6.5	<i>of which: legally-required revaluations</i>	1,871	1,871	1,871	3
6.6	<i>of which: valuation reserves on net actuarial losses</i>	-392	-392	-392	3
6.7	<i>of which: other</i>	-94	-94	-94	
7	140 Equity instruments	6,269	6,269	6,263	30
8	150. Reserves	19,495	19,495	20,971	2
8.1	<i>of which: impact of the adoption of IFRS 9 net of transitional arrangements</i>		-	1,518	27a
9	160. Share premium reserve	27,286	27,286	27,286	1
10	170. Share capital	10,084	10,084	10,084	1
10.1	<i>of which: ordinary shares</i>	10,084	10,084	10,084	1
11	180. Treasury shares (-)	-110	-110	-261	16
12	190. Minority interests (+/-)	318	239	12	5, 34, 48
12.1	<i>of which CET1 compliant</i>		-	7	5
12.2	<i>of which AT1 compliant</i>		-	2	34
12.3	<i>of which T2 compliant</i>		-	3	48
13	200. Net income (loss) for the period (+/-)	3,023	3,023	820	5a
13.1	<i>of which net income (loss) for the period, net of the dividend in distribution on the net income (loss) for the period</i>			820	5a
	OTHER COMPONENTS OF OWN FUNDS, OF WHICH:			-1,147	
14	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities			177	14, 27a
15	Value adjustments due to the requirements for prudent valuation			-302	7
16	Exposures to securitisations deducted rather than risk weighted at 1250%			-106	20a, 20c
17	IRB shortfall of credit risk adjustments to expected losses			-293	12
18	IRB Excess of provisions over expected losses eligible			-	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			-315	55
21	Indirect investments and irrevocable payment commitments			-308	25b, 27a
	Total own funds as at 30 June 2021			64,776	

Capital requirements

Qualitative and 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 12.79% of total risk-weighted assets (total capital ratio including the minimum requirement for Pillar 1, the additional Pillar 2 requirement of 1.5%, the capital conservation buffer of 2.5% on a fully-loaded basis already from 2019, the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis from 2021, and the institution-specific countercyclical capital buffer of 0.04% in the first half of 2021) 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 as a result of 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 25 November 2020, 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 2021. The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.59% for 2021 on a fully loaded basis.

This is the result of:

- a) an SREP requirement in terms of Total Capital ratio of 9.5%, comprising a minimum Pillar 1 capital requirement of 8%, and an additional Pillar 2 capital requirement of 1.5%, of which 4.5% and 0.84%, respectively, in the Common Equity Tier 1 ratio and 6% and 1.13%, respectively, in the Tier 1 ratio;
- b) the additional Capital Conservation Buffer requirement of 2.5% on a fully-loaded basis already from 2019 and the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis in 2021.

Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer³, the Common Equity Tier 1 ratio to be met in 2021 is 8.63%.

With regard to counterparty risk, with respect to 31 December 2020, the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. Given the small impact of the use of the internal model on these positions, the inclusion did not give rise to any authorisation procedures and will be communicated ex-post to the Supervisory Authorities.

In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method in place of the Mark-to-Market method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. The same method is used for the entire portfolio of derivatives for the purpose of determining the counterparty risk exposures used as inputs for the calculation of Leverage and reporting on Large Exposures. In compliance with the regulatory transaction thresholds, several of the Group's international subsidiary banks have adopted the simplified original exposure method.

With regard to operational risks, on 30 June 2021, the Intesa Sanpaolo Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi and IW Bank Private Investments.

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 2021.

³ Countercyclical Capital Buffer calculated taking into account the exposures as at 30 June 2021 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 2021, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first 9 months of 2021).

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

(millions of euro)

		Total risk exposure amounts (TREA)	Total own funds requirements
		30.06.2021	30.06.2021
1	Credit risk (excluding CCR)	271,668	21,733
2	<i>Of which the standardised approach</i>	90,874	7,270
3	<i>Of which the Foundation IRB (F-IRB) approach</i>	1,209	97
4	<i>Of which slotting approach</i>	1,088	87
EU 4a	<i>Of which equities under the simple riskweighted approach</i>	24,170	1,934
5	<i>Of which the Advanced IRB (A-IRB) approach</i>	144,155	11,532
6	Counterparty credit risk - CCR	7,378	591
7	<i>Of which the standardised approach</i>	696	56
8	<i>Of which internal model method (IMM)</i>	4,344	348
EU 8a	<i>Of which exposures to a CCP</i>	314	25
EU 8b	<i>Of which credit valuation adjustment - CVA</i>	411	33
9	<i>Of which other CCR</i>	1,613	129
15	Settlement risk	-	-
16	Securitisation exposures in the non-trading book (after the cap) (*)	8,536	683
17	<i>Of which SEC-IRBA approach</i>	5,058	405
18	<i>Of which SEC-ERBA (including IAA)</i>	161	13
19	<i>Of which SEC-SA approach</i>	3,317	265
EU 19a	<i>Of which 1250%</i>	-	-
20	Position, foreign exchange and commodities risks (Market risk)	15,788	1,263
21	<i>Of which the standardised approach</i>	1,618	129
22	<i>Of which IMA</i>	14,170	1,134
EU 22a	Large exposures	-	-
23	Operational risk	26,378	2,110
EU 23a	<i>Of which basic indicator approach</i>	530	42
EU 23b	<i>Of which standardised approach</i>	3,479	278
EU 23c	<i>Of which advanced measurement approach</i>	22,369	1,790
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (**)	14,804	1,184
29	TOTAL	329,748	26,380

* Memo item: deducted securitisations equivalent to 1,275 million euro of RWEAs and 102 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 30 June 2021 was 329.7 billion euro, with a change of around -6.3 billion euro compared to March 2021. In particular, please note the following:

- for credit risk (+1 billion euro compared to the previous quarter, excluding counterparty risk and including the amount below the thresholds for deduction), an increase mainly attributable to the combined effect of the following: new prudential treatment envisaged by Regulation (EU) 2019/876 (CRR II) for CIU units held in the Banking Book; application of model changes to the Institutions and Retail SME segments authorised by the ECB; extension of Intesa Sanpaolo's internal models to the portfolios transferred from UBI, implementing the conservative treatments indicated by the Supervisor; reduction in the value of insurance investments and tax assets; and securitisation of assets and completion of the disposal of the ISP business line to BPER⁴;
- for counterparty risk (+0.6 billion euro compared to the previous quarter), an increase mainly due to the replacement of the Current Exposure Method with the new Standardised Approach-CCR (SA-CCR), as required by the new CRR II Regulation;
- for exposures to securitisations outside the trading book (-0.8 billion euro compared to the previous quarter), a reduction resulting from the establishment of government guarantees on originated securitisations partially offset by the introduction of the new regulatory framework (EU 2021/558) for securitisations on non-performing exposures;
- for market risk (-5.8 billion euro compared to the previous quarter), a significant reduction reflecting the removal of the COVID scenarios from the observation window for calculating VaR and lower exposure to Italian government bonds, particularly on longer maturities;
- for operational risk (-1.2 billion euro compared to the previous quarter), a reduction mainly due to the extension of the AMA models to the UBI perimeter.

For details of the RWA flows using the IRB, IMM and IMA approaches, see the qualitative comments at the bottom of the RWA 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 RWA flows during the last quarter.

⁴ For more details, see the Half-yearly Report as at 30 June 2021.

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)

30.06.2021

		30.06.2021
Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	48,992
2	Tier 1 capital	55,257
3	Total capital	64,776
Risk-weighted exposure amounts		
4	Total risk exposure amount	329,748
Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	14.86%
6	Tier 1 ratio (%)	16.76%
7	Total capital ratio (%)	19.64%
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 (%)	1.50%
EU 7b	<i>of which: to be made up of CET1 capital (percentage points)</i>	0.84%
EU 7c	<i>of which: to be made up of Tier 1 capital (percentage points)</i>	1.13%
EU 7d	Total SREP own funds requirements (%)	9.50%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%
9	Institution specific countercyclical capital buffer (%)	0.04%
EU 9a	Systemic risk buffer (%)	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.75%
11	Combined buffer requirement (%)	3.29%
EU 11a	Overall capital requirements (%)	12.79%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.51%
Leverage ratio		
13	Total exposure measure	805,410
14	Leverage ratio (%)	6.86%
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%
EU 14b	<i>of which: to be made up of CET1 capital (percentage points)</i>	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	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%
EU 14e	Overall leverage ratio requirement (%)	3.09%
Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	154,832
EU 16a	Cash outflows - Total weighted value	112,702
EU 16b	Cash inflows - Total weighted value	23,605
16	Total net cash outflows (adjusted value)	89,097
17	Liquidity coverage ratio (%)	173.9%
Net Stable Funding Ratio		
18	Total available stable funding	626,257
19	Total required stable funding	505,948
20	NSFR ratio (%)	123.8%

With regard to the above table, see the comments at the bottom of the table EU OV1 (in this section) for more details on the change in risk-weighted exposure and the section on Own Funds for more details on the movements in those funds.

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

(millions of euro)

	Risk weighted exposure amount
1 Risk weighted exposure amount as at 31 March 2021	176,338
2 Asset size (+/-)	-1,323
3 Asset quality (+/-)	54
4 Model updates (+/-)	5,281
5 Methodology and policy (+/-)	1,632
6 Acquisitions and disposals (+/-)	-
7 Foreign exchange movements (+/-)	-184
8 Other (+/-)	-1,031
9 Risk weighted exposure amount as at 30 June 2021 (*)	180,767

(*) As at 30 June 2021, the RWA relating to IRB models amounted to 180,767 million euro and was attributable to the Foundation IRB approach for 1,209 million euro (Row 3 EU OV1), to the slotting criteria approach for 1,088 million euro (Row 4 EU OV1), to the Advanced IRB approach for 144,155 million euro (Row 5 EU OV1), to equity instruments measured using the simple weighted average for 24,170 million euro, to amounts below the deduction thresholds for 6,711 million euro (of which Row 24 EU OV1) and to equity instruments measured using the PD/LGD approach for 3,434 million euro.

As at June 2021, the aggregate of the RWAs relating to the exposures subject to credit risk measured using advanced approaches⁵ amounted to 180,767 million euro, a net increase of 4,429 million euro on March 2021, when the aggregate amounted to 176,338 million euro. The change during the quarter was mainly attributable to the following:

- a decrease in transaction volumes, across the Equity, Retail and Corporate portfolios, totalling -1,323 million euro, while the credit risk profile remained essentially unchanged;
- an increase of +5,281 million euro, mainly due to the extension of the use of the ISP internal models to the portfolios of exposures recently transferred from the former UBI Group, with a significant contribution from the equity portfolio, amounting to +3,433 million euro, which was measured using the STD approach in previous reports and is now included in the calculation under the advanced model approach;
- the new prudential treatment required for CIUs (Collective Investment Undertakings), in accordance with the provisions of Regulation (EU) 2019/876 (CRR II), which, particularly with regard to the application of the advanced look-through approach, entails breaking down the CIUs into their constituent underlyings, so they can be measured using the internal models for their asset classes. The revision of the prudential treatment, which treats the underlyings in the same way as direct exposures, resulted in an increase in RWAs of +1,632 million euro for the portion of the aggregate calculated using the advanced model, together with corresponding increases recognised in the complementary portion calculated using STD models;
- a reduction of -184 million euro due to changes in foreign currency exposures as a result of exchange rate fluctuations, particularly the EUR/USD depreciation.

⁵ 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 second quarter
(EU CCR7 Reg. 2021/637)**

(millions of euro)

	RWEA amounts
1 RWEAs as at 31 March 2021 (*)	4,076
2 Asset size	224
3 Credit quality of counterparties	-37
4 Model updates (IMM only)	84
5 Methodology and policy (IMM only)	-
6 Acquisitions and disposals	-
7 Foreign exchange movements	1
8 Other	-4
9 RWEAs as at 30 June 2021	4,344

(*) As required by Reg. 2021/637, the table does not include exposures to central counterparties (CCPs). The amount as at 31 March 2021 takes into account this exclusion and therefore differs from the amount of 4,258 million euro published in the Pillar 3 document as at 31 March 2021 (table EU CCR7 as per EBA Guidelines 2016/11)

With regard to the changes in RWAs related to CCR exposures (derivatives and SFTs, determined based on the Internal Model Method (IMM), in accordance with part three, title II, chapter 6 of the CRR) the value of the aggregate increased in the quarter: 4,076 million euro at the end of March 2021 and 4,344 million euro at the end of June 2021. The change of 268 million euro was mainly attributable to the following components:

- +224 million euro due to the increase in exposures in the portfolio;
- -37 million euro due to the improvement in the credit rating of several counterparties in the portfolio.
- +84 million euro due to the extension of ISP's internal models to the former UBI portfolios.

**RWEA flow statements of market risk exposures under the IMA in the second 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 31 March 2021	5,525	8,376	5,020	-	315	19,236	1,539
1a Regulatory adjustment	4,131	5,889	2,118	-	-	12,138	971
1b RWEAs at the previous quarter-end (end of the day)	1,394	2,487	2,902	-	315	7,098	568
2 Movement in risk levels	-651	396	-871	-	11	-1,115	-89
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)	743	2,883	2,031	-	326	5,983	479
8b Regulatory adjustment	2,211	5,693	258	-	25	8,187	655
8 RWEAs as at 30 June 2021	2,954	8,576	2,289	-	351	14,170	1,134

The Market Risk RWAs were down by around 5 billion euro on the first quarter of 2021. The current VaR measure benefited from a reversion of market volatilities to pre-COVID levels, resulting in a decrease of around 2.5 billion euro in RWAs compared to March 2021. In addition, a reduction in the sovereign bond exposure had a positive impact on the incremental risk metric, which fell from 5 billion euro to 2.3 billion euro of RWAs.

Institution-specific Countercyclical Capital Buffer

Below is the information relating to the “Countercyclical capital buffer”, prepared based on the ratios applicable at 30 June 2021 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 third quarter of 2021.

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.

With reference to 30 June 2021:

- 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 (1.00%), Czech Republic (0.50%), Bulgaria (0.50%) and Luxembourg (0.50%) and were therefore unchanged from 31 March 2021;
- at consolidated level, Intesa Sanpaolo’s specific countercyclical ratio amounts to 0.04%.

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

(millions of euro)

Total risk exposure amount	329,748
Institution specific countercyclical capital buffer rate	0.04%
Institution specific countercyclical capital buffer requirement	132

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 30 June 2021.

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	47,082	338,947	415	223	-	28,027	414,694	13,455	73	619	14,147	176,786	72.64	-
ALBANIA	479	12	-	-	-	-	491	89	-	-	89	1,110	0.46	-
ALGERIA	1	-	-	-	-	-	1	-	-	-	-	1	0.00	-
ANDORRA (PRINCIPALITY OF)	2	-	-	-	-	-	2	-	-	-	-	1	0.00	-
SAUDI ARABIA	1	817	-	-	-	-	818	10	-	-	10	130	0.05	-
ARGENTINA	10	3	-	-	-	-	13	1	-	-	1	10	0.00	-
AUSTRALIA	81	928	-	-	-	-	1,009	42	-	-	42	526	0.22	-
AUSTRIA	121	469	-	8	-	-	598	24	-	-	24	297	0.12	-
AZERBAIJAN	-	91	-	-	-	-	91	5	-	-	5	68	0.03	-
BAHAMAS	-	129	-	-	-	-	129	5	-	-	5	62	0.03	-
BAHREIN	2	-	-	-	-	-	2	-	-	-	-	2	0.00	-
BAILIWICK OF GUERNSEY	130	38	-	-	-	-	168	13	-	-	13	161	0.07	-
BAILIWICK OF JERSEY	256	3	-	-	-	-	259	21	-	-	21	258	0.11	-
BARBADOS	1	-	-	-	-	-	1	-	-	-	-	1	0.00	-
BELGIUM	932	484	-	15	-	-	1,431	91	-	-	91	1,137	0.47	-
BELIZE	1	-	-	-	-	-	1	-	-	-	-	1	0.00	-
BERMUDA	-	226	-	1	-	-	227	17	-	-	17	212	0.09	-
BELARUS	1	1	-	-	-	-	2	-	-	-	-	2	0.00	-
BOSNIA AND HERZEGOVINA	898	18	-	-	-	-	916	72	-	-	72	903	0.37	-
BRAZIL	280	595	-	1	-	-	876	47	-	-	47	584	0.24	-
BULGARIA	3	22	-	4	-	-	29	1	1	-	2	28	0.01	0.50
BURUNDI	9	-	-	-	-	-	9	1	-	-	1	9	0.00	-
CANADA	391	123	-	-	-	-	514	15	1	-	16	201	0.08	-
CAYMAN ISLANDS	306	570	-	1	-	25	902	42	-	2	44	549	0.23	-
CZECH REPUBLIC	281	1,175	-	12	-	-	1,468	79	-	-	79	992	0.41	0.50
CHILE	1	192	-	-	-	-	193	6	-	-	6	75	0.03	-
CHINA	422	843	-	-	-	-	1,265	148	-	-	148	1,853	0.76	-
CYPRUS	24	20	-	-	-	-	44	2	-	-	2	28	0.01	-
COLOMBIA	-	19	-	-	-	3	22	1	-	-	1	9	0.00	-
CONGO	1	-	-	-	-	-	1	-	-	-	-	1	0.00	-
SOUTH KOREA	61	31	-	-	-	-	92	5	-	-	5	69	0.03	-
CROATIA	7,551	136	-	-	-	-	7,687	460	-	-	460	5,750	2.36	-
CUBA	87	-	-	-	-	-	87	10	-	-	10	131	0.05	-
CURACAO	1	15	-	-	-	-	16	-	-	-	-	6	0.00	-
DENMARK	29	18	-	21	-	-	68	3	-	-	3	38	0.02	-
DOMINICAN REPUBLIC	-	10	-	-	-	-	10	1	-	-	1	8	0.00	-
EGYPT	2,606	111	-	-	-	-	2,717	169	-	-	169	2,113	0.87	-
UNITED ARAB EMIRATES	116	1,191	-	-	-	-	1,307	34	-	-	34	420	0.17	-
ECUADOR	1	31	-	-	-	-	32	2	-	-	2	26	0.01	-
ESTONIA	25	2	-	-	-	-	27	-	-	-	-	4	0.00	-
ETHIOPIA	-	114	-	-	-	-	114	-	-	-	-	-	0.00	-
PHILIPPINES	-	2	-	-	-	-	2	-	-	-	-	2	0.00	-
FINLAND	70	279	-	33	-	-	382	14	1	-	15	180	0.07	-
FRANCE	1,130	3,601	15	398	-	13	5,157	187	8	-	195	2,434	1.00	-
GEORGIA	4	-	-	-	-	-	4	-	-	-	-	3	0.00	-
GERMANY	350	2,888	5	331	-	4	3,578	154	11	2	167	2,092	0.86	-
GHANA	8	1	-	-	-	-	9	1	-	-	1	6	0.00	-
JAPAN	177	630	-	3	-	-	810	36	-	-	36	455	0.19	-
GREECE	12	257	-	-	-	-	269	26	-	-	26	325	0.13	-
HONG KONG	15	639	-	4	-	-	658	16	-	-	16	199	0.08	1.00

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

	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 (%) (*)	(millions of euro) COUNTER-CYCLICAL BUFFER RATE (%)	
	Exposure value under the standardised approach	Exposure value under the IFRB 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
INDIA	2	1,121	-	-	-	1,123	43	-	-	43	541	0.22	-
INDONESIA	58	46	-	-	-	104	7	-	-	7	85	0.03	-
IRELAND	291	157	492	9	1,297	2,246	31	59	24	114	1,423	0.58	-
ICELAND	-	17	-	-	-	17	1	-	-	1	9	0.00	-
MAN (ISLE OF)	2	-	-	-	-	2	-	-	-	-	2	0.00	-
BRITISH VIRGIN ISLANDS	25	100	-	-	-	125	6	-	-	6	75	0.03	-
ISRAEL	10	32	-	2	-	44	3	-	-	3	38	0.02	-
KAZAKHSTAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
KENYA	1	2	-	-	-	3	-	-	-	-	1	0.00	-
KUWAIT	-	60	-	-	-	60	1	-	-	1	15	0.01	-
LATVIA	1	-	-	-	-	1	-	-	-	-	1	0.00	-
LIECHTESTEIN	1	1	-	-	-	2	-	-	-	-	1	0.00	-
LITHUANIA	7	-	-	-	-	7	-	-	-	-	2	0.00	-
LUXEMBOURG	2,298	5,292	2	153	-	7,745	357	5	-	362	4,525	1.86	0.50
MACEDONIA	1	1	-	-	-	2	-	-	-	-	1	0.00	-
MALAYSIA	41	24	-	-	-	65	3	-	-	3	37	0.02	-
MALTA	13	25	-	-	-	38	2	-	-	2	19	0.01	-
MOROCCO	2	-	-	1	-	3	-	-	-	-	4	0.00	-
MARSHALL ISLANDS	15	155	-	-	-	170	10	-	-	10	119	0.05	-
MAURITIUS	2	183	-	-	-	185	7	-	-	7	91	0.04	-
MEXICO	21	768	-	73	21	883	30	-	-	30	387	0.16	-
MOLDOVA	129	1	-	-	-	130	6	-	-	6	77	0.03	-
PRINCIPALITY OF MONACO	48	13	-	-	-	61	3	-	-	3	37	0.02	-
MONGOLIA	-	121	-	-	-	121	15	-	-	15	185	0.08	-
MONTENEGRO	7	-	-	-	-	7	1	-	-	1	7	0.00	-
NIGERIA	-	15	-	-	-	15	2	-	-	2	19	0.01	-
NORWAY	104	510	-	9	-	623	16	-	-	16	204	0.08	1.00
NEW ZELAND	22	55	-	1	-	78	3	-	-	3	39	0.02	-
OMAN	34	53	-	-	-	87	5	-	-	5	65	0.03	-
NETHERLANDS	805	2,304	65	164	238	3,576	147	13	3	163	2,033	0.84	-
PANAMA	17	105	-	-	-	122	8	-	-	8	95	0.04	-
PERU	-	92	-	-	-	92	2	-	-	2	28	0.01	-
POLAND	378	1,338	-	-	-	1,716	69	-	-	69	860	0.35	-
PUERTO RICO	-	5	-	-	-	5	-	-	-	-	3	0.00	-
PORTUGAL	87	145	28	21	6	287	10	1	-	11	136	0.06	-
QATAR	1	133	-	5	-	139	5	1	-	6	73	0.03	-
UNITED KINGDOM	1,090	4,801	6	482	175	6,554	288	11	1	300	3,752	1.54	-
ROMANIA	934	44	-	-	-	978	61	-	-	61	759	0.31	-
RUSSIAN FEDERATION	781	4,921	-	-	-	5,702	205	-	-	205	2,566	1.05	-
SAN MARINO	4	76	-	-	-	80	3	-	-	3	41	0.02	-
SERBIA	4,336	192	8	-	-	4,536	252	1	-	253	3,161	1.30	-
SINGAPORE	13	903	-	1	-	917	20	-	-	20	254	0.10	-
SLOVAKIA	2,808	13,690	67	-	-	16,565	516	5	-	521	6,517	2.68	1.00
SLOVENIA	1,189	962	-	-	-	2,151	109	-	-	109	1,361	0.56	-
SPAIN	474	4,016	33	87	425	5,035	202	6	28	236	2,953	1.21	-
UNITED STATES OF AMERICA	817	9,533	-	129	66	10,545	400	12	4	416	5,204	2.14	-
SOUTH AFRICAN REPUBLIC	-	126	-	28	-	154	8	-	-	8	109	0.04	-
SWEDEN	163	238	-	62	-	463	16	2	-	18	222	0.09	-
SWITZERLAND	435	1,333	-	118	-	1,886	75	1	-	76	944	0.39	-

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

	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
THAILAND	2	28	-	-	-	30	2	-	-	2	21	0.01	-
TANZANIA	2	-	-	-	-	2	-	-	-	-	2	-	-
TUNISIA	1	3	-	-	-	4	-	-	-	-	2	-	-
TURKEY	127	784	-	1	-	912	101	2	-	103	1,286	0.53	-
UKRAINE	122	55	-	-	-	177	8	-	-	8	104	0.04	-
HUNGARY	3,694	273	-	-	-	3,967	207	-	-	207	2,593	1.07	-
URUGUAY	6	103	-	-	-	109	3	-	-	3	39	0.02	-
VENEZUELA	1	3	-	-	-	4	-	-	-	-	3	-	-
VIETNAM	-	1	-	-	-	1	-	-	-	-	2	-	-
TOTAL	85,381	410,641	1,136	2,401	30,300	529,859	18,574	214	683	19,471	243,390	100.00	-

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

The Group's countercyclical buffer of 0.04% 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)

	Exposure value	Risk exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	5,641	20,872

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. The insurance own funds instruments originating from the former UBI Group, for which no request has been made for extension of the Danish Compromise, have not been included for the application of this treatment.

Between December 2020 and June 2021, there was a decrease of around 0.7 billion euro in terms of RWAs, due to the reduction in the value of insurance equity investments during the period.

In addition, based on specific instructions received from the ECB, the T2 subordinated instruments issued by the Group's insurance companies and held by the Parent Company (224 million euro as at 30 June 2021) have been weighted, resulting in additional RWAs of around 0.8 billion euro. These latter figures are not included in the EU INS1 table figures.

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)		30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020
1	Common Equity Tier 1 capital (CET1)	48,992	50,080	51,070	50,325	43,260
2	Common Equity Tier 1 capital (CET1) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,474	48,568	48,941	48,193	41,128
3	Tier 1 capital	55,257	56,300	58,556	57,821	48,856
4	Tier 1 capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	53,739	54,788	56,427	55,689	46,724
5	Total capital	64,776	65,623	67,933	67,097	56,788
6	Total capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	64,170	65,016	66,773	65,838	55,506
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	329,748	336,062	347,072	342,251	295,973
8	Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	330,715	337,071	348,519	343,750	297,523
Capital ratios						
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	14.9%	14.9%	14.7%	14.7%	14.6%
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	14.4%	14.4%	14.0%	14.0%	13.8%
11	Tier 1 capital (as a percentage of the risk exposure amount)	16.8%	16.8%	16.9%	16.9%	16.5%
12	Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.2%	16.3%	16.2%	16.2%	15.7%
13	Total capital (as a percentage of the risk exposure amount)	19.6%	19.5%	19.6%	19.6%	19.2%
14	Total capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.4%	19.3%	19.2%	19.2%	18.7%
Leverage ratio						
15	Leverage ratio total exposure measure	805,410	786,344	814,646	881,054	745,133
16	Leverage ratio	6.9%	7.2%	7.2%	6.6%	6.6%
17	Leverage ratio if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.7%	7.0%	6.9%	6.3%	6.3%

As described in the chapter “Own Funds”, the first-time adoption of IFRS 9 and the adoption of the “static” approach during the transition period (2018-2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios as at 30 June 2021 (with and without applying the transitional provisions for IFRS 9) shown in the table above due to the following:

- the reduction of CET1, due to the FTA impact linked to the first-time adoption of IFRS 9, 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 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 EBA Q&As (2018_3784 and 2018_4113);
- the increase in the excess reserve, based on the provisions of the aforementioned Regulation, which 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, except for the insurance own funds instruments originating from the former UBI Group, for which no request has been made for extension 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 at the end of the transitional period (2022).

Liquidity risk

Qualitative and quantitative disclosure

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).

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 "Group Liquidity Risk Management Guidelines" of the Intesa Sanpaolo Group 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.

In particular, a detailed definition is prepared of the tasks assigned to the corporate bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators 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.

The corporate functions of the Parent Company responsible for ensuring the correct application of these Guidelines and the adequacy of the Group's liquidity position are the Group Treasury and Finance Head Office Department and the Planning and Control Head Office 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 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 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.

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 aim of the Intesa Sanpaolo Group's structural Liquidity Policy is to adopt 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 the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan 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 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 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 the entire first half of 2021: both regulatory indicators, LCR and NSFR, were well above regulatory requirements. The Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average of 174%.

At the end of June 2021, the value of unencumbered HQLA reserves was 175 billion euro. Including the other marketable reserves and/or eligible Central Bank reserves, the Group's unencumbered liquidity reserves amounted to 181 billion euro.

	(millions of euro)	
	Unencumbered (net of haircut)	
	30.06.2021	31.12.2020
HQLA Liquidity Reserves	174,844	170,264
Cash and Deposits held with Central Banks (HQLA)	121,807	80,698
Highly liquid securities (HQLA)	53,037	89,566
Other eligible and/or marketable reserves	6,031	24,403
Total Group's Liquidity Buffer	180,875	194,667

Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), also 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.

The NSFR also remained significantly higher than 100%, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 30 June 2021, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 124%. This indicator is also significantly higher than 100%, even excluding the positive contribution from TLTRO funding.

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.

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 Governing Bodies of Intesa Sanpaolo, the Liquidity Adequacy Statement (LAS) of the Members of 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.

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 months of monthly observations, in accordance with Regulation 2021/637.

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)			
		30-jun-21	31-mar-21	31-dec-20	30-sep-20	30-jun-21	31-mar-21	31-dec-20	30-sep-20
EU1a	Quarter ending on								
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)					154,832	140,393	123,984	108,645
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	278,200	263,896	248,185	227,253	19,582	18,549	17,451	16,020
3	<i>Stable deposits</i>	<i>201,011</i>	<i>190,689</i>	<i>178,534</i>	<i>163,195</i>	<i>10,051</i>	<i>9,534</i>	<i>8,927</i>	<i>8,160</i>
4	<i>Less stable deposits</i>	<i>77,189</i>	<i>73,207</i>	<i>69,651</i>	<i>64,058</i>	<i>9,531</i>	<i>9,015</i>	<i>8,524</i>	<i>7,860</i>
5	Unsecured wholesale funding	143,889	136,835	125,637	114,918	64,501	61,492	55,535	51,565
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	<i>44,401</i>	<i>42,431</i>	<i>40,384</i>	<i>38,418</i>	<i>11,097</i>	<i>10,605</i>	<i>10,094</i>	<i>9,602</i>
7	<i>Non operational deposits (all counterparties)</i>	<i>96,989</i>	<i>91,761</i>	<i>82,542</i>	<i>73,815</i>	<i>50,905</i>	<i>48,244</i>	<i>42,730</i>	<i>39,278</i>
8	<i>Unsecured debt</i>	<i>2,499</i>	<i>2,643</i>	<i>2,711</i>	<i>2,685</i>	<i>2,499</i>	<i>2,643</i>	<i>2,711</i>	<i>2,685</i>
9	Secured wholesale funding					1,584	1,563	1,352	1,432
10	Additional requirements	69,752	67,247	66,413	65,123	17,615	17,432	17,580	17,384
11	<i>Outflows related to derivative exposure and other collateral requirements</i>	<i>5,081</i>	<i>5,048</i>	<i>4,983</i>	<i>4,801</i>	<i>4,986</i>	<i>4,976</i>	<i>4,768</i>	<i>4,555</i>
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	<i>64,671</i>	<i>62,199</i>	<i>61,430</i>	<i>60,322</i>	<i>12,629</i>	<i>12,456</i>	<i>12,812</i>	<i>12,829</i>
14	Other contractual funding obligations	4,294	3,351	2,827	2,155	4,161	3,219	2,824	2,153
15	Other contingent funding obligations	121,073	116,324	108,323	98,997	5,259	4,935	4,627	4,340
16	TOTAL CASH OUTFLOWS					112,702	107,190	99,369	92,894
CASH-INFLOWS									
17	<i>Secured lending (e.g. reverse repos)</i>	<i>18,944</i>	<i>22,365</i>	<i>24,018</i>	<i>28,701</i>	<i>643</i>	<i>622</i>	<i>770</i>	<i>925</i>
18	<i>Inflows from fully performing exposures</i>	<i>22,117</i>	<i>22,082</i>	<i>21,192</i>	<i>21,532</i>	<i>15,155</i>	<i>14,973</i>	<i>13,595</i>	<i>13,783</i>
19	<i>Other cash inflows</i>	<i>22,389</i>	<i>22,085</i>	<i>22,122</i>	<i>21,850</i>	<i>7,807</i>	<i>7,906</i>	<i>8,137</i>	<i>8,378</i>
EU19a	<i>(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)</i>					-	-	-	-
EU19b	<i>(Excess inflows from a related specialised credit institution)</i>					-	-	-	-
20	TOTAL CASH INFLOWS	63,450	66,532	67,332	72,083	23,605	23,501	22,502	23,086
EU20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
EU20b	<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
EU20c	<i>Inflows subject to 75% cap</i>	<i>63,450</i>	<i>66,532</i>	<i>67,332</i>	<i>72,083</i>	<i>23,605</i>	<i>23,501</i>	<i>22,502</i>	<i>23,086</i>
TOTAL ADJUSTED VALUE									
EU21	LIQUIDITY BUFFER					154,832	140,393	123,984	108,645
22	TOTAL NET CASH OUTFLOWS					89,097	83,689	76,867	69,808
23	LIQUIDITY COVERAGE RATIO					173.9%	167.2%	159.1%	154.2%

(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 2021/637.

Net Stable Funding Ratio (NSFR) (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	63,836	-	-	9,834	73,670
2	Own funds	63,836	-	-	9,834	73,670
3	Other capital instruments		-	-	-	-
4	Retail deposits		281,648	2,291	16,336	282,217
5	Stable deposits		206,365	342	314	196,686
6	Less stable deposits		75,283	1,949	16,022	85,531
7	Wholesale funding:		170,292	11,715	194,559	262,085
8	Operational deposits		48,210	-	-	24,105
9	Other wholesale funding		122,082	11,715	194,559	237,980
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	1,232	51,087	-	8,285	8,285
12	NSFR derivative liabilities	1,232				
13	All other liabilities and capital instruments not included in the above categories		51,087	-	8,285	8,285
14	Total available stable funding (ASF)					626,257
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					45,231
EU15a	Assets encumbered for a residual maturity of one year or more in a cover pool		469	486	16,850	15,134
16	Deposits held at other financial institutions for operational purposes		97	5	5	56
17	Performing loans and securities:		107,129	34,788	326,980	351,663
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		19,909	547	5,668	7,652
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		14,479	2,242	12,562	15,103
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		51,963	24,690	198,895	218,750
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		110	171	2,271	1,668
22	Performing residential mortgages, of which:		2,923	3,176	85,268	81,333
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2,646	2,814	80,581	76,775
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		17,855	4,133	24,587	28,825
25	Interdependent assets		-	-	-	-
26	Other assets:	-	54,280	8,242	56,484	83,170
27	Physical traded commodities					-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		2	8	4,748	4,044
29	NSFR derivative assets		6,705	-	-	6,705
30	NSFR derivative liabilities before deduction of variation margin posted		19,916	-	-	996
31	All other assets not included in the above categories		27,657	8,234	51,736	71,425
32	Off-balance sheet items		2,619	-	180,332	10,694
33	Total RSF					505,948
34	Net Stable Funding Ratio (%)					123.8%

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 model 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 main Italian banks of the Group.

All the international subsidiary banks of the Group comply with the individual LCR requirements, as they were well above the minimum regulatory amounts required in the reference period. 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 30 June 2021, 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 highly liquid US dollar (EHQLA) liquidity reserves, 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 Banks/Group 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 extremely low, confirming the careful management of intraday liquidity risk.

Credit risk: credit quality

Qualitative disclosure

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

The overall watch-list and non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. The quality of the loan portfolio is pursued through specific operating checks for all the phases of loan management, through the use of both IT procedures and systematic supervision of positions with the aim of promptly detecting any symptoms of difficulty and promote corrective measures to prevent possible deterioration of credit risk.

Positions are detected and automatically entered in the credit management processes by way of daily and monthly checks using objective risk indicators that allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and monitoring.

Within the Group, in accordance with pre-set rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and classified to the following categories based on their risk profile, in accordance with the regulatory provisions on credit quality:

- Bad loans: the set of "on-" and "off-balance sheet" exposures to borrowers in default or similar situations;
- Unlikely to pay: "on-" and "off-balance sheet" exposures which the bank, based on its opinion, does not deem likely to be completely (as principal and/or interest) repaid by the borrowers without the implementation of actions such as enforcement of guarantees. This assessment is conducted regardless of the presence of any amounts (or instalments) due and unpaid.
- 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 reference 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").

Lastly, non-performing exposures also include the individual forbore exposures which comply with the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority - Implementing Technical Standards), which are not a separate category of non-performing assets, but rather a sub-category. Similarly, exposures characterised by "forbearance measures" are also included among performing loans.

The management process for such exposures, in close accordance with regulatory provisions concerning classification times and methods, is assisted by automatic mechanisms that ensure pre-established, autonomous and independent management procedures.

For more detailed qualitative disclosure on Credit risk, see the Basel 3 – Pillar 3 Disclosure as at 31 December 2020.

Quantitative disclosure

The quantitative information on the credit quality of the exposures is provided below. For additional information see Part E of the Notes to the Consolidated Financial Statements as at 31 December 2020.

Performing and non-performing exposures and related provisions as at 30 June 2021 (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	133,763	133,237	526	-	-
10	Loans and advances	476,524	406,492	68,800	19,635	18,941
20	Central banks	3,541	3,541	-	-	-
30	General governments	17,579	13,631	3,947	318	317
40	Credit institutions	21,604	20,973	605	79	79
50	Other financial corporations	50,791	45,962	4,640	572	543
60	Non-financial corporations	209,881	166,543	42,597	13,565	13,145
70	Of which: SMEs	86,173	63,134	22,861	10,023	9,752
80	Households	173,128	155,842	17,011	5,101	4,857
90	Debt securities	111,862	104,274	6,685	124	124
100	Central banks	37	-	37	-	-
110	General governments	79,668	76,226	3,441	21	21
120	Credit institutions	7,742	6,561	1,181	-	-
130	Other financial corporations	17,959	15,706	1,360	68	68
140	Non-financial corporations	6,456	5,781	666	35	35
150	Off-balance-sheet exposures	283,112	250,592	32,519	2,190	2,152
160	Central banks	1,894	1,876	18	-	-
170	General governments	9,583	8,651	932	3	3
180	Credit institutions	37,612	36,429	1,183	21	21
190	Other financial corporations	34,130	29,204	4,926	22	21
200	Non-financial corporations	184,992	160,745	24,247	2,075	2,039
210	Households	14,901	13,687	1,213	69	68
220	TOTAL	1,005,261	894,595	108,530	21,949	21,217

Performing and non-performing exposures and related provisions as at 30 June 2021 (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						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			ACCUMULATED PARTIAL WRITE-OFF	On performing exposures	On 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	4	2	2	-	-	-	-	176	-
10 Loans and advances	2,943	878	2,060	9,640	-	9,509	6,918	298,320	7,589
20 Central banks	2	2	-	-	-	-	-	84	-
30 General governments	59	17	41	131	-	131	2	3,029	3
40 Credit institutions	15	13	2	18	-	18	4	11,215	-
50 Other financial corporations	168	62	106	306	-	294	130	25,039	178
60 Non-financial corporations	1,855	500	1,354	7,195	-	7,132	6,250	113,000	4,958
70 <i>Of which: SMEs</i>	<i>1,065</i>	<i>255</i>	<i>808</i>	<i>5,337</i>	-	<i>5,301</i>	<i>4,043</i>	<i>66,520</i>	<i>3,976</i>
80 Households	844	284	557	1,990	-	1,934	532	145,953	2,450
90 Debt securities	116	58	58	92	-	92	-	2,166	-
100 Central banks	4	-	4	-	-	-	-	-	-
110 General governments	53	28	27	1	-	1	-	-	-
120 Credit institutions	7	2	4	-	-	-	-	-	-
130 Other financial corporations	33	20	13	69	-	69	-	2,166	-
140 Non-financial corporations	19	8	10	22	-	22	-	-	-
150 Off-balance-sheet exposures	262	139	123	259	-	259	-	50,844	583
160 Central banks	-	-	-	-	-	-	-	-	-
170 General governments	5	2	3	3	-	3	-	1,034	-
180 Credit institutions	3	2	1	-	-	-	-	6,237	-
190 Other financial corporations	34	24	10	2	-	2	-	8,969	-
200 Non-financial corporations	191	95	96	241	-	241	-	29,654	567
210 Households	29	16	13	13	-	13	-	4,950	16
220 TOTAL	3,325	1,077	2,243	9,991	-	9,860	6,918	351,506	8,172

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 an increase of 7.4 billion euro in the gross value of the performing exposures compared to December 2020, of which around 4.5 billion euro attributable to Central Banks and Credit Institutions (mainly for repurchase agreements) and 4.2 billion euro to Households, which were partially offset by a reduction of around 2 billion euro in exposures to Non-financial corporations. The coverage of these exposures remained substantially stable (0.62% as at 30 June 2021).

For non-performing loans and advances, there was a decrease of around 1.6 billion euro in gross values in the half year as a result of additional de-risking operations. The coverage of non-performing positions was at 62.4% (taking into account partial write-offs, reported in the table above), up on December 2020, when it was at 60.3%.

Again with regard to Loans and advances, there was an increase in guarantees received (around 14.7 billion euro).

For the caption “Debt securities”, there was an increase of 4.2 billion euro in performing exposures compared to December 2020 (of which 2.4 billion euro attributable to government securities), while non-performing “Debt securities” were essentially unchanged.

The performing off-balance sheet exposures decreased by 4.1 billion euro compared to December 2020.

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

(millions of euro)

		Net exposure value				No stated maturity	Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years		
1	Loans and advances	22,803	111,872	125,924	222,977	-	483,576
2	Debt securities	9	11,887	26,469	73,340	73	111,778
3	Total	22,812	123,759	152,393	296,317	73	595,354

This table reports the exposures as at 30 June 2021 for loans and advances and debt securities by maturity. It does not include assets held for trading and discontinued operations or balances with central banks and other on-demand deposits. These exposures are 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 2020	21,218
2	Inflows to non-performing portfolios	3,367
3	Outflows from non-performing portfolios	-4,950
4	<i>Outflows due to write-offs</i>	-778
5	<i>Outflow due to other situations</i>	-4,172
6	Final stock of non-performing loans and advances as at 30 June 2021	19,635

The table above relates solely to loans and advances and does not include discontinued operations and debt securities. Inflows to non-performing portfolios included new entries to non-performing status in the half year totalling around 1.3 billion euro. Outflows from non-performing portfolios included the return to performing status in the first half of around 0.5 billion euro and the additional de-risking operations referred to above carried out in the half year, which resulted in the reclassification of around 1.4 billion euro to discontinued operations.

**Credit quality of non-performing and performing exposures by past-due days as at 30 June 2021
(EU CQ3 Reg. 2021/637)**

This table reports the gross values of on- and off-balance sheet exposures by risk status. For the on-balance sheet exposures, the table shows the breakdown by past-due band.

(millions of euro)

	PERFORMING EXPOSURES			GROSS CARRYING VALUES									
	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	133,763	133,763	-	-	-	-	-	-	-	-	-	
10	Loans and advances	476,524	473,560	2,964	19,635	3,788	836	1,319	1,987	4,942	2,722	4,041	19,635
20	Central banks	3,541	3,541	-	-	-	-	-	-	-	-	-	-
30	General governments	17,579	16,818	761	318	5	2	37	39	7	12	216	318
40	Credit institutions	21,604	21,603	1	79	25	-	-	1	52	-	1	79
50	Other financial corporations	50,791	50,658	133	572	122	38	101	100	67	111	33	572
60	Non-financial corporations	209,881	209,586	295	13,565	2,443	463	839	1,269	3,576	2,079	2,896	13,565
70	Of which: SMEs	86,173	85,945	228	10,023	1,424	374	558	958	2,598	1,660	2,451	10,023
80	Households	173,128	171,354	1,774	5,101	1,193	333	342	578	1,240	520	895	5,101
90	Debt securities	111,862	111,851	11	124	65	-	2	-	39	14	4	124
100	Central banks	37	37	-	-	-	-	-	-	-	-	-	-
110	General governments	79,668	79,668	-	21	9	-	2	-	2	4	4	21
120	Credit institutions	7,742	7,731	11	-	-	-	-	-	-	-	-	-
130	Other financial corporations	17,959	17,959	-	68	55	-	-	-	13	-	-	68
140	Non-financial corporations	6,456	6,456	-	35	1	-	-	-	24	10	-	35
150	Off-balance-sheet exposures	283,112			2,190								2,190
160	Central banks	1,894			-								-
170	General governments	9,583			3								3
180	Credit institutions	37,612			21								21
190	Other financial corporations	34,130			22								22
200	Non-financial corporations	184,992			2,075								2,075
210	Households	14,901			69								69
220	TOTAL	1,005,261	719,174	2,975	21,949	3,853	836	1,321	1,987	4,981	2,736	4,045	21,949

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

With regard to the on-balance sheet exposures, the table shows the distribution by past-due bands, which compared to December 2020 mainly changed in the “1 to 2 years” band, which decreased by around 4.3%, and in the “2 to 5 years” band, which increased by around 3.3%.

For the changes in gross values, see the description provided in table EU CR1 above.

The gross NPE ratio as at 30 June 2021 was 3.96%, down from 4.33% as at 31 December 2020, due to the additional de-risking operations.

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 30 June 2021 (EU CQ4 Reg. 2021/637)

	GROSS CARRYING VALUE				ACCUMULATED IMPAIRMENT	PROVISIONS ON OFF-BALANCE-SHEET COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	(millions of euro) ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
	Total	Of which non-performing		Of which subject to impairment			
1 ON-BALANCE-SHEET EXPOSURES	608,145	19,759	19,759	606,029	12,773		18
2 Italy	418,557	17,963	17,963	416,852	10,976		18
3 United States	18,236	18	18	18,167	47		-
4 France	18,335	8	8	18,335	13		-
5 Spain	17,945	2	2	17,945	23		-
6 United Kingdom	14,571	2	2	14,524	34		-
7 Slovakia	14,613	396	396	14,613	320		-
8 Germany	6,726	52	52	6,725	53		-
9 Luxembourg	7,422	-	-	7,414	34		-
10 Croatia	8,809	434	434	8,809	343		-
11 Ireland	3,988	9	9	3,988	20		-
12 The Netherlands	3,381	-	-	3,366	10		-
13 Hungary	6,086	124	124	5,890	107		-
14 Russia	5,584	35	35	5,584	39		-
15 Egypt	5,966	148	148	5,966	125		-
16 Serbia	5,158	116	116	5,156	143		-
17 Qatar	5,089	-	-	5,089	1		-
18 Other Countries	47,679	452	452	47,606	485		-
19 OFF-BALANCE-SHEET EXPOSURES	285,302	2,190	2,190			521	
20 Italy	166,617	2,052	2,052			387	
21 United States	16,712	13	13			4	
22 France	14,601	6	6			2	
23 Spain	5,324	1	1			5	
24 United Kingdom	6,574	-	-			5	
25 Slovakia	3,590	19	19			13	
26 Germany	8,225	3	3			4	
27 Luxembourg	5,574	-	-			2	
28 Croatia	2,268	49	49			32	
29 Ireland	6,497	-	-			19	
30 The Netherlands	5,234	-	-			2	
31 Hungary	1,596	2	2			5	
32 Russia	2,093	-	-			1	
33 Egypt	1,379	5	5			6	
34 Serbia	1,298	4	4			3	
35 Qatar	1,047	-	-			-	
36 Other Countries	36,673	36	36			31	
37 TOTAL	893,447	21,949	21,949	606,029	12,773	521	18

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 608,145 million euro include 2,116 million euro of exposures not subject to impairment and debt securities amounting to 111.9 billion euro (of which 0.1 billion euro non-performing). The geographical breakdown as at 30 June 2021 did not change significantly compared to December 2020. There was only a slight reduction in the level of on-balance sheet exposures to the UK (-1.4%).

The most significant countries that are not specifically identified were:

- 1) Europe: Belgium, Switzerland, Slovenia and Poland;
- 2) Americas: Brazil and Canada;
- 3) Asia: China, Japan, United Arab Emirates and India.

**Credit quality of loans and advances to non-financial corporations by industry as at 30 June 2021
(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.

	GROSS CARRYING VALUE			ACCUMULATED IMPAIRMENT	(millions of euro) 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	4,052	350	350	4,035	244	-
2 Mining and quarrying	3,691	143	143	3,691	133	-
3 Manufacturing	65,462	3,838	3,838	65,231	2,559	-
4 Electricity, gas, steam and air conditioning supply	10,513	218	218	10,509	227	-
5 Water supply	2,477	87	87	2,477	79	-
6 Construction	16,937	2,787	2,787	16,908	1,701	1
7 Wholesale and retail trade	35,873	1,831	1,831	35,843	1,244	1
8 Transport and storage	14,318	554	554	14,315	453	1
9 Accommodation and food service activities	7,799	475	475	7,793	360	2
10 Information and communication	10,144	173	173	10,139	120	-
11 Financial and Insurance activities	7,326	89	89	7,326	64	-
12 Real estate activities	19,398	2,033	2,033	18,984	1,188	4
13 Professional, scientific and technical activities	13,863	380	380	13,829	254	1
14 Administrative and support service activities	5,309	348	348	5,309	224	-
15 Public administration and defence, compulsory social security	9	-	-	9	-	-
16 Education	261	16	16	261	9	-
17 Human health services and social work activities	2,353	80	80	2,352	57	-
18 Arts, entertainment and recreation	966	105	105	966	64	-
19 Other services	2,695	58	58	2,695	60	-
20 TOTAL	223,446	13,565	13,565	222,672	9,040	10

The total exposures, amounting to 223,446 million euro, include 774 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 December 2020.

Credit quality of forborne exposures as at 30 June 2021 (EU CQ1 Reg. 2021/637)

		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	8,121	6,087	6,087	6,034	434	2,397	8,502	
20	Central banks	-	-	-	-	-	-	-	
30	General governments	109	46	46	46	5	30	63	
40	Credit institutions	11	74	74	74	-	13	-	
50	Other financial corporations	191	220	220	198	6	167	150	
60	Non-financial corporations	6,028	4,385	4,385	4,354	355	1,846	5,889	
70	Households	1,782	1,362	1,362	1,362	68	341	2,400	
80	Debt Securities	-	-	-	-	-	-	-	
90	Loan commitments given	367	216	216	216	3	7	181	
100	Total	8,488	6,303	6,303	6,250	437	2,404	8,683	

The gross values for “Loans and advances” subject to forbearance measures as at 30 June 2021 increased compared to 31 December 2020 (+2.5 billion euro). This change was concentrated in performing loans and advances, which amounted to 8.1 billion euro. This increase was mainly due to the effect of the mass extension to 30 June 2021 of legislative moratoria that had previously expired.

There were no significant changes in the exposures to “Debt securities” and “Loan commitments given” compared to 31 December 2020.

Collateral obtained by taking possession and execution processes as at 30 June 2021 (EU CQ7 Reg. 2021/637)

		COLLATERAL OBTAINED BY TAKING POSSESSION	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	2	-
2	Other than PP&E	773	210
3	Residential immovable property	42	1
4	Commercial immovable property	353	49
5	Movable property (auto, shipping, etc.)	1	1
6	Equity and debt instruments	377	159
7	Other collateral	-	-
8	TOTAL	775	210

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 31 December 2020.

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) (Table 1 of 2)

(millions of euro)

	Total Performing and Non performing	Gross carrying amount						
		Performing			Non performing			
		Total	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Total	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
1	Loans and advances subject to moratorium	3,477	3,426	148	1,342	51	29	42
2	of which: Households	881	860	64	414	21	8	15
3	of which: Collateralised by residential immovable property	739	728	58	345	11	6	9
4	of which: Non-financial corporations	2,191	2,161	84	925	30	20	26
5	of which: Small and Medium-sized Enterprises	1,709	1,681	78	815	28	19	25
6	of which: Collateralised by commercial immovable property	1,673	1,652	61	640	21	16	19

Information on loans and advances subject to legislative and non-legislative moratoria (Table 1 EBA GL 2020/07) (Table 2 of 2)

(millions of euro)

	Total Performing and Non performing	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount of inflows to non-performing exposures	
		Performing			Non performing				
		Total	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Total	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		
1	Loans and advances subject to moratorium	93	77	9	70	16	9	12	17
2	of which: Households	24	19	3	17	5	1	3	10
3	of which: Collateralised by residential immovable property	14	12	2	11	2	1	1	7
4	of which: Non-financial corporations	67	57	6	53	10	7	9	7
5	of which: Small and Medium-sized Enterprises	57	48	6	45	9	6	8	7
6	of which: Collateralised by commercial immovable property	47	40	3	36	7	5	6	4

The Intesa Sanpaolo Group supported the legislative and non-legislative measures adopted in the various countries where it operates in order to combat the crisis generated by the COVID-19 pandemic.

The gross values for “Loans and advances” subject to outstanding moratoria as at 30 June 2021, totalling 3.5 billion euro, were down by around 29 billion euro compared to 31 December 2020. This decrease was due to the new EBA guidance (2 December 2020) according to which moratoria granted after 31 March 2021 as well as those granted previously that have exceeded a total duration of nine months cannot be considered EBA compliant⁶ and therefore are shown in the table below as expired moratoria, together with those for which the suspension period has effectively ended.

⁶ The facilitating framework envisaged by the EBA guidelines is no longer in force and consequently the positions need to be analysed individually to see if the extensions are to be considered forbearance measures (i.e. linked to a financial difficulty).

Within the non-financial corporations, the sectors most affected by these measures were: accommodation and food services, real estate, manufacturing and construction, transport and storage, wholesale and retail trade, and administrative and support services.

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	878,931	57,308							
2	Loans and advances subject to moratorium (granted)	870,442	56,938	29,946	53,461	1,191	683	1,458	98	47
3	of which: Households		22,617	6,209	21,736	343	409	112	14	3
4	of which: Collateralised by residential immovable property		16,646	3,329	15,907	258	378	90	12	1
5	of which: Non-financial corporations		32,048	23,528	29,857	447	274	1,343	83	44
6	of which: Small and Medium-sized Enterprises		24,921	20,693	23,212	267	211	1,108	82	41
7	of which: Collateralised by commercial immovable property		16,673	12,182	15,000	304	217	1,088	47	17

The gross values for “Loans and advances” subject to forbearance measures (both outstanding and expired) as at 30 June 2021 totalled 56.9 billion euro, down by around 3 billion euro on 31 December 2020.

The gross value of the expired moratoria, amounting to 53.5 billion euro, increased by around 25.6 billion euro compared to December 2020, mainly due to the factors described in relation to the table above.

As at 30 June 2021, around 96% of the moratoria granted and still in place as EBA compliant had a residual maturity within the following 9 months.

With regard to the Italian legislative measures, the “Sostegni bis” Law Decree has provided the possibility of benefiting from a further extension of legislative moratoria until 31 December 2021, a provision that only applies upon request from businesses (to be made by 15 June) already eligible for a moratorium previously granted under the “Cura Italia” Decree (expiring on 30 June). The suspension from 1 July onwards will only relate to the principal, while the interest accruing will have to be paid.

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
1	Newly originated loans and advances subject to public guarantee schemes	37,627	74	32,786	63
2	of which: Households	3,079			11
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	34,414	71	29,698	52
5	of which: Small and Medium-sized Enterprises	21,310			45
6	of which: Collateralised by commercial immovable property	43			-

As at 30 June 2021, 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 38 billion euro. The associated government guarantees amounted to around 33 billion euro.

The residual maturity of these loans was 58% over 5 years.

The sectors most affected by these measures were: manufacturing, wholesale and retail trade, and construction. As at 30 June 2021, almost all the exposures were performing, with a very low level of forborne exposures (0.20%).

Credit risk: disclosures on portfolios subject to the standardised approach

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 30 June 2021 (EU CR4 Reg. 2021/637)

EXPOSURE CLASSES		(millions of euro)					
		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	227,106	4,753	278,011	1,786	22,940	8.20
2	Regional government or local authorities	858	248	1,011	171	330	27.92
3	Public sector entities	1,614	368	948	106	718	68.12
4	Multilateral development banks	1,154	46	1,493	4	-	-
5	International organisations	1,205	-	1,205	-	-	-
6	Institutions	8,366	5,648	8,012	1,166	4,677	50.96
7	Corporates	35,771	15,743	26,050	3,865	27,564	92.14
8	Retail	18,841	7,605	13,992	765	10,020	67.90
9	Secured by mortgages on immovable property	6,776	61	6,387	28	2,358	36.76
10	Exposures in default	1,295	67	1,266	23	1,442	111.87
11	Exposures associated with particularly high risk	415	144	410	84	738	149.39
12	Covered bonds	1,797	-	1,797	-	220	12.24
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	2,478	976	2,478	528	5,624	187.09
15	Equity	1,572	-	1,572	-	1,935	123.09
16	Other items	19,081	-	19,084	1	12,308	64.49
17	TOTAL	328,329	35,659	363,716	8,527	90,874	24.41
TOTAL ON- AND OFF-BALANCE SHEET AMOUNTS		363,988		372,243			

The consolidated balance sheet aggregate as at 30 June 2021 was 364 billion euro before the credit risk mitigation (CRM) prudential treatments and the application of the credit conversion factors (CCFs), which led to a remeasurement of the prudential value of the exposures. The effect was an increase of 35.4 billion euro on the on-balance-sheet items and a decrease of 27.1 billion euro on the off-balance-sheet items, resulting in a net positive balance of 8.3 billion euro and a valuation of the prudential aggregate totalling 372.2 billion euro, corresponding to 90.9 billion euro in RWAs, down by -3.7 billion euro over the half year. Regarding to the difference in the level of the CCF/CRM risk weights on the different types of exposure and classes of exposure, the changes in the balance sheet figures were structurally more significant for exposures to “Central Governments or Central Banks” and less so for exposures to “Corporate” and “Retail” customers. More specifically, the sharp growth in the total post-CCF/CRM prudential aggregate in the first half (+45.5 billion euro) was almost

entirely attributable to the increase (+46.6 billion euro pre-CCF/CRM and +51.6 billion euro post-CCF/CRM) in the “Central Governments or Central Banks” portfolio, with, moreover, only a marginal reflection in terms of capital absorption (RWAs -1 billion euro). The main factors contributing to the rise were: a) the increase in the level of the Reserve Requirement and the Deposits held with Banks; b) the investment of liquidity in the securities portfolio, oriented towards sovereign borrowers of high standing; c) the increase in guarantees provided by the Ministry of the Economy and Finance –with a corresponding reallocation of the amount guaranteed for “Central Governments” – to maintain favourable conditions for the development of loans originated by banks to customers, as part of the measures in support of the production cycle and liquidity, in order to counter the impact of the pandemic on the economy. Lastly, there was a change in exposures to CIUs (-2.5 billion euro pre-CCF/CRM and -1.4 billion euro post-CCF/CRM), which, however, was accompanied by an increase in RWAs (+1.8 billion euro) as a result of the new prudential treatment rules laid down in Regulation (EU) 2019/876 (CRR II): this regulation introduces weightings for CIUs for which simplified calculation approaches are adopted and whose capital requirement will be included in the presentation for the Standardised Approach, where it has not been possible to adopt more advanced calculation approaches that involve the granular breakdown of the CIUs into their individual component assets and their consequent approval for the prudential treatment envisaged under the internal models, reported under the Advanced Approaches. Overall, the reconfiguration of the portfolios in the half year was characterised by an increase in the exposure classes with lower prudential weighting levels, resulting in a significant reduction in the risk profile, with an RWA density of 24.4% compared to 29% in December 2020, further strengthening the trend already seen in the previous year.

Standardised approach – Exposures post CCF and CRM as at 30 June 2021 (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	258,715	-	-	-	1,364	-	3,130	-	-
2 Regional government or local authorities	-	-	-	-	1,060	-	1	-	-
3 Public sector entities	21	-	-	-	359	-	54	-	-
4 Multilateral development banks	1,497	-	-	-	-	-	-	-	-
5 International organisations	1,205	-	-	-	-	-	-	-	-
6 Institutions	4	144	-	-	4,243	-	1,884	-	-
7 Corporates	-	-	-	-	816	-	1,189	55	-
8 Retail exposures	-	-	-	-	-	1,827	-	-	12,930
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	4,706	1,706	-	-
10 Exposures in default	-	-	-	-	-	-	-	-	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	1,393	404	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	252	-	-	-	-	-	-	-	2
15 Equity exposures	-	-	-	-	-	-	-	-	-
16 Other items	5,214	-	-	-	1,954	-	-	-	-
17 TOTAL	266,908	144	-	1,393	10,200	6,533	7,964	55	12,932

Standardised approach – Exposures post CCF and CRM as at 30 June 2021 (EU CR5 Reg. 2021/637)

(Table 2 of 2)

EXPOSURE CLASSES	RISK WEIGHT						(millions of euro)	
	100%	150%	250%	370%	1250%	Others	TOTAL	OF WHICH UNRATED
1 Central governments or central banks	13,544	48	2,996	-	-	-	279,797	6,519
2 Regional government or local authorities	121	-	-	-	-	-	1,182	881
3 Public sector entities	620	-	-	-	-	-	1,054	496
4 Multilateral development banks	-	-	-	-	-	-	1,497	14
5 International organisations	-	-	-	-	-	-	1,205	-
6 Institutions	2,902	1	-	-	-	-	9,178	4,422
7 Corporates	27,559	296	-	-	-	-	29,915	25,143
8 Retail exposures	-	-	-	-	-	-	14,757	14,730
9 Exposures secured by mortgages on immovable property	3	-	-	-	-	-	6,415	6,110
10 Exposures in default	983	306	-	-	-	-	1,289	1,284
11 Exposures associated with particularly high risk	-	494	-	-	-	-	494	494
12 Covered bonds	-	-	-	-	-	-	1,797	459
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	922	39	-	53	227	1,511	3,006	2,932
15 Equity exposures	1,330	-	242	-	-	-	1,572	1,572
16 Other items	11,917	-	-	-	-	-	19,085	19,050
17 TOTAL	59,901	1,184	3,238	53	227	1,511	372,243	84,106

The prudential aggregate has been valued at 372.2 billion euro, after the application of credit conversion factors (CCFs) and prudential credit risk mitigation (CRM) treatments. The breakdown of exposures by class and by risk weight shows, overall, a significant decrease in the RWA density compared to December 2020 (-4.6%), confirming the trend that had already emerged during the previous year. The average value was 24.4%, with a further polarisation of exposures towards zero-weighted factors: this was due, in particular, to the significant increase in the “Central Governments or Central Banks” class (+51.6 billion euro post-CCF/CRM), as already mentioned in Table EU CR4, to which reference is made. The decrease of -1.4 billion euro in the “Collective Investment Undertakings” class, in addition to minor changes occurring during the period, was mainly due to the implementation of the new prudential treatment, in accordance with Regulation (EU) 2019/876 (CRR II). Specifically, with regard to the application of the advanced look-through approach, this entails breaking down the CIUs into their constituent underlyings, measuring them using the internal models of the related asset classes and the consequent restatement of the values under the Advanced Approaches. Lastly, in the half year there was also a decrease in the “Equity” class (-1.8 billion euro) and the “Other items” class (-3.1 billion euro), which incorporates the book value of the exposure of leased assets according to IFRS 16, as well as the effects of macro hedging on core deposits.

Standardised approach - Exposures before CCF and CRM as at 30 June 2021 (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	208,570	-	-	-	1,364	-	2,619	-	-
2 Regional government or local authorities	-	-	-	-	979	-	1	-	-
3 Public sector entities	27	-	-	-	429	-	101	-	-
4 Multilateral development banks	1,200	-	-	-	-	-	-	-	-
5 International organisations	1,205	-	-	-	-	-	-	-	-
6 Institutions	4	144	-	-	5,493	-	2,552	-	-
7 Corporates	-	-	-	-	787	-	1,367	-	-
8 Retail exposures	-	-	-	-	-	1,841	-	-	24,605
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	5,078	1,749	-	-
10 Exposures in default	-	-	-	-	-	-	-	-	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	1,393	404	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	263	-	-	-	-	-	-	-	2
15 Equity exposures	-	-	-	-	-	-	-	-	-
16 Other items	5,210	-	-	-	1,954	-	-	-	-
17 TOTAL	216,479	144	-	1,393	11,410	6,919	8,389	-	24,607

Standardised approach - Exposures before CCF and CRM as at 30 June 2021 (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	16,065	245	2,996	-	-	-	231,859	7,387
2 Regional government or local authorities	126	-	-	-	-	-	1,106	943
3 Public sector entities	1,425	-	-	-	-	-	1,982	1,383
4 Multilateral development banks	-	-	-	-	-	-	1,200	-
5 International organisations	-	-	-	-	-	-	1,205	-
6 Institutions	5,783	38	-	-	-	-	14,014	8,102
7 Corporates	49,006	354	-	-	-	-	51,514	44,680
8 Retail exposures	-	-	-	-	-	-	26,446	26,418
9 Exposures secured by mortgages on immovable property	10	-	-	-	-	-	6,837	6,145
10 Exposures in default	1,040	322	-	-	-	-	1,362	1,357
11 Exposures associated with particularly high risk	-	559	-	-	-	-	559	559
12 Covered bonds	-	-	-	-	-	-	1,797	459
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	954	51	-	100	234	1,850	3,454	3,379
15 Equity exposures	1,330	-	242	-	-	-	1,572	1,572
16 Other items	11,917	-	-	-	-	-	19,081	19,032
17 TOTAL	87,656	1,569	3,238	100	234	1,850	363,988	121,416

Credit risk: disclosures on portfolios subject to IRB approaches

Qualitative disclosure

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.

The table below shows the regulatory portfolios for which the Group, as at 30 June 2021, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the "Corporate" (Foundation and Advanced IRB), Retail (Advanced IRB) Retail SME (Advanced IRB), Banks and Public Entities (Advanced IRB) regulatory segments and for Banking Book equity exposures (IRB).

With regard to credit risks, the ECB's authorisations to use the new Institutions and Retail SME models and a framework for the Margin of Conservatism (MoC) applicable to all the portfolios for regulatory purposes were implemented starting from June 2021.

Regulatory portfolios 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 (Banking; Leasing and Factoring)	CCF/K factor model (Banking) 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)	AIRB Retail since September 2018 ⁽²⁾
	Default model (Retail SME)	Workout model (Retail SME)	CCF/K factor model (Retail SME)	AIRB 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.

3) VUB authorised from June 2014.

4) ISP and Banca IMI (merged by incorporation into the Parent company in 2020) authorised from 2017.

Quantitative disclosure

The tables below include the EADs related both to credit risk, discussed in detail in this section, and to counterparty risk, discussed in a later section.

Exposure values by regulatory portfolio (Foundation IRB Approach)

Regulatory portfolio	Exposure value (millions of euro)	
	30.06.2021	31.12.2020
Exposures to or secured by corporates:		
- Specialised lending	-	-
- SMEs (Small and Medium Enterprises)	510	459
- Other corporates	1,099	885
Total credit risk (IRB)	1,609	1,344

Exposure values by regulatory portfolio (Advanced IRB Approach)

Regulatory portfolio	Exposure value (millions of euro)	
	30.06.2021	31.12.2020
Exposures to or secured by corporates:		
- Specialised lending	10,776	10,422
- SMEs (Small and Medium Enterprises)	51,008	53,368
- Other corporates	128,940	142,621
Exposures to or secured by Supervised Intermediaries, Public sector and local entities and Other entities	38,531	30,131
Total credit risk (Advanced IRB approach)	229,255	236,542

Exposure values by regulatory portfolio (IRB Approach)

Regulatory portfolio	Exposure value (millions of euro)	
	30.06.2021	31.12.2020
Retail exposures:		
- Exposures secured by residential property: SMEs	6,332	8,511
- Exposures secured by residential property: private individuals	119,545	126,453
- Other retail exposures: SMEs	15,483	14,481
- Other retail exposures: private individuals	21,942	23,097
- Revolving qualifying exposures	-	1,907
Total credit risk (IRB)	163,302	174,449

Regulatory portfolio	Exposure value (millions of euro)	
	30.06.2021	31.12.2020
Exposures in equity instruments subject to the PD/LGD approach	1,325	948
Total credit risk (IRB)	1,325	948

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 30 June 2021
(EU CR7 Reg. 2021/637)**

		Pre-credit derivatives risk weighted exposure amount	(millions of euro) Actual risk weighted exposure amount
1	Exposures under F-IRB	1,209	1,209
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates	1,209	1,209
4.1	<i>of which Corporates - SMEs</i>	344	344
4.2	<i>of which Corporates - specialised lending</i>	-	-
5	Exposures under A-IRB	145,262	145,243
6	Central governments and central banks	-	-
7	Institutions	16,740	16,747
8	Corporates	94,363	94,337
8.1	<i>of which Corporates - SMEs</i>	28,012	28,012
8.2	<i>of which Corporates - specialised lending</i>	6,578	6,578
9	Retail	34,159	34,159
9.1	<i>of which Retail – SMEs, secured by immovable property collateral</i>	1,742	1,742
9.2	<i>of which Retail – non SMEs, secured by immovable property collateral</i>	22,679	22,679
9.3	<i>of which Retail – qualifying revolving</i>	-	-
9.4	<i>of which Retail – SMEs, other</i>	3,813	3,813
9.5	<i>of which Retail – non SMEs, other</i>	5,925	5,925
10	TOTAL (including F-IRB exposures and A-IRB exposures)	146,471	146,452

The use of credit derivatives as a credit risk mitigation tool is marginal and the effects as at 30 June were small: in relation to the reduction of -25.9 million RWA in the Corporates portfolio, there was an increase of +6.7 million euro in RWAs in the Institutions portfolio, with a net change of -19.2 million euro in RWAs.

IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2021
(EU CR6 Reg. 2021/637) (Table 1 of 4)

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	(millions of euro)	
											EL	Value adjust- ments and provisions
Exposures to Institutions												
0,00 to <0,15	5,955	16,145	2.48%	6,435	0.07	845	40.86	2.24	1,793	27.87%	2	-3
0,00 to < 0,10	4,692	13,062	2.69%	5,114	0.05	520	42.76	2.12	1,339	26.19%	1	-2
0,10 to < 0,15	1,263	3,083	1.58%	1,321	0.12	325	33.50	2.68	454	34.41%	1	-1
0,15 to <0,25	5,444	6,802	7.81%	5,996	0.20	591	30.97	2.14	2,141	35.70%	4	-6
0,25 to <0,50	6,142	6,789	9.18%	6,802	0.36	991	23.30	3.46	3,320	48.82%	6	-13
0,50 to <0,75	899	2,170	16.23%	1,211	0.69	393	31.37	2.81	815	67.25%	3	-2
0,75 to <2,50	8,895	4,979	4.25%	9,180	1.42	1,208	26.73	2.59	6,611	72.01%	41	-38
0,75 to < 1,75	6,317	3,031	5.07%	6,576	1.14	913	22.32	2.86	3,907	59.42%	20	-26
1,75 to < 2,5	2,578	1,948	2.97%	2,604	2.14	295	37.86	1.93	2,704	103.82%	21	-12
2,50 to <10,00	1,284	2,165	6.33%	1,342	4.81	624	23.29	2.86	1,144	85.23%	14	-25
2,5 to < 5	742	1,681	7.08%	771	3.27	380	28.60	2.41	756	97.99%	8	-5
5 to < 10	542	484	3.71%	571	6.89	244	16.12	3.47	388	68.00%	6	-20
10,00 to < 100,00	192	203	1.14%	196	20.48	201	22.40	3.54	243	123.97%	8	-4
10 to < 20	156	193	1.04%	158	15.91	129	24.42	3.49	213	134.48%	6	-3
20 to < 30	-	-	50.00%	-	23.00	9	16.78	1.44	-	92.31%	-	-
30,00 to < 100,00	36	10	1.25%	38	39.85	63	13.83	3.76	30	79.54%	2	-1
100,00 (default)	404	21	1.28%	404	100.00	136	64.79	1.63	680	168.37%	215	-148
Subtotal	29,215	39,274	5.75%	31,566	2.18	4,989	30.17	2.63	16,747	53.05%	293	-239
Exposures to corporates												
- SMEs (small and medium enterprises)												
0,00 to <0,15	1,041	1,126	21.95%	1,025	0.11	4,998	41.24	2.39	211	20.54%	-	-1
0,00 to < 0,10	245	324	19.09%	244	0.07	1,400	43.45	2.77	55	22.37%	-	-
0,10 to < 0,15	796	802	23.10%	781	0.13	3,598	40.55	2.27	156	19.96%	-	-1
0,15 to <0,25	2,330	2,237	21.88%	1,999	0.20	8,487	40.77	2.22	516	25.82%	2	-6
0,25 to <0,50	8,062	6,887	20.67%	6,329	0.37	24,324	41.21	2.23	2,391	37.77%	10	-22
0,50 to <0,75	7,971	5,815	21.14%	5,951	0.61	21,854	40.41	2.28	2,777	46.67%	15	-27
0,75 to <2,50	18,511	9,890	22.46%	13,410	1.45	46,346	39.84	2.43	8,476	63.21%	77	-142
0,75 to < 1,75	13,218	7,741	22.41%	9,629	1.27	33,703	40.15	2.40	5,918	61.46%	49	-80
1,75 to < 2,5	5,293	2,149	22.62%	3,781	1.91	12,643	39.07	2.52	2,558	67.67%	28	-62
2,50 to <10,00	12,649	3,909	21.52%	9,660	5.22	31,299	37.87	2.77	8,264	85.54%	189	-394
2,5 to < 5	6,281	2,287	21.95%	4,702	3.18	15,693	38.57	2.59	3,615	76.87%	57	-127
5 to < 10	6,368	1,622	20.90%	4,958	7.16	15,606	37.21	2.95	4,649	93.77%	132	-267
10,00 to < 100,00	2,318	496	23.04%	2,252	20.73	8,050	35.86	3.15	2,975	132.14%	166	-329
10 to < 20	1,548	315	22.31%	1,379	15.22	4,462	35.68	3.10	1,671	121.19%	75	-153
20 to < 30	414	60	30.66%	369	23.25	1,065	37.92	3.30	553	149.81%	32	-53
30,00 to < 100,00	356	121	21.20%	504	33.99	2,523	34.85	3.16	751	149.22%	59	-123
100,00 (default)	10,156	476	80.37%	9,965	100.00	17,190	55.95	2.06	2,402	24.11%	5,396	-5,945
Subtotal	63,038	30,836	22.53%	50,591	22.13	162,546	42.76	2.40	28,012	55.37%	5,855	-6,866
- Specialised lending												
0,00 to <0,15	2	-	-	2	0.12	2	49.50	1.18	-	15.38%	-	-
0,00 to < 0,10	-	-	-	-	-	-	-	-	-	-	-	-
0,10 to < 0,15	2	-	-	2	0.12	2	49.50	1.18	-	15.38%	-	-
0,15 to <0,25	14	20	24.82%	18	0.23	35	30.14	2.65	4	21.08%	-	-
0,25 to <0,50	276	183	13.94%	300	0.35	101	19.58	2.43	68	22.73%	-	-
0,50 to <0,75	1,200	384	21.25%	1,109	0.54	200	19.47	4.13	400	36.07%	1	-4
0,75 to <2,50	5,116	2,602	18.73%	5,398	1.25	1,008	19.71	3.58	2,503	46.37%	13	-35
0,75 to < 1,75	3,881	1,969	19.47%	4,061	1.04	650	19.97	3.80	1,850	45.55%	8	-23
1,75 to < 2,5	1,235	633	16.44%	1,337	1.90	358	18.91	2.92	653	48.86%	5	-12
2,50 to <10,00	1,685	582	15.14%	1,672	4.64	683	19.75	2.87	985	58.87%	15	-51
2,5 to < 5	1,393	504	14.96%	1,394	3.87	561	19.89	2.88	787	56.45%	10	-40
5 to < 10	292	78	16.27%	278	8.53	122	19.01	2.80	198	70.97%	5	-11
10,00 to < 100,00	874	218	14.95%	872	20.99	291	28.27	2.73	1,262	144.77%	48	-121
10 to < 20	623	158	15.64%	626	15.16	152	31.80	2.92	1,018	162.78%	31	-78
20 to < 30	-	-	-	-	-	-	-	-	-	-	-	-
30,00 to < 100,00	251	60	13.12%	246	35.79	139	19.29	2.24	244	99.01%	17	-43
100,00 (default)	885	70	98.37%	932	100.00	514	49.02	2.89	268	28.73%	437	-511
Subtotal	10,052	4,059	19.44%	10,303	12.30	2,834	23.08	3.35	5,490	53.28%	514	-722

IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2021
(EU CR6 Reg. 2021/637) (Table 2 of 4)

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	(millions of euro) EL	Value adjustments and provisions
- Other corporates												
0,00 to <0,15	9,719	30,756	20.41%	15,984	0.09	1,577	32.66	1.98	2,899	18.14%	5	-5
0,00 to < 0,10	4,213	16,627	21.84%	7,841	0.06	705	32.73	1.88	1,065	13.58%	2	-1
0,10 to < 0,15	5,506	14,129	18.71%	8,143	0.12	872	32.59	2.07	1,834	22.52%	3	-4
0,15 to <0,25	16,337	27,362	18.96%	21,338	0.20	1,784	32.63	1.77	6,053	28.37%	14	-13
0,25 to <0,50	30,143	33,855	21.72%	31,001	0.33	4,115	32.18	1.98	11,922	38.46%	33	-37
0,50 to <0,75	12,178	16,164	24.90%	15,231	0.54	3,044	32.08	2.18	7,614	49.99%	26	-27
0,75 to <2,50	22,997	24,133	24.84%	26,500	1.40	5,692	31.61	2.10	18,466	69.68%	117	-140
0,75 to < 1,75	15,209	17,265	23.48%	17,597	1.12	4,227	31.59	2.05	11,370	64.62%	62	-76
1,75 to < 2,5	7,788	6,868	28.27%	8,903	1.93	1,465	31.65	2.20	7,096	79.70%	55	-64
2,50 to <10,00	8,431	4,421	23.11%	8,128	4.98	2,443	30.35	2.19	7,912	97.34%	122	-236
2,5 to < 5	5,260	2,621	21.93%	5,067	3.57	1,392	30.43	2.22	4,502	88.85%	55	-119
5 to < 10	3,171	1,800	24.83%	3,061	7.31	1,051	30.21	2.16	3,410	111.41%	67	-117
10,00 to < 100,00	2,690	932	17.91%	2,720	19.70	668	28.54	2.23	3,624	133.26%	152	-263
10 to < 20	1,553	715	18.65%	1,452	14.88	435	29.78	2.84	2,103	144.86%	65	-89
20 to < 30	904	137	14.28%	926	22.82	36	25.72	1.41	929	100.30%	54	-77
30,00 to < 100,00	233	80	17.52%	342	31.69	197	30.85	1.82	592	173.28%	33	-97
100,00 (default)	4,507	1,385	49.72%	4,934	100.00	1,819	44.91	1.68	1,257	25.49%	2,116	-2,408
Subtotal	107,002	139,008	22.10%	125,836	5.15	21,142	32.49	2.00	59,747	47.48%	2,585	-3,129
Retail exposures: (*)												
- SME secured by immovable property collateral												
0,00 to <0,15	987	16	43.99%	989	0.09	9,134	18.35	-	32	3.17%	-	-2
0,00 to < 0,10	534	9	48.53%	536	0.06	4,892	18.26	-	13	2.39%	-	-1
0,10 to < 0,15	453	7	38.20%	453	0.12	4,242	18.47	-	19	4.09%	-	-1
0,15 to <0,25	446	9	49.33%	447	0.22	3,938	18.90	-	29	6.57%	-	-2
0,25 to <0,50	480	9	45.58%	480	0.34	4,279	19.39	-	45	9.32%	-	-5
0,50 to <0,75	491	11	22.88%	488	0.55	4,200	18.75	-	62	12.68%	1	-4
0,75 to <2,50	1,647	33	29.02%	1,626	1.51	13,700	18.78	-	397	24.45%	5	-17
0,75 to < 1,75	897	17	30.82%	885	1.06	7,387	18.71	-	174	19.71%	2	-7
1,75 to < 2,5	750	16	27.01%	741	2.05	6,313	18.87	-	223	30.12%	3	-10
2,50 to <10,00	868	15	25.59%	846	5.15	7,517	19.31	-	427	50.56%	8	-22
2,5 to < 5	553	11	25.69%	539	3.84	4,803	19.38	-	240	44.59%	4	-12
5 to < 10	315	4	25.30%	307	7.44	2,714	19.17	-	187	61.03%	4	-10
10,00 to < 100,00	572	7	40.94%	555	27.42	5,143	19.38	-	456	82.23%	30	-30
10 to < 20	208	3	35.70%	202	13.92	1,870	19.45	-	161	79.73%	6	-8
20 to < 30	153	1	43.66%	149	21.37	1,308	18.73	-	128	85.86%	6	-8
30,00 to < 100,00	211	3	46.76%	204	45.26	1,965	19.78	-	167	82.07%	18	-14
100,00 (default)	918	8	22.33%	901	100.00	7,843	46.04	-	294	32.58%	392	-345
Subtotal	6,409	108	33.38%	6,332	17.81	55,754	22.77	-	1,742	27.52%	436	-427
- SME other												
0,00 to <0,15	4,467	3,597	36.95%	3,576	0.09	158,488	32.96	-	218	6.09%	1	-8
0,00 to < 0,10	2,494	2,360	35.09%	2,075	0.06	85,043	32.82	-	101	4.84%	-	-3
0,10 to < 0,15	1,973	1,237	40.50%	1,501	0.12	73,445	33.16	-	117	7.82%	1	-5
0,15 to <0,25	1,795	958	44.16%	1,333	0.22	68,869	33.85	-	165	12.33%	1	-10
0,25 to <0,50	1,774	788	46.31%	1,322	0.34	84,506	35.50	-	225	17.04%	2	-15
0,50 to <0,75	1,690	547	41.55%	1,099	0.55	66,334	33.65	-	238	21.67%	2	-9
0,75 to <2,50	4,802	996	39.03%	2,893	1.47	181,429	33.52	-	939	32.44%	15	-38
0,75 to < 1,75	2,814	648	39.59%	1,709	1.06	105,073	33.54	-	505	29.53%	6	-19
1,75 to < 2,5	1,988	348	37.98%	1,184	2.05	76,356	33.50	-	434	36.65%	9	-19
2,50 to <10,00	2,483	423	37.31%	1,541	5.20	103,212	34.25	-	657	42.64%	28	-53
2,5 to < 5	1,513	260	37.65%	949	3.82	60,610	34.56	-	396	41.71%	13	-26
5 to < 10	970	163	36.78%	592	7.42	42,602	33.74	-	261	44.14%	15	-27
10,00 to < 100,00	1,373	193	41.23%	861	26.78	89,634	34.25	-	573	66.65%	85	-96
10 to < 20	541	83	40.28%	338	13.93	27,592	34.51	-	188	55.59%	17	-25
20 to < 30	413	42	32.62%	226	21.50	23,024	32.29	-	141	62.58%	16	-17
30,00 to < 100,00	419	68	47.73%	297	45.42	39,018	35.45	-	244	82.32%	52	-54
100,00 (default)	2,961	85	37.02%	2,833	100.00	105,878	85.61	-	798	28.16%	2,365	-2,230
Subtotal	21,345	7,587	39.57%	15,458	20.72	858,350	43.26	-	3,813	24.67%	2,499	-2,459

IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2021 (EU CR6 Reg. 2021/637) (Table 3 of 4)

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	(millions of euro)	
											EL	Value adjust- ments and provisions
- Non-SME secured by immovable property collateral												
0,00 to <0,15	39,908	598	75.95%	40,211	0.08	475,074	17.56	-	1,515	3.77%	6	-7
0,00 to < 0,10	15,179	400	81.11%	15,476	0.05	192,228	17.50	-	388	2.51%	1	-2
0,10 to < 0,15	24,729	198	65.48%	24,735	0.10	282,846	17.59	-	1,127	4.56%	5	-5
0,15 to <0,25	13,480	66	12.76%	13,385	0.17	150,593	17.60	-	889	6.64%	4	-3
0,25 to <0,50	16,963	141	60.42%	16,857	0.28	190,684	18.35	-	1,694	10.05%	9	-8
0,50 to <0,75	9,861	83	60.35%	9,785	0.51	108,870	18.57	-	1,524	15.58%	9	-9
0,75 to <2,50	24,192	113	52.26%	23,916	1.28	284,680	18.32	-	6,629	27.72%	56	-70
0,75 to < 1,75	13,731	92	61.08%	13,581	0.79	156,994	18.56	-	2,863	21.08%	20	-30
1,75 to < 2,5	10,461	21	13.47%	10,335	1.93	127,686	18.00	-	3,766	36.44%	36	-40
2,50 to <10,00	9,577	36	51.35%	9,455	5.66	109,457	18.57	-	6,398	67.66%	99	-100
2,5 to < 5	4,515	28	61.99%	4,465	3.98	51,854	18.63	-	2,569	57.52%	33	-29
5 to < 10	5,062	8	15.70%	4,990	7.16	57,603	18.52	-	3,829	76.73%	66	-71
10,00 to < 100,00	2,832	3	34.36%	2,804	20.65	31,414	18.32	-	2,962	105.63%	106	-146
10 to < 20	1,955	2	18.39%	1,935	15.81	22,215	18.26	-	1,972	101.92%	56	-79
20 to < 30	-	-	-	-	21.35	5	14.40	-	-	87.14%	-	-
30,00 to < 100,00	877	1	61.76%	869	31.43	9,194	18.46	-	990	113.90%	50	-67
100,00 (default)	3,137	4	100.00%	3,132	100.00	36,929	41.45	-	1,068	34.09%	1,225	-1,106
Subtotal	119,950	1,044	65.13%	119,545	3.94	1,387,701	18.63	-	22,679	18.97%	1,514	-1,449
- Non-SME other												
0,00 to <0,15	3,201	2,103	58.46%	4,349	0.08	1,230,920	30.88	-	278	6.41%	1	-2
0,00 to < 0,10	1,254	1,446	58.81%	2,069	0.05	758,565	31.41	-	96	4.65%	-	-1
0,10 to < 0,15	1,947	657	57.71%	2,280	0.10	472,355	30.40	-	182	8.00%	1	-1
0,15 to <0,25	1,856	528	62.57%	2,122	0.17	459,810	32.14	-	262	12.34%	1	-1
0,25 to <0,50	2,470	486	64.69%	2,675	0.28	517,507	32.63	-	468	17.51%	2	-3
0,50 to <0,75	1,943	295	66.46%	2,070	0.51	389,400	33.48	-	534	25.80%	4	-3
0,75 to <2,50	5,312	688	70.05%	5,523	1.29	994,107	33.32	-	2,084	37.73%	24	-24
0,75 to < 1,75	2,891	397	68.59%	3,085	0.78	509,739	33.85	-	1,007	32.64%	8	-10
1,75 to < 2,5	2,421	291	72.05%	2,438	1.93	484,368	32.65	-	1,077	44.17%	16	-14
2,50 to <10,00	2,956	271	68.43%	2,999	5.71	628,750	33.70	-	1,611	53.71%	58	-59
2,5 to < 5	1,406	138	68.30%	1,424	4.01	261,759	33.43	-	730	51.26%	19	-19
5 to < 10	1,550	133	68.55%	1,575	7.24	366,991	33.94	-	881	55.91%	39	-40
10,00 to < 100,00	680	38	70.07%	683	19.61	152,401	33.56	-	522	76.40%	45	-55
10 to < 20	518	29	71.18%	521	15.92	115,869	33.59	-	373	71.68%	28	-36
20 to < 30	-	-	-	-	21.35	39	37.00	-	-	89.76%	-	-
30,00 to < 100,00	162	9	66.43%	162	31.45	36,493	33.45	-	149	91.56%	17	-19
100,00 (default)	1,500	24	87.30%	1,517	100.00	181,324	71.65	-	166	10.92%	1,080	-1,053
Subtotal	19,918	4,433	62.83%	21,938	8.74	4,554,219	35.36	-	5,925	27.01%	1,215	-1,200
TOTAL	376,929	226,349	20.86%	381,569		7,047,537		2.25	144,155	37.78%	14,911	-16,491

(*) 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 – Credit risk exposures by exposure class and PD scale as at 30 June 2021
(EU CR6 Reg. 2021/637) (Table 4 of 4)

FIRB 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	(millions of euro)	
											EL	Value adjust- ments and provisions
Exposures to corporates												
- SMEs												
0,00 to <0,15	1	10	56.37%	7	0.11	45	43.13	2.50	2	22.42%	-	-
0,00 to < 0,10	-	-	-	-	-	-	-	-	-	-	-	-
0,10 to < 0,15	1	10	56.37%	7	0.11	45	43.13	2.50	2	22.42%	-	-
0,15 to <0,25	5	64	49.88%	37	0.19	132	44.28	2.50	12	32.95%	-	-
0,25 to <0,50	40	147	62.70%	133	0.36	252	44.13	2.50	65	49.35%	-	-
0,50 to <0,75	-	84	44.28%	37	0.54	117	45.00	2.50	22	58.98%	-	-
0,75 to <2,50	65	143	55.23%	144	1.34	474	43.44	2.50	106	73.62%	-	-1
0,75 to < 1,75	48	97	53.76%	100	1.09	310	43.32	2.50	73	72.49%	-	-1
1,75 to < 2,5	17	46	58.36%	44	1.92	164	43.73	2.50	33	76.23%	-	-
2,50 to <10,00	65	92	49.75%	110	4.04	343	43.47	2.50	113	101.83%	2	-1
2,5 to < 5	60	63	52.26%	92	3.50	277	43.60	2.50	94	101.25%	1	-1
5 to < 10	5	29	44.21%	18	6.87	66	42.78	2.50	19	104.79%	1	-
10,00 to < 100,00	7	19	53.47%	17	16.12	88	42.94	2.50	24	144.66%	2	-
10 to < 20	4	13	61.21%	12	12.11	50	43.47	2.50	17	139.85%	1	-
20 to < 30	3	6	37.75%	5	25.96	34	41.62	2.50	7	156.81%	1	-
30,00 to < 100,00	-	-	47.76%	-	37.34	4	40.84	2.50	-	149.12%	-	-
100,00 (default)	17	11	54.11%	23	100.00	54	41.99	2.50	-	-	9	-14
Subtotal	200	570	54.00%	508	6.53	1,505	43.72	2.50	344	67.67%	13	-16
- Other												
0,00 to <0,15	6	158	17.24%	33	0.11	20	45.00	2.50	11	33.18%	-	-
0,00 to < 0,10	-	56	0.00%	-	0.04	4	45.00	2.50	-	18.22%	-	-
0,10 to < 0,15	6	102	26.73%	33	0.11	16	45.00	2.50	11	33.18%	-	-
0,15 to <0,25	55	40	71.09%	83	0.18	16	43.09	2.50	35	42.22%	-	-
0,25 to <0,50	281	187	68.48%	409	0.37	64	44.67	2.50	260	63.61%	1	-1
0,50 to <0,75	19	83	52.07%	62	0.55	17	45.00	2.50	46	75.00%	-	-
0,75 to <2,50	463	153	51.84%	376	1.19	101	43.80	2.50	371	98.83%	2	-2
0,75 to < 1,75	433	138	51.48%	338	1.11	73	44.05	2.50	333	98.59%	2	-2
1,75 to < 2,5	30	15	55.10%	38	1.93	28	41.66	2.50	38	100.98%	-	-
2,50 to <10,00	34	152	43.02%	99	3.26	31	44.99	2.50	141	142.44%	1	-1
2,5 to < 5	30	148	43.45%	94	3.08	28	44.99	2.50	132	140.29%	1	-1
5 to < 10	4	4	27.57%	5	6.65	3	45.00	2.50	9	183.01%	-	-
10,00 to < 100,00	-	-	-	-	25.32	4	45.00	2.50	1	189.91%	-	-
10 to < 20	-	-	-	-	-	-	-	-	-	-	-	-
20 to < 30	-	-	-	-	25.32	4	45.00	2.50	1	189.91%	-	-
30,00 to < 100,00	-	-	-	-	-	-	-	-	-	-	-	-
100,00 (default)	8	-	50.00%	8	100.00	12	35.98	2.50	-	-	3	-1
Subtotal	866	773	48.11%	1,070	1.69	265	44.24	2.50	865	80.87%	7	-5
TOTAL	1,066	1,343	50.61%	1,578		1,770		2.50	1,209	76.62%	20	-21

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

The aggregate of exposures subject to credit risk, measured using advanced approaches, showed a net decrease in the half year of around -19 billion euro (-4.8%), attributable to the “Other corporates” (-13 billion euro), “Retail – Non-SME secured by immovable property collateral” (EAD -7 billion euro), “Corporates – SMEs” (-2.2 billion euro) and “Retail – SME secured by immovable property collateral” (-2 billion euro) segments, partially offset by the increase in exposures to “Banks and Public Entities” (+7 billion euro). The changes, which resulted in a net reduction of -8 billion euro in RWAs, were partly due to a restatement of the figures: the reduction in exposures to corporates (SMEs and Other) partly reflected the disbursement of loans backed by government guarantee as part of the measures to combat the COVID-19 pandemic crisis, which resulted in a reporting reclassification within the “Central Governments” class, with a corresponding reabsorption of the risk-weighted level. Another effect due to restatement was the reclassification of the exposures that were transferred from the Corporates segment to the Public Entities segment (+3 billion euro), as a result of the authorisation to use the new internal model on Institutions during the half year. Lastly, the decrease in value was also due to the completion of the securitisation (SME-10) on a portfolio of medium/long-term performing exposures to Corporate and Corporate SME customers (-1.44 billion euro) under the active credit risk management programme (GARC). Overall, the average risk (PD) of the individual portfolios increased slightly (+8 bps) in the half year, as a result of the instability caused by the pandemic crisis and the Group’s conservative approach to determining PD parameters for the credit exposures that benefited from moratorium measures, through actions aimed at weeding out situations of apparent improvement in the financial stability of customers in correlation with credit concessions and transitory liquidity flows. With regard to the estimated recovery capacity (LGD), this parameter was substantially stable at 29.6%.

**Specialised lending and equity exposures under the simple risk weight approach as at 30 June 2021
(EU CR10.1 Reg. 2021/637)**

(millions of euro)

SPECIALISED LENDING: PROJECT FINANCE (SLOTING 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	205	95	70%	276	193	1
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	342	81	90%	397	357	3
Category 3	Less than 2.5 years	46	13	115%	56	64	2
	Equal to or more than 2.5 years	242	30	115%	264	304	7
Category 4	Less than 2.5 years	31	1	250%	31	77	2
	Equal to or more than 2.5 years	37	-	250%	37	93	3
Category 5	Less than 2.5 years	4	-	-	4	-	2
	Equal to or more than 2.5 years	-	-	-	-	-	-
Total	Less than 2.5 years	81	14		91	141	6
	Equal to or more than 2.5 years	826	206		974	947	14

The decrease between December 2020 and June 2021 (around -1.2 billion euro in weighted value) was entirely attributable to the merger of UBI Banca into Intesa Sanpaolo, following which the exposures previously subject to the slotting criteria approach, relating to specialised lending, were measured using the AIRB approaches (with internal estimates of risk parameters), already adopted by the Parent Company for these exposures.

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 30 June 2021.

**Specialised lending and equity exposures under the simple risk weight approach as at 30 June 2021
(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		524	3	190%	527	1,001	4
Exchange-traded equity exposures		215	-	290%	215	624	2
Other equity exposures		6,072	21	370%	6,093	22,545	146
TOTAL		6,811	24		6,835	24,170	152

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 190%, 290% and 370%, in accordance with Article 155(2) CRR. During the first half of 2021 there was a slight reconfiguration of the portfolio in connection with the lower level of the “Other exposures” component (from 97.9% in December 2020 to 89.1% in June 2021), related to the reduction in the portion of subordinated loans issued by Intesa Sanpaolo Vita S.p.A. included in the Parent Company’s portfolio, as well as to the recomposition which took place during the overall reorganisation of the Group’s insurance division. Overall, the reduction of 726 million euro, calculated according to the forecasts allowed by the Danish compromise in the 370% weighting class, resulted in an absorption of -2.7 billion euro of RWAs. For the “Private equity exposures” (risk-weighted at 190%) and the “Exchange-traded equity exposures” (risk-weighted at 290%), there was an increase of around 1.3 billion euro in RWAs. The change was attributable to the following: a) the new prudential treatment of CIU units, in accordance with the provisions of Regulation (EU) 2019/876 (CRR II), which, particularly with regard to the application of the advanced look-through approach, entails breaking down the CIUs into their constituent underlyings and measuring them using the internal models specific to their asset classes; this treatment, which essentially aligns the calculation of the RWAs of the indirect equity investments underlying the CIUs to the calculation of the direct equity investments, resulted in an increase of around 800 million euro in RWAs for the embedded

equity component of the CIUs, which is now calculated using the simple risk weight approach; and b) the increase in exposure to Euronext N.V. (+427 million euro of RWAs), in connection with the corporate restructuring that took place, in addition to other more minor changes.

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)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)		
		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 (%)	
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	31,566	0.17	1.19	1.19	-	-	-	-	-	-	1.66	-	16,846	16,747
3	Corporates	187,795	0.60	13.16	13.16	-	-	-	-	-	-	18.85	0.02	115,096	94,337
3.1	Of which Corporates – SMEs	50,591	1.26	31.51	31.51	-	-	-	-	-	-	42.30	-	41,281	28,012
3.2	Of which Corporates – Specialised lending	11,368	0.16	15.95	15.95	-	-	-	-	-	-	4.90	-	7,073	6,578
3.3	Of which Corporates – Other	125,836	0.38	5.53	5.53	-	-	-	-	-	-	10.68	0.04	66,742	59,747
4	Retail	163,273	0.34	76.64	76.06	-	0.58	-	-	-	-	6.98	-	36,648	34,159
4.1	Of which Retail – Immovable property SMEs	6,332	0.12	98.89	98.87	-	0.02	-	-	-	-	1.80	-	1,810	1,742
4.2	Of which Retail – Immovable property non-SMEs	119,545	0.02	98.82	98.03	-	0.79	-	-	-	-	0.91	-	23,036	22,679
4.3	Of which Retail – Qualifying revolving	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4	Of which Retail – Other SMEs	15,458	1.80	4.70	4.70	-	-	-	-	-	-	60.64	-	5,719	3,813
4.5	Of which Retail – Other non-SMEs	21,938	1.12	-	-	-	-	-	-	-	-	3.75	-	6,083	5,925
5	Total	382,634	0.46	39.26	39.01	-	0.25	-	-	-	-	12.37	0.01	168,590	145,243

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	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	1,578	0.24	8.84	8.84	-	-	-	-	-	10.59	-	1,384	1,209
3.1 Of which Corporates – SMEs	508	0.14	13.83	13.83	-	-	-	-	-	-	-	344	344
3.2 Of which Corporates – Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Of which Corporates – Other	1,070	0.29	6.48	6.48	-	-	-	-	-	15.61	-	1,040	865
4 Total	1,578	0.24	8.84	8.84	-	-	-	-	-	10.59	-	1,384	1,209

The table above shows the use of credit risk mitigation techniques under the IRB model (A-IRB and F-IRB). In general, and in accordance with the Group's "Harmonised Prudential Supervision Rules" and Regulation (EU) 575/2013, as amended, the captions related to "exposures covered by other funded credit protection", namely:

- exposures secured by cash or cash assimilated instruments held by a third-party institution in a non-custodial arrangement and pledged to the lending institution,
 - life insurance policies,
 - instruments issued by third parties, which can be repurchased by them at the institution's request⁷,
- are considered not permissible and/or not eligible under the IRB model.

Around 39% of the total exposure under the A-IRB model (around 383 billion euro) was secured by immovable property collateral. More specifically, the retail exposure amounted to around 163 billion euro, with 76% of this exposure secured by immovable property collateral, of which 120 billion euro towards non-SMEs with 98% secured by immovable property collateral. Exposures to corporates amounted to around 188 billion euro and protection from immovable property collateral was 13.16%, while the protection from guarantees amounted to 18.85%.

The application of credit risk mitigation techniques that produced a substitution effect (use of guarantees) resulted in an overall benefit of 23.5 billion euro in the calculation of the RWAs as at June 2021, which was concentrated, both in terms of volumes and related percentage level, on exposures in the "Corporates" portfolio (-20.9 billion euro, corresponding to an 18% reduction in RWAs), with a more residual value for exposures in the "Retail" portfolio (-2.5 billion euro, corresponding to a 7% reduction in RWAs). These reductions were related to loans granted to customers and backed by government guarantees as part of the measures to combat 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.

⁷ Situation not applicable to the Intesa Sanpaolo Group as at 30 June 2021.

Credit risk mitigation techniques

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.

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 on the basis of the instructions in the EBA’s Mapping Tool, taking into account the carrying amount and, according to those instructions, the “Unsecured carrying amounts” include the unsecured portion of the partially secured exposures.

These values are not comparable with those published as at 31 December 2020 due to the above-mentioned changes in the regulatory framework.

		(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	311.250	306.085	225.976	80.109	45
2	Debt securities	109.612	2.166	-	2.166	
3	Total as at 30 June 2021	420.862	308.251	225.976	82.275	45
4	<i>Of which non-performing exposures</i>	<i>2.438</i>	<i>7.589</i>	<i>6.225</i>	<i>1.364</i>	<i>-</i>
<i>EU5</i>	<i>Of which defaulted</i>	<i>2.438</i>	<i>7.589</i>			

For “Loans and advances”, the secured carrying amount was 306 billion euro and represented around 50% of the exposure, of which 226 billion euro secured by collateral (representing approximately 74% of the total secured carrying amount).

For “Debt securities”, the secured carrying amount was 2.2 billion euro, fully secured by financial guarantees.

Counterparty risk

Qualitative disclosure

Counterparty risk is a particular type of credit risk, relating to OTC (over the counter) derivatives and ETDs (exchange traded derivatives), and SFTs (securities financing transactions, i.e. repos and securities lending), which refers to the possible default of the counterparty before the expiry of a contract that has a positive market value.

The Group uses techniques to mitigate counterparty risk through bilateral netting arrangements which enable the netting off of credit and debit positions in the event of counterparty default.

This is achieved by entering into ISDA (International Swaps and Derivatives Association) agreements, for OTC derivatives, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.

In addition, the Group establishes margining arrangements, where possible, typically with daily frequency, to hedge bilateral OTC derivatives (CSAs or Credit Support Annexes) and SFTs (GMRAs or Global Master Repurchase Agreements and GMSLAs or Global Master Securities Lending Agreements).

For reporting purposes, Intesa Sanpaolo has been authorised to use the internal models approach to calculate the counterparty risk requirement for derivatives (OTC derivatives and ETDs) and SFTs. 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. Some international subsidiary banks with limited derivatives operations have adopted the simplified original exposure method (OEM).

The advanced risk measurement methods are also used at operational level to perform the "use test": the IMI CIB Risk Management Head Office Department calculates, validates and sends the metrics to the credit monitoring systems on a daily basis to measure the use of the credit lines for OTC and ETD derivatives and SFTs.

The Group's other banks, which have operations that involve a residual counterparty risk requirement with respect to the Parent Company, apply the advanced metrics in a simplified manner at operational level.

To perform the use test of the model, the Group has implemented the processes required by the "Basel 3" regulations.

In particular, stress tests are carried out to measure the impacts on risk measures under extreme market conditions. Backtesting is also conducted to ensure the robustness of the model.

To complete the risk analysis process, the following corporate processes have been activated:

- 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 margined OTC derivatives and SFTs;
- periodic reporting to management of the measures calculated using the current and future internal exposure model, analysis of portfolio composition by type of counterparty/division/segment/country, underlying type per SFT, capital requirement, level of use of management limits, and results of stress tests and Wrong-Way Risk analyses.

Quantitative disclosure

Analysis of CCR exposure by approach as at 30 June 2021 (EU CCR1 Reg. 2021/637)

		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
(millions of euro)									
EU1	EU - Original Exposure Method (for derivatives)	43	204		1.40	348	348	348	238
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.40	-	-	-	-
1	SA-CCR (for derivatives)	159	506		1.40	914	842	839	696
2	IMM (for derivatives and SFTs)			10,088	1.47	14,829	14,829	14,706	4,344
2a	<i>Of which securities financing transactions netting sets</i>			1,072		1,575	1,575	1,537	411
2b	<i>Of which derivatives and long settlement transactions netting sets</i>			9,016		13,254	13,254	13,169	3,933
2c	<i>Of which from contractual cross-product netting sets</i>			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					6,538	6,179	4,162	1,375
5	VaR for SFTs					-	-	-	-
6	TOTAL					22,629	22,198	20,055	6,653

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 has been applied since March 2014 to almost the entire trading portfolio (as shown in the table, as at 30 June 2021 approximately 92% 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 30 June 2021 accounting for approximately 8% of overall EAD) and refer to:

- residual contracts of Intesa Sanpaolo to which EPE is not applied (in compliance with the immateriality of the EBA thresholds);
- EAD generated by all other banks and companies in the Group which report using the standardised approaches adopted (SA-CCR, original exposure method).

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 1.4 billion euro for the Parent Company (all 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 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 30 June 2021 (EU CCR2 Reg. 2021/637)

		Exposure value	RWEA
(millions of euro)			
1	Total transactions subject to the Advanced method	1,155	380
2	(i) VaR component (including the 3x multiplier)		83
3	(ii) stressed VaR component (including the 3x multiplier)		297
4	Transactions subject to the Standardised method	231	31
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	1,386	411

The RWAs for credit valuation adjustment risk (CVA) were down significantly compared to the previous half year. The reduction, for the advanced measurement approach component, was due to the removal from the observation window of credit spread scenarios related to the start of the pandemic and the introduction of the simulation model of initial margins exchanged with financial counterparties. For the standardised approach component, the reduction was due to the advanced measurement approach having also been applied to positions from the former UBI Banca portfolios.

Standardised approach – CCR exposures by regulatory exposure class and risk weights as at 30 June 2021 (EU CCR3 Reg. 2021/637)

EXPOSURE CLASSES	RISK WEIGHT											(millions of euro)
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	TOTAL EXPOSURE VALUE
1 Central governments or central banks	5,819	-	-	-	-	4	-	-	-	-	-	5,823
2 Regional government or local authorities	-	-	-	-	3	-	-	-	-	-	-	3
3 Public sector entities	-	-	-	-	-	-	-	-	5	-	-	5
4 Multilateral development banks	1,751	-	-	-	-	-	-	-	-	-	-	1,751
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	9,161	-	-	323	21	-	-	441	-	-	9,946
7 Corporates	-	-	-	-	-	36	-	-	619	-	-	655
8 Retail	-	-	-	-	-	-	-	9	-	-	-	9
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items (*)	-	-	-	-	-	-	-	-	6	-	-	6
11 TOTAL EXPOSURE VALUE	7,570	9,161	-	-	326	61	-	9	1,071	-	-	18,198

(*) Includes all portfolios other than those reported in the previous rows.

This table shows the aggregate of exposures subject to counterparty risk by type of regulatory portfolio and risk weights measured using the standardised approach. It shows a decrease of 4.3% compared to December 2020, with a value of 18.2 billion euro. The net change, amounting to -809 million euro, was the result of an increase of +903 million euro in exposures to “Institutions”, with the percentage level on the total aggregate increasing from 48% in December 2020 to 55% in June 2021. This was offset by a sharper overall reduction of -1.3 billion euro in exposures to “Central Governments or Central Banks”, with the percentage level falling from 37% in December 2020 to 32% in June 2021 and in exposures relating to “Multilateral Development Banks”, with a reduction of -355 million euro and percentage level remaining substantially stable. 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 30 June 2021 (EU CCR3 bis)

EXPOSURE CLASSES	RISK WEIGHT											(millions of euro)
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	TOTAL EXPOSURE VALUE
1 Central governments or central banks	5,442	-	-	-	-	4	-	-	-	-	-	5,446
2 Regional government or local authorities	-	-	-	-	3	-	-	-	-	-	-	3
3 Public sector entities	-	-	-	-	-	-	-	-	5	-	-	5
4 Multilateral development banks	1,751	-	-	-	-	-	-	-	-	-	-	1,751
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	194	9,161	-	-	465	21	-	-	493	-	-	10,334
7 Corporates	-	-	-	-	-	36	-	-	818	-	-	854
8 Retail	-	-	-	-	-	-	-	15	-	-	-	15
9 Institutions and corporates with a short-term credit rating	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items (*)	-	-	-	-	-	-	-	-	6	4	-	10
11 TOTAL (without CRM)	7,387	9,161	-	-	468	61	-	15	1,322	4	-	18,418

(*) Includes all portfolios other than those reported in the previous rows.

IRB approach – CCR exposures by exposure class and PD scale as at 30 June 2021 (EU CCR4 Reg. 2021/637)
 (Table 1 of 3)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	(millions of euro) Density of risk weighted exposure amounts (**)
Exposures to Institutions								
	0,00 to <0,15	4,012	0.07	111	21.89	1.27	512	12.75%
	0,15 to <0,25	416	0.19	46	33.65	1.34	129	31.06%
	0,25 to <0,50	1,112	0.33	42	24.27	3.29	628	56.50%
	0,50 to <0,75	176	0.72	31	34.82	2.20	108	61.19%
	0,75 to <2,50	569	1.26	56	17.09	4.62	288	50.62%
	2,50 to <10,00	660	3.06	17	25.80	0.40	542	82.21%
	10,00 to <100,00	18	21.66	5	30.49	2.82	29	159.98%
	100,00 (default)	2	100.00	2	30.70	1.17	2	102.62%
	Subtotal	6,965	0.60	310	23.30	1.82	2,238	32.13%
Exposures to corporates								
- SMEs (small and medium enterprises)								
	0,00 to <0,15	9	0.11	219	51.61	2.02	2	24.00%
	0,15 to <0,25	10	0.20	460	51.68	2.03	3	34.54%
	0,25 to <0,50	43	0.37	1,798	51.69	2.06	21	48.79%
	0,50 to <0,75	43	0.61	1,738	51.69	2.30	27	63.12%
	0,75 to <2,50	144	1.49	4,412	51.60	2.45	127	87.81%
	2,50 to <10,00	118	5.60	2,685	51.55	2.82	145	122.22%
	10,00 to <100,00	32	20.67	354	51.52	2.79	60	187.40%
	100,00 (default)	18	100.00	243	62.00	1.70	3	17.16%
	Subtotal	417	8.10	11,909	52.04	2.48	388	93.09%
- Specialised lending								
	0,00 to <0,15	-	-	-	-	-	-	-
	0,15 to <0,25	-	-	-	-	-	-	-
	0,25 to <0,50	9	0.35	1	17.70	1.70	2	21.07%
	0,50 to <0,75	135	0.54	18	20.00	3.70	47	34.75%
	0,75 to <2,50	209	1.06	77	17.44	3.29	79	38.06%
	2,50 to <10,00	31	3.54	21	18.24	2.53	15	49.21%
	10,00 to <100,00	89	14.44	7	62.03	4.79	318	357.39%
	100,00 (default)	-	100.00	4	61.70	1.00	-	15.60%
	Subtotal	473	3.60	128	26.64	3.61	461	97.71%
- Other corporates								
	0,00 to <0,15	262	0.08	59	36.90	4.17	76	29.13%
	0,15 to <0,25	316	0.20	130	36.90	2.44	122	38.59%
	0,25 to <0,50	554	0.32	416	36.90	3.01	294	53.16%
	0,50 to <0,75	515	0.51	413	36.90	3.30	304	58.90%
	0,75 to <2,50	977	1.38	785	36.21	3.37	913	93.48%
	2,50 to <10,00	456	5.42	286	42.30	1.83	630	138.22%
	10,00 to <100,00	16	15.96	32	37.18	1.92	26	165.14%
	100,00 (default)	8	100.00	45	45.00	2.13	2	18.82%
	Subtotal	3,104	1.75	2,166	37.50	3.03	2,367	76.26%

IRB approach – CCR exposures by exposure class and PD scale as at 30 June 2021 (EU CCR4 Reg. 2021/637)
 (Table 2 of 3)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	(millions of euro) Density of risk weighted exposure amounts (**)
Retail exposures: (*)								
- SME other								
	da 0,00 a <0,15	5	0.08	902	34.22	-	-	6.37%
	da 0,15 a <0,25	2	0.23	293	34.96	-	-	13.29%
	da 0,25 a <0,50	2	0.35	272	39.17	-	1	19.18%
	da 0,50 a <0,75	3	0.55	249	35.02	-	1	22.87%
	da 0,75 a <2,50	6	1.55	692	35.28	-	2	35.71%
	da 2,50 a <10,00	3	4.95	317	34.74	-	1	42.77%
	da 10,00 a <100,00	3	27.09	215	35.51	-	3	68.72%
	100,00 (default)	1	100.00	86	50.40	-	-	35.78%
	Subtotal	25	8.96	3,026	36.04	-	8	30.03%
- Non-SME other								
	da 0,00 a <0,15	1	0.10	50	27.05	-	-	6.84%
	da 0,15 a <0,25	-	0.17	38	26.90	-	-	10.34%
	da 0,25 a <0,50	-	0.28	55	27.00	-	-	14.48%
	da 0,50 a <0,75	1	0.51	65	27.30	-	-	21.06%
	da 0,75 a <2,50	2	1.33	100	27.35	-	1	31.50%
	da 2,50 a <10,00	-	6.43	60	28.15	-	-	45.60%
	da 10,00 a <100,00	-	23.33	30	26.86	-	-	65.19%
	100,00 (default)	-	100.00	5	48.10	-	-	12.77%
	Subtotal	4	2.44	403	27.33	-	1	21.88%
TOTAL		10,988	1.36	17,942	28.58	2.26	5,463	49.72%

(*) 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 30 June 2021 (EU CCR4 Reg. 2021/637)
 (Table 3 of 3)

F-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	(millions of euro) Density of risk weighted exposure amounts (**)
Exposures to corporates								
- SMEs (small and medium enterprises)								
	da 0,00 a <0,15	-	0.10	1	45.00	2.50	-	19.89%
	da 0,15 a <0,25	1	0.15	4	45.00	2.50	-	30.61%
	da 0,25 a <0,50	-	0.35	3	45.00	2.50	-	39.03%
	da 0,50 a <0,75	-	0.54	5	45.00	2.50	-	46.45%
	da 0,75 a <2,50	-	1.38	9	45.00	2.50	-	71.90%
	da 2,50 a <10,00	1	4.24	7	45.00	2.50	1	109.79%
	da 10,00 a <100,00	-	27.14	1	45.00	2.50	-	166.11%
	100,00 (default)	-	100.00	1	45.00	2.50	-	-
	Subtotal	2	4.85	31	45.00	2.50	1	61.95%
- Other corporates								
	da 0,00 a <0,15	-	-	-	-	-	-	-
	da 0,15 a <0,25	1	0.20	1	45.00	2.50	-	46.53%
	da 0,25 a <0,50	21	0.32	7	45.00	2.50	13	59.80%
	da 0,50 a <0,75	-	0.50	1	45.00	2.50	-	73.81%
	da 0,75 a <2,50	4	1.14	5	45.00	2.50	4	99.64%
	da 2,50 a <10,00	3	2.90	5	45.00	2.50	4	140.53%
	da 10,00 a <100,00	-	-	-	-	-	-	-
	100,00 (default)	-	-	-	-	-	-	-
	Subtotal	29	0.66	19	45.00	2.50	21	72.30%
TOTAL		31	0.94	50	45.00	2.50	22	71.61%

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

Basel 3 Pillar 3 – Counterparty risk

The aggregate exposures subject to counterparty risk, valued using advanced measurement approaches, showed a net increase of 1 billion euro in the half year and, in contrast, a small decrease in the capital requirement (-191 million euro of RWAs). The increase in exposure was attributable to the “Supervised Intermediaries, Public sector and local entities and Other entities” portfolio (+1.3 billion euro), which has a low risk and capital absorption profile (+110 million euro of RWAs) as it is mainly related to short-term fluctuations in financial dealing in repurchase agreements. Exposure decreases with more significant risk profiles were attributable to the “Exposures to Corporates - SMEs”, “Exposures to Corporates - Specialised Lending”, “Exposures to Corporates - Other Corporates” portfolios, which, overall, showed a reduction of -307 million of EADs and -301 million of RWAs. Lastly, a significant reduction in the PD parameters (109 bps compared to 117 in December) and LGD, which was at 28.6% compared to 30.7% in December 2020, contributed to the reduction of the risk profile.

Composition of collateral for CCR exposures (EU CCR5 Reg. 2021/637)

		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	
Collateral type		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	4,717	13	15,085	-	257	-	826
2	Cash – other currencies	-	1,363	-	241	-	8	-	-
3	Domestic sovereign debt	8	562	75	2,752	-	74	-	423
4	Other sovereign debt	353	460	76	1,728	-	54	-	1,364
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	2	-	175	50	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	256
9	TOTAL	363	7,102	339	19,856	-	393	-	2,869

Compared to the previous half year, there was a significant reduction in posted cash margins (around 5 billion euro), mainly due to the impact of the rise in interest rates on variation margins.

Credit derivatives exposures as at 30 June 2021 (EU CCR6 Reg. 2021/637)

		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	7,217	7,428
2	Index credit default swaps	56,633	51,614
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	875	1,923
6	Total notionals	64,725	60,965
Fair values			
7	Positive fair value (asset)	182	1,463
8	Negative fair value (liability)	-1,649	-177

The values shown in the table do not show any significant changes compared to those for December 2020.

Exposures to CCPs as at 30 June 2021 (EU CCR8 Reg. 2021/637)

		EXPOSURE VALUE	(millions of euro) RWEA
1	Exposures to QCCPs (total)		314
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	612	12
3	<i>i) OTC derivatives</i>	94	2
4	<i>ii) Exchange-traded derivatives</i>	33	1
5	<i>iii) SFTs</i>	485	9
6	<i>iv) Netting sets where cross-product netting has been approved</i>	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	8,549	171
9	Prefunded default fund contributions	1,328	131
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	<i>i) OTC derivatives</i>	-	-
14	<i>ii) Exchange-traded derivatives</i>	-	-
15	<i>iii) SFTs</i>	-	-
16	<i>iv) Netting sets where cross-product netting has been approved</i>	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

The EAD towards qualifying central counterparties was mainly generated by initial margins paid to LCH (SFT and OTC trading), Cassa di Compensazione e Garanzia (SFTs) and Eurex (SFT and ETD trading). In terms of RWAs, there was an overall decrease of 221 million euro compared to the previous half year, mainly linked to an improvement in the weightings assigned to the default funds paid out, partly as a result of the regulatory changes introduced by Regulation (EU) 2019/876 (CRR II).

Securitisations

Qualitative and quantitative disclosure

This section provides the quantitative disclosure for securitisations, as required by the new EU Regulation 2021/637.

During the half year, the value of the securitised exposures was mainly affected by the following:

- completion of the procedure for eligibility to provide government-backed guarantees (GACS) on the exposures underlying the senior tranches of the Yoda and Sirio traditional securitisations, in accordance with the requirements of Law no. 49/2016 which allows this option when the assets sold are exposures in bad loan status and the securities are assigned an investment grade rating by specialist agencies. Specifically, the senior tranches of the two transactions, backed by GACS guarantees and fully subscribed by Intesa Sanpaolo, benefited from a reduction in RWAs of 1.33 billion euro, while the subordinated securities, initially subscribed, were subsequently sold in the amount of 95% to investors, with 5% retained in compliance with the retention rule. Both securitisations enabled the accounting and regulatory deconsolidation of the respective portfolios;
- adoption of Regulation 2021/558, which provides for the application of a new 100% floor in the risk weighting of tranches for the determination of the capital absorption for securitisations of non-performing exposures. For the senior tranche only, this risk weight may be reduced by up to 50% for qualifying securitisations, i.e. those for which the non-refundable purchase price discount is greater than 50% of the amount of the underlying exposures at the time they are transferred to the securitisation vehicle. With regard to the non-qualified Kerma securitisation, the application of the 100% floor on the senior tranche resulted in an increase of +597 million euro in RWAs;
- as part of the Group's active credit risk management (GARC) programme, the new GARC SME-10 synthetic securitisation (loans with 1.44 billion euro of EAD) was structured for a portfolio of medium/long-term performing loans to Corporate and Corporate SME customers; Intesa Sanpaolo subscribed the senior tranche, the mezzanine tranche backed by guarantee and the residual portion of the junior tranche, with a restated exposure of +1.3 billion euro and an effect of +187 million of RWAs; this effect was offset by the maturity during the period of three other securitisations (SME4, SME5 and SME6) and the normal repayment of the loans underlying the other securitisations still outstanding (-187 million of RWAs).

With regard to the traditional securitisations, 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. For more details on the operations where the Group acts a sponsor see the tables below.

Securitisation exposures in the non-trading book (EU SEC1 Reg. 2021/637) (Table 1 of 3)

		INSTITUTION ACTS AS ORIGINATOR						(millions of euro)
		Traditional		Synthetic		SUB-TOTAL		
		STS (*)	Non-STS (**)					
		of which SRT	of which SRT		of which SRT			
1	Total exposures	-	36,099	1,754	16,794	16,794	52,893	
2	Retail (total)	-	17,913	34	638	638	18,551	
3	Residential mortgage	-	11,449	1	638	638	12,087	
4	Credit card	-	-	-	-	-	-	
5	Other retail exposures	-	6,464	33	-	-	6,464	
6	Re-securitisation	-	-	-	-	-	-	
7	Wholesale (total)	-	18,186	1,720	16,156	16,156	34,342	
8	Loans to corporates	-	13,489	1,720	14,145	14,145	27,634	
9	Commercial mortgage	-	-	-	-	-	-	
10	Lease and receivables	-	4,697	-	2,011	2,011	6,708	
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. This essentially relates to self-securitisations with an amount of underlying loans of around 33.6 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			SUB-TOTAL
		Traditional		Synthetic	
		STS (*)	Non-STS		
1	Total exposures	-	6,460	-	6,460
2	Retail (total)	-	1,525	-	1,525
3	Residential mortgage	-	57	-	57
4	Credit card	-	-	-	-
5	Other retail exposures	-	1,468	-	1,468
6	Re-securitisation	-	-	-	-
7	Wholesale (total)	-	4,935	-	4,935
8	Loans to corporates	-	608	-	608
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	-	4,115	-	4,115
11	Other wholesale	-	212	-	212
12	Re-securitisation	-	-	-	-

(*) Simple, Transparent and Standardised Securitisations (STS) according to Regulation 2017/2402.

Securitisation exposures in the non-trading book (EU SEC1 Reg. 2021/637) (Table 3 of 3)

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			SUB-TOTAL
		Traditional		Synthetic	
		STS (*)	Non-STS		
1	Total exposures	451	2,544	-	2,995
2	Retail (total)	451	775	-	1,226
3	Residential mortgage	254	431	-	685
4	Credit card	-	-	-	-
5	Other retail exposures	197	344	-	541
6	Re-securitisation	-	-	-	-
7	Wholesale (total)	-	1,769	-	1,769
8	Loans to corporates	-	1,104	-	1,104
9	Commercial mortgage	-	35	-	35
10	Lease and receivables	-	150	-	150
11	Other wholesale	-	480	-	480
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)

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			SUB-TOTAL
		Traditional		Synthetic	
		STS (*)	Non-STS		
1	Total exposures	155	848	-	1,003
2	Retail (total)	129	252	-	381
3	Residential mortgage	89	236	-	325
4	Credit card	-	-	-	-
5	Other retail exposures	40	16	-	56
6	Re-securitisation	-	-	-	-
7	Wholesale (total)	26	596	-	622
8	Loans to corporates	-	489	-	489
9	Commercial mortgage	-	80	-	80
10	Lease and receivables	-	20	-	20
11	Other wholesale	26	7	-	33
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 or sponsor because the Intesa Sanpaolo Group did not have any securitisations of this kind as at 30 June 2021.

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	17,787	3,943	1,538	1,703	37	16,071	-	8,900	37
2	Traditional transactions	5,031	985	491	1,700	7	1,751	-	6,456	7
3	Securitisation	5,031	985	491	1,700	7	1,751	-	6,456	7
4	Retail	1,507	49	-	1	2	-	-	1,557	2
5	Of which STS	-	-	-	-	-	-	-	-	-
6	Wholesale	3,524	936	491	1,699	5	1,751	-	4,899	5
7	Of which STS	-	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	Synthetic transactions	12,756	2,958	1,047	3	30	14,320	-	2,444	30
10	Securitisation	12,756	2,958	1,047	3	30	14,320	-	2,444	30
11	Retail underlying	638	-	-	-	-	-	-	638	-
12	Wholesale	12,118	2,958	1,047	3	30	14,320	-	1,806	30
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 / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1 Total exposures	8,784	-	2,565	-	343	-	205	-
2 Traditional transactions	6,219	-	1,491	-	138	-	119	-
3 Securitisation	6,219	-	1,491	-	138	-	119	-
4 Retail	-	-	242	-	-	-	19	-
5 Of which STS	-	-	-	-	-	-	-	-
6 Wholesale	6,219	-	1,249	-	138	-	100	-
7 Of which STS	-	-	-	-	-	-	-	-
8 Re-securitisation	-	-	-	-	-	-	-	-
9 Synthetic transactions	2,565	-	1,074	-	205	-	86	-
10 Securitisation	2,565	-	1,074	-	205	-	86	-
11 Retail underlying	-	-	119	-	-	-	10	-
12 Wholesale	2,565	-	955	-	205	-	76	-
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 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	2,034	58	466	372	65	263	135	2,532	65
2 Traditional securitisation	2,034	58	466	372	65	263	135	2,532	65
3 Securitisation	2,034	58	466	372	65	263	135	2,532	65
4 Retail underlying	838	21	12	292	63	263	60	840	63
5 Of which STS	451	-	-	-	-	-	-	451	-
6 Wholesale	1,196	37	454	80	2	-	75	1,692	2
7 Of which STS	-	-	-	-	-	-	-	-	-
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)

		RWEA (by regulatory approach) before application of cap				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	Total exposures	772	161	751	-	62	13	60	-
2	Traditional securitisation	772	161	751	-	62	13	60	-
3	Securitisation	772	161	751	-	62	13	60	-
4	Retail underlying	772	75	104	-	62	6	8	-
5	Of which STS	-	-	45	-	-	-	4	-
6	Wholesale	-	86	647	-	-	7	52	-
7	Of which STS	-	-	-	-	-	-	-	-
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.

Exposures securitised by the institution – Exposures in default and specific credit risk adjustments (EU SEC5 Reg. 2021/637)

		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	84,785	21,106	2
2	Retail (total)	25,538	2,926	-32
3	Residential mortgage	13,628	825	-7
4	Credit card	-	-	-
5	Other retail exposures	11,910	2,101	-25
6	Re-securitisation	-	-	-
7	Wholesale (total)	59,247	18,180	34
8	Loans to corporates	46,236	18,033	39
9	Commercial mortgage	-	-	-
10	Lease and receivables	12,756	146	-5
11	Other wholesale	255	1	-
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 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 52.9 billion euro, of which 0.3 billion euro in default;
- loans originated by the Intesa Sanpaolo Group and derecognised relating to traditional securitisations totalling 18.5 billion euro, of which 18.1 billion euro in default, with the latter consisting of securitisations of portfolios of non-performing exposures – including around 8 billion euro relating to securitisations backed by government guarantee (GACS), around 7.9 billion euro relating to the Savoy securitisation and around 2.2 billion euro relating to the Kerma securitisation – carried out in implementation of the derisking strategy set out in the business plan. Overall, against the above-mentioned securitisations of non-performing exposures, the Intesa Sanpaolo Group recognised assets for 3.3 billion euro of senior notes (of which 1.9 billion euro are fully backed by government guarantee through the GACS), 0.2 billion euro of mezzanine notes and 0.2 billion euro of junior notes;
- loans originated by third parties totalling 13.4 billion euro, of which 2.7 billion euro in default. Of the latter, 2.5 billion euro related to a securitisation in which Intesa Sanpaolo holds only senior notes for an amount of 36 million euro deriving from the original issue aimed at financing the purchase price paid by the special purpose entity used in the securitisation.

Market risks

Qualitative and quantitative disclosure regarding the trading book

The quantification of trading risks (managerial calculation scope) is based on daily and periodic analysis of the vulnerability of the trading portfolio of Intesa Sanpaolo, 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.

Some Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 2% 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.

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.

With effect from 20 July 2020, the scope of the internal model includes the prudential trading book previously managed by Banca IMI.

For market risk, the risk profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of CIUs and the hedge fund portfolios with a look-through approach; (iii) position risk on dividend derivatives and (iv) 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 delay 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)

The Incremental Risk Charge (IRC) is 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. This measure is additional to VaR and 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 books except for the securitisations.

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. 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)	277
2	Equity risk (general and specific)	126
3	Foreign exchange risk	125
4	Commodity risk	21
Options		
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	1,069
9	Total	1,618

The RWAs calculated using the standardised approach remained residual in relation to total market RWAs. Exposure to debt securities not included in the internal model, exposure to US dollars (foreign exchange risk) and, to a lesser extent, exposure to CIUs all contributed to this caption.

The capital requirement for the trading book securitisations as at 30 June 2021 amounted to 86 million euro, compared to 104 million euro at the end of December. The RWAs, calculated using the standardised approach, are 1,069 million euro, down on 1,296 million euro at the end of December 2020.

Compared to the end of December 2020, the total exposure of the trading book increased (EAD 1,002 million euro compared to 863 million euro), with the growth in the portfolio concentrated in the highest rating classes. Specifically, there was an increase in the exposure in RMBS and CLOs of around 100 million euro each.

The overall figure for the standard RWAs decreased by around 670 billion euro compared to the end of December.

Market risk under the Internal Model Approach (IMA)⁸ (EU MR2-A Reg. 2021/637)

		(millions of euro)	
		RWEAs	Own funds requirements
1	VaR (higher of values a and b)	3,305	264
a)	Previous day's VaR (VaRt-1)		59
b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		264
2	SVaR (higher of values a and b)	8,576	687
a)	Latest available SVaR (SVaRt-1)		231
b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		687
3	IRC (higher of values a and b)	2,289	183
a)	Most recent IRC measure		162
b)	12 weeks average IRC measure		183
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	14,170	1,134

The return to pre-COVID volatility levels, the movements in the exposure to sovereign debt and the positioning on credit indices (mainly buy protection), led to a reduction in the market RWAs compared to December 2020. The measures that benefited the most were the VaR and the Incremental Risk Charge.

⁸ The VaR figure in the table includes the Risk Not In Model requirement.

Stressed VaR

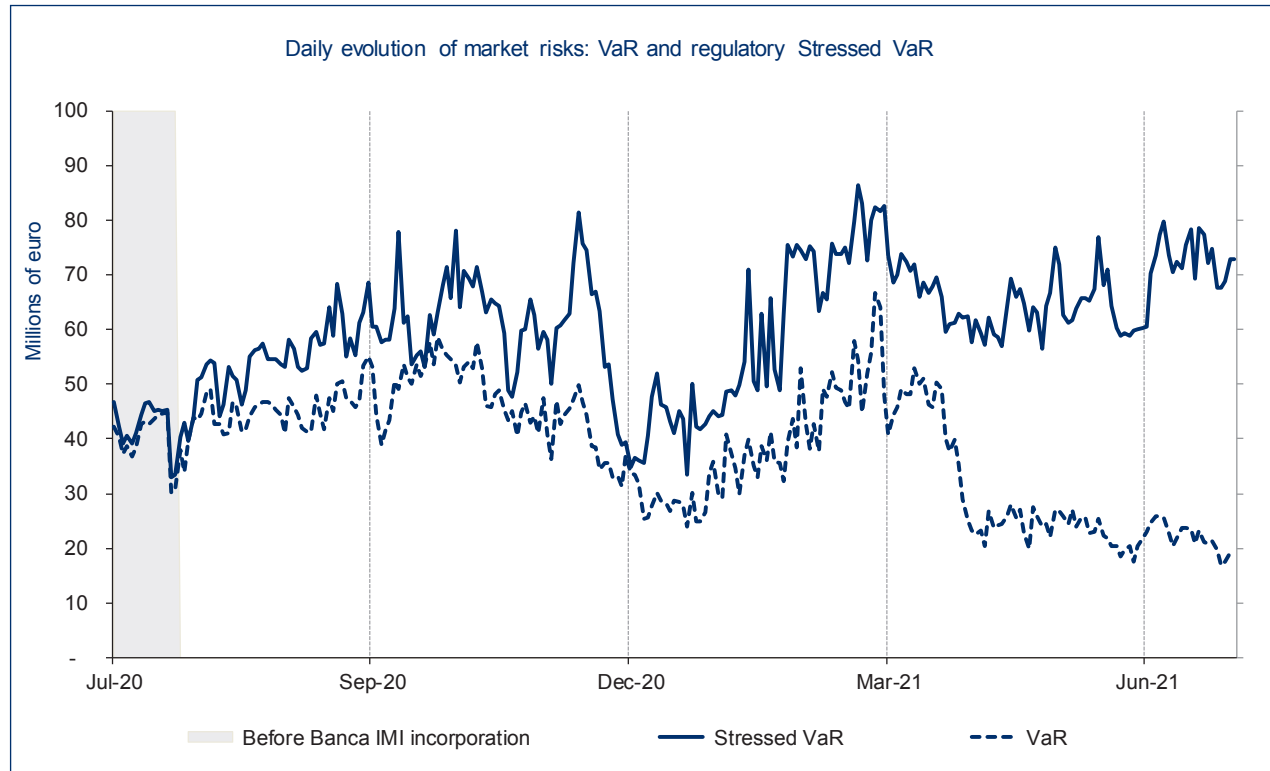
From 31 December 2011, the capital requirement for market risk includes stressed VaR. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document “Revision to the Basel 2 market risk framework”:

- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- 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 this document, the period for the measurement of Stressed VaR was set as 11 October 2011 to 28 September 2012.

The graph below shows the trend of the measures.



The table below shows the breakdown of the capital requirements for current and Stressed VaR measures

IMA values for trading portfolios (EU MR3 Reg. 2021/637)

(millions of euro)

VaR (10 day 99%)		
1	Maximum value	88
2	Average value	73
3	Minimum value	53
4	Period end	59
SVaR (10 day 99%)		
5	Maximum value	252
6	Average value	211
7	Minimum value	179
8	Period end	231
IRC (99.9%)		
9	Maximum value	239
10	Average value	183
11	Minimum value	122
12	Period end	162
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

As at 30 June 2021, the regulatory metrics were down compared to the end of December 2020. The reversion of market volatility to pre-COVID levels affected the VaR metrics. The effective portfolio derisking policy generated clear benefits for the Incremental Risk Charge metric.

Managerial VaR

The analysis of market risk profiles relative to the trading book (managerial scope) uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS).

VaR estimates are calculated daily based on simulations of weighted historical time-series, a 99% confidence level and 1-day holding period.

Sensitivity and greeks

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

Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

Stress tests

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests for management purposes are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst-case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

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)

	2021			2020				
	average 2 nd quarter	minimum 2 nd quarter	maximum 2 nd quarter	average 1 st quarter	average 4 th quarter	average 3 rd quarter	average 2 nd quarter	average 1 st quarter
Total Group Trading Book (a)	25.8	18.8	34.2	41.3	59.0	73.3	85.6	41.1
<i>of which: Group Treasury and Finance Department</i>	2.8	2.3	4.6	3.2	3.4	9.9	37.9	15.0
<i>of which: IMI C&IB Division</i>	25.9	18.9	32.1	38.1	52.5	59.6	47.7	26.1

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

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

During the second quarter of 2021, there was a reduction in the overall trading risks compared to the averages for the first quarter of 2021 from 41.3 million euro (average for first quarter of 2021) to 25.8 million euro and, more generally, compared to the averages for the full year 2020. These reductions are mainly attributable to the scenario “rolling effect” due to the lower market volatility following the exceptional market shocks in March 2020 related to the spread of the COVID-19 pandemic.

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

(millions of euro)

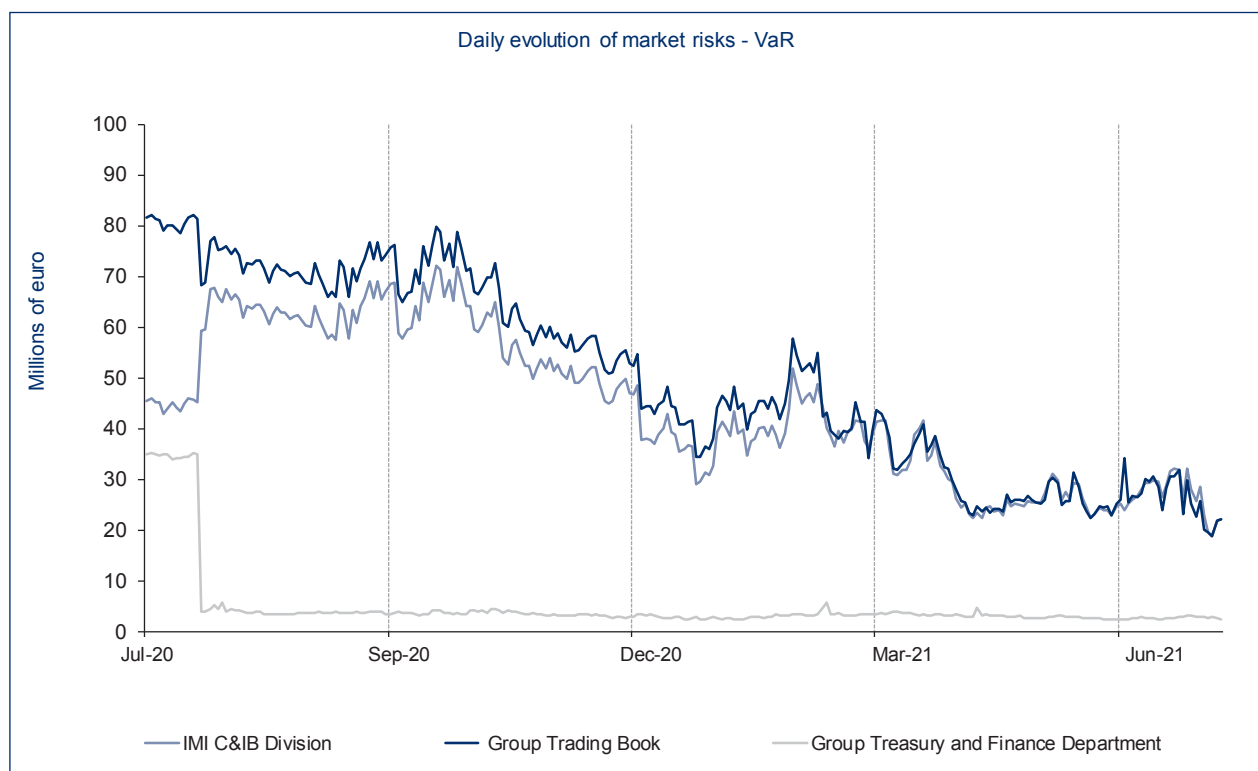
	2021			2020		
	average 1 st half	minimum 1 st half	maximum 1 st half	average 1 st half	minimum 1 st half	maximum 1 st half
Total Group Trading Book (a)	33.5	18.8	57.8	63.5	31.0	97.4
<i>of which: Group Treasury and Finance Department</i>	3.0	2.3	5.6	26.5	10.1	42.6
<i>of which: IMI C&IB Division</i>	32.0	18.9	51.9	37.0	20.7	57.0

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

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

With regard to the trend in the trading VaR in the first half of 2021, the change was mainly due to the IMI C&IB Division. In particular, we report the following highlights:

- in the first quarter, increases in the indicator in January and February due to dealing in government bonds, followed by a reduction due to the rolling scenario effect caused by lower market volatility;
- in the second quarter, initially an increase in risk measures attributable to transactions in government bonds and equity indices and subsequently, starting from the middle of June, a reduction in risks linked to interest rate and equity index transactions.



Contribution of risk factors to total managerial VaR

2 nd quarter 2021	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	11%	49%	9%	31%	0%	0%
IMI C&IB Division	13%	25%	46%	2%	9%	5%
Total	13%	24%	45%	5%	9%	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 second quarter of 2021, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

The breakdown of the Group's risk profile in the trading book in the second quarter of 2021 shows a prevalence of credit spread risk and interest rate risk, accounting for 45% and 24%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of interest rate risk and exchange rate risk for the Group Treasury and Finance Department (49% and 31%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (46% and 25%, respectively).

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 June is summarised in the following table:

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total Trading Book	61	-3	46	-52	40	-49	18	10	-8	1

More specifically:

- for stock market positions, there would be potential losses of 3 million euro in the event of a sudden rise in equity prices and a concurrent sharp reduction in volatility;
- for positions in interest rates, there would be potential losses of 52 million euro in the event of a fall in interest rates;
- for positions in credit spreads, a widening of credit spreads of 25 bps would result in an overall loss of 49 million euro;

- for positions in exchange rates, there would be potential gains in both scenarios with greater impacts in the event of depreciation of the Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 8 million euro in the event of a fall in prices of commodities other than precious metals.

Backtesting

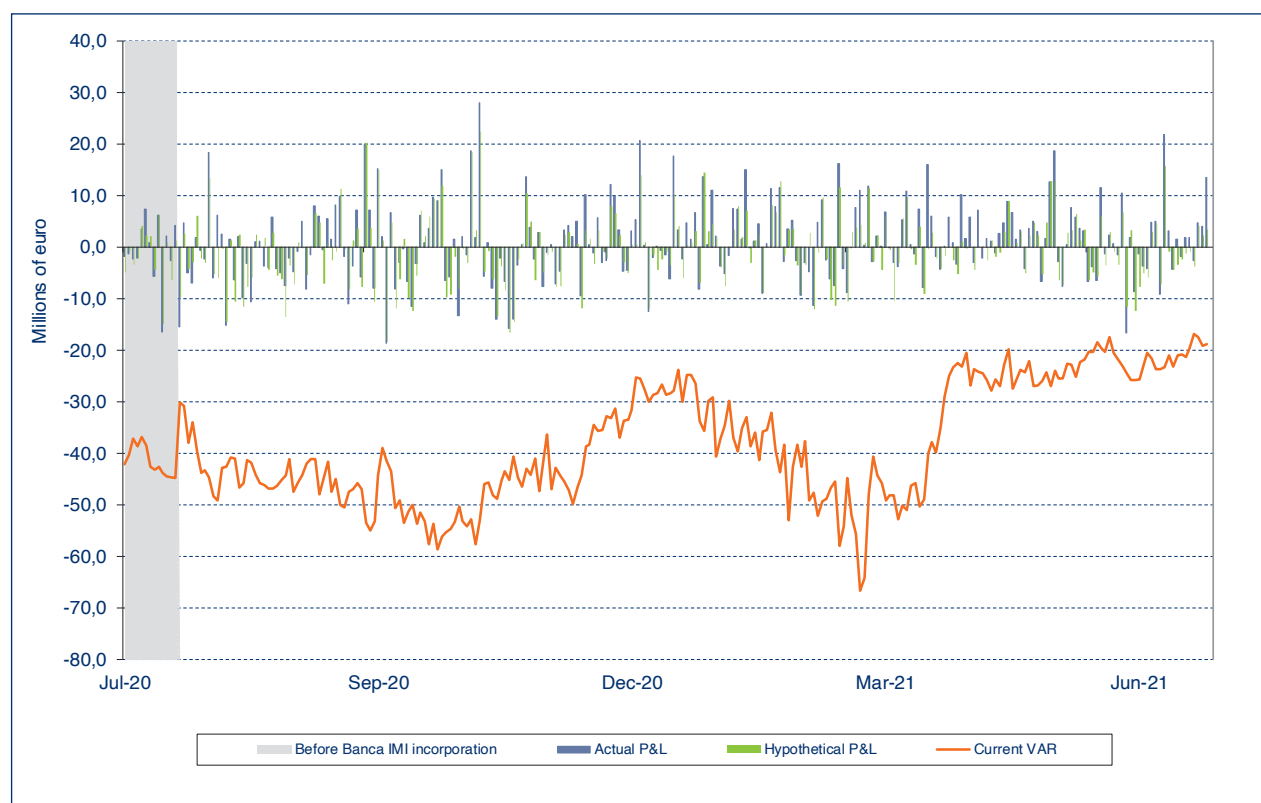
The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

- 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)

In the past year, there were no backtesting exceptions. After an increase following the upsurge of the COVID-19 crisis, the gradual reduction in market volatility ensured that the risk measure (Current VaR) was sufficiently conservative over the last four quarters⁹.



⁹ From 12 April 2021, the estimates include former UBI's trading book. The shaded area refers to the period prior to the merger of Banca IMI (20 July 2020).

Issuer risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, 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	Securitis.
Group Treasury and Finance Department	2%	0%	0%	0%	0%	100%	0%
IMI C&B Division	98%	19%	25%	5%	2%	34%	15%
Total	100%	19%	25%	5%	2%	35%	14%

The table sets out in the Total column the contribution of the Group Treasury and Finance Department and the IMI C&B 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 the prevalence of securities in the government segment for the Group Treasury and Finance Head Office Department and in the financial and government segment for the IMI C&B Division.

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): at Group and individual entity level, these are approved by the Board of Directors, concurrently with the approval of the RAF. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risk Committee. Following approval, these limits are then allocated to the desks of the individual legal entities, considering the proposals by the business units;
- 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.

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

Incremental Risk Charge – Summary of 2021 performance

(millions of euro)

	2021			2020				
	average 2 nd quarter	minimum 2 nd quarter	maximum 2 nd quarter	average 1 st quarter	average 4 th quarter	average 3 rd quarter	average 2 nd quarter	average 1 st quarter
Intesa Sanpaolo	183.1	122.2	239.0	401.6	315.0	186.0	133.7	106.0
Banca IMI							147.5	147.2
Total	183.1	122.2	239.0	401.6	315.0	186.0	281.2	253.2

Financial measurements

The framework of financial measurement at fair value is based on three pillars: fair value measurement according to the IFRS, independent price verification (IPV) and prudent value measurement. The latter are established by the CRR (Capital Requirement Regulation). The paragraphs below describe the methods applied by the Intesa Sanpaolo Group to implement and use those elements.

Fair value of financial instruments

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 Financial and Market Risks Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies. The “Rules for the Measurement of Equity Investments”, drawn up by the Group M&A and Equity Investments Head Office Department, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

The methodologies for the fair value measurement of financial instruments, as well as any adjustments attributable to uncertainties in valuation, are governed by the Intesa Sanpaolo Group through the “Guidelines and Rules for Valuation of Financial Instruments at Fair Value” and are described in detail in the 2020 Annual Report, to which reference is made for more information.

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). More 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 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, derivatives for which prices are available on an active market (for example, exchange traded futures and options) and hedge funds whose Net Asset Value (NAV) is available, according to the frequency established in the subscription contract, and in which assets classified as level 1 predominate among the assets invested in by the fund, as a percentage of the NAV, provided the level 3 instruments do not exceed a set threshold.

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 discretionary 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, etc.) 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;
- hedge funds in which Level 2 assets predominate, as a percentage of the NAV, 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 other funds 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.

Independent price verification (IPV)

Independent Price Verification (IPV) is "a process by which market prices or marking to model inputs are regularly verified for accuracy and independence" (Article 4(1.70) Regulation (EU) 575/2013), carried out "in addition to daily marking to market or marking to model [...] by a person or unit independent from persons or units that benefit from the trading book" (Article 105(8) Regulation (EU) 575/2013).

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.

The Intesa Sanpaolo Group governs and formalises its independent price verification process through the Group's "Guidelines and Rules on Independent Price Verification", which are described in detail in the 2020 Annual Report and to which reference is made for further information.

Prudent value of financial instruments

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value. 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. The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. The Group governs and formalises the measurement of the prudent value of financial instruments through the Group's "Guidelines/Rules for Prudent Valuation of Financial Instruments at Fair Value", which are described in detail in the 2020 Annual Report and to which reference is made for further information.

Since 1 January 2021, when the transitional provisions under Commission Delegated Regulation (EU) 2020/866 ceased to apply, the Group has used the AVAs aggregation factor established by Commission Delegated Regulation (EU) 2016/101.

Operational risk

Qualitative and quantitative disclosure

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events¹⁰.

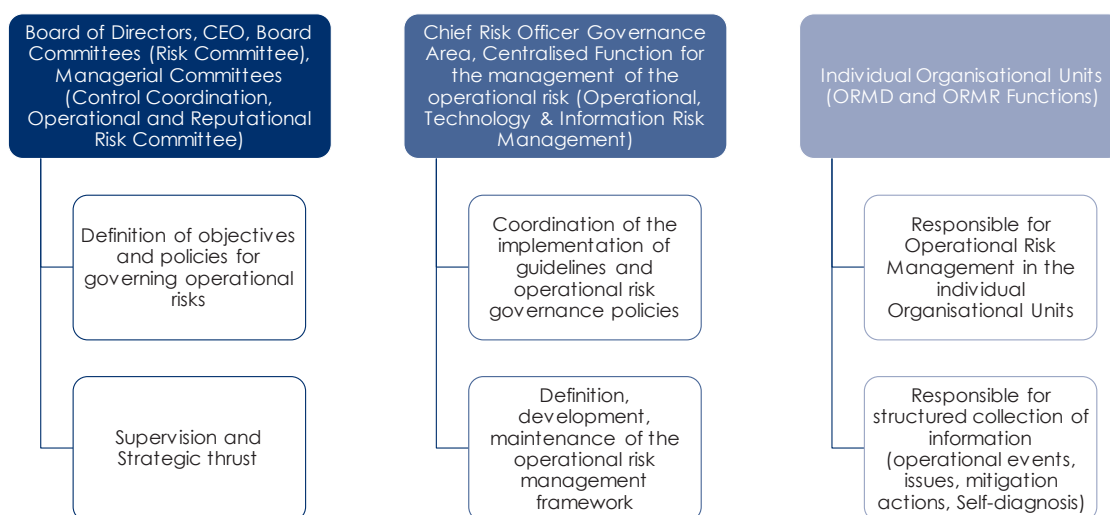
General operational risk management aspects

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 Intesa Sanpaolo Group's operational risk governance process is divided into the following phases:

- identification: identification and description of potential areas of operational risk (e.g., operating events, presence of critical elements, applicability of Risk Factors, significant risk scenarios);
- measurement and assessment: determination of exposure to operational risks (e.g., self-diagnosis¹¹, determination of economic and regulatory capital, preventive analyses of operational and ICT risks, assessment of the significance of the issues identified);
- monitoring and control: ongoing supervision of the development of the exposure to operational risks, including to prevent the occurrence of harmful events and promote active risk management;
- mitigation: containment of operational risks through appropriate mitigation actions and suitable risk-transfer strategies according to a risk-driven approach;
- reporting: preparation of information flows related to operational risk management, designed to ensure adequate knowledge of the exposure to this risk.

¹⁰ As far as the financial losses component is concerned, the Operational risk includes: legal and compliance risk, conduct risk, IT and Cyber risk, physical security risk, business continuity risk, financial crime and financial reporting risk, third-party and model risk. Strategic risk and reputational risk are not included.

¹¹ Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational and ICT risk. It includes Operational Risk Assessment and ICT Risk Assessment, both of which are further broken down into Business Environment Assessment (BEA) and Scenario Analysis (SA).

ICT risk

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 and IT 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.

Internal model for the measurement of operational risk

The Intesa Sanpaolo Group’s internal model for calculating capital absorption (the “Advanced Measurement Approach” or “AMA”) is designed to combine all the main sources of quantitative information (internal and external operational losses and estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation - VCO).

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 both to quantitative data and to the results of the scenario analysis over a one-year 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 Competent Authority in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

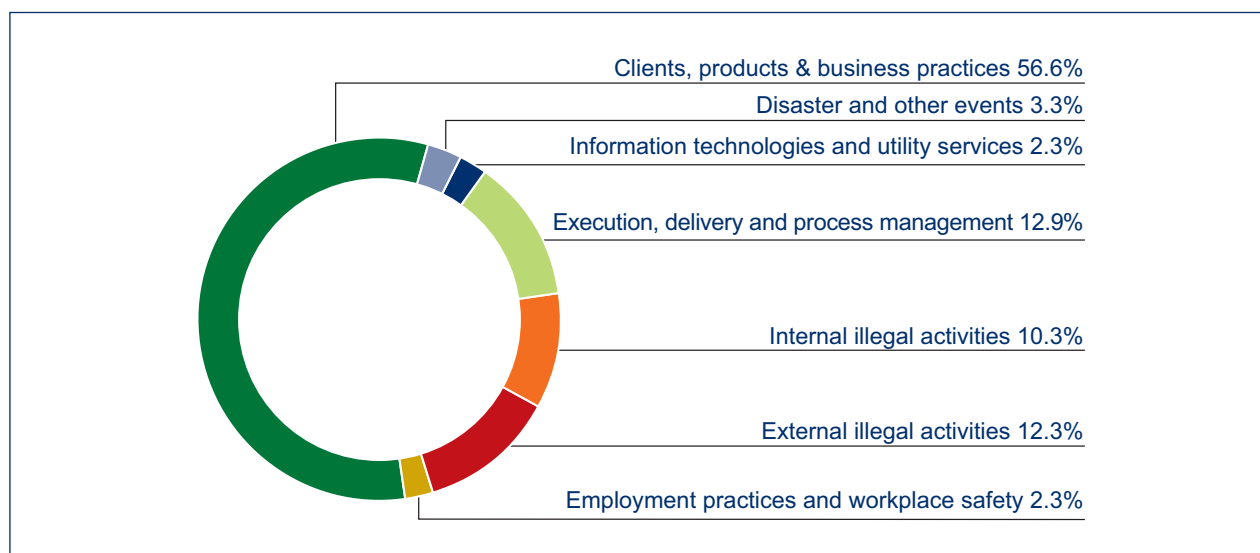
For regulatory purposes, the Group adopts the advanced measurement approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement.

Please note that, on 30 June 2021, the Intesa Sanpaolo Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi and IW Bank Private Investments.

Consequently, the AMA approach is now being used by Intesa Sanpaolo S.p.A. and the main banks and companies in the Private Banking and Asset Management Divisions, as well as by VUB Banka, VUB Leasing and PBZ Banka.

The capital absorption resulting from this approach amounts to 2,110 million euro as at 30 June 2021, slightly down from 2,205 million euro as at 31 December 2020.

Breakdown of capital requirement (Advanced Measurement Approach - AMA) by type of operational event



Interest rate risk on positions not included in the trading book

Qualitative and quantitative disclosure

The “banking book” is defined as the business-related 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 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 Bank’s 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 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 (shift sensitivity or Δ EVE) and net interest income sensitivity (Δ NII). The consolidated Δ EVE 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 shift 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 shift 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’ 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 BoD, 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 (Δ EVE);
2. Net interest income sensitivity (Δ 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 **shift sensitivity of the economic value** (or fair value shift 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. 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 the value of the loan. 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 shift 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 must be estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions must also be 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, as well as the evolution of the portfolio (run-off, constant or dynamic balance sheet).

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.).

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 shift sensitivity.

The **CSRBB** is defined as the risk caused by changes in the market's perception of 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 or by the expected credit risk/jump-to-default risk. In line with the EBA Guidelines, which limit the reference area to assets only (i.e. excluding derivatives and liabilities), specific monitoring is envisaged for 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.

- b. 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, in accordance with the specific model change document.

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:
 - 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;
 - interest margin scenarios (shock +/-50 bps);
- management stress scenarios: run at least quarterly; the stress analyses used in the internal measurement system involve:
 - fair value stress scenarios (shock +/-200 bps, and a historical simulation of worst case shock);
 - net interest income stress scenarios (shock +/-100 bps);
 - 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 July 2018, the EBA issued the new Guidelines for the management of interest rate risk deriving from assets not included in the trading book, implementing the Standards on interest rate risk in the banking book published by the Basel Committee on Banking Supervision (BCBS) in April 2016 and introducing a new threshold of 15% of Tier 1 as an early warning calculated on the basis of the six BCBS scenarios in addition to the limit of 20% of own funds established in Article 98(5) of CRD IV calculated on the basis of the two +200 bps and -200 bps scenarios. The limit and early warning together constitute the supervisory outlier test (SOT), which is a supervisory instrument designed to inform supervisors of the exposure to interest rate risk of credit institutions.

The SOT, as defined by EBA GL 2018/02, identifies the maximum loss resulting from:

- application of the +/-200 bps shock to all currencies;
- 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.

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 ΔEVE : instantaneous and parallel shock of +100 bps;
- for the control of the exposure in terms of ΔNII : 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 ΔEVE .

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 variable-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 variable-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.

The table below shows the changes in the main interest rate risk measures during the first half of 2021.

	1st half 2021			30.06.2021	(millions of euro) 31.12.2020
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,291	-1,470	-1,094	-1,367	-1,305
Shift Sensitivity of Net Interest Income -50bp	-877	-1,044	-803	-816	-1,011
Shift Sensitivity of Net Interest Income +50bp	1,264	1,143	1,364	1,272	1,312
Shift Sensitivity of Net Interest Income +100bp	2,476	2,264	2,687	2,467	2,581
Value at Risk - Interest Rate	437	414	498	432	492
Value at Risk Exchange	59	48	69	48	78
Value at Risk - Equity investments in listed companies	216	182	278	216	304

With regard to the fair value shift sensitivity, there were no significant changes in the exposure compared to 31 December 2020.

Price risk related to the FVOCI minority equity portfolio

The table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of $\pm 10\%$ for the quoted assets recorded in the HTCS category.

Price risk: impact on Shareholders' Equity

		2nd quarter 2021	1st quarter 2021	(millions of euro) Impact on
		impact on shareholders' equity at 30.06.2021	impact on shareholders' equity at 31.03.2021	shareholders' equity at 31.12.2020
Price shock	10%	208	152	155
Price shock	-10%	-208	-152	-155

In the first six months of 2021, no hedging activities were performed to cover the price risk of the banking book.

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).

Shock Scenarios Table

(million of euro)

Supervisory shock scenarios	ΔEVE		ΔNII	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Parallel up	-2,867	-2,561	4,042	3,626
Parallel down	66	407	-686	-645
Steepener	-1,549	-1,447		
Flattener	-618	215		
Short rates up	-85	157		
Short rates down	-413	-240		
Maximum potential loss	-2,867	-2,561	-686	-645

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.

As a result of the continuation of the exceptional circumstances resulting from the COVID-19 pandemic, the European Central Bank issued Decision (EU) 2021/1074 allowing the possibility of temporarily excluding certain exposures to central banks from the total exposures for a further year.

The Intesa Sanpaolo Group has decided to continue to make use of these exclusions and is therefore required to comply with a higher regulatory minimum limit of 3.09%, determined in accordance with the provisions of Article 429a(7) (the adjusted Leverage Ratio - aLR).

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 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 2021 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 subsidiaries UBI Banca (merged into the Parent Company in 2021), Fideuram-ISP 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 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 30 June 2021, the leverage ratio calculated on a transitional basis was 6.9%, compared to 7.2% 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 total exposure, mainly due to an increase in temporary exclusions of certain exposures to the European Central Bank in application of Decision (EU) 2021/1074, which more than offset the increase in on-balance-sheet exposures (including SFTs and derivatives) and off-balance-sheet exposures.

Quantitative disclosure

The disclosure of the leverage ratio of the Intesa Sanpaolo Group as at 30 June 2021, provided in accordance with the regulatory principles of the CRR amended by Regulation 2019/876 (CRR II) and set out according to the provisions of Regulation 2021/637, is presented below.

For details of changes compared to the previous period see the section “Description of the factors that had an impact on the Leverage ratio during the period”.

LRCOM – Leverage ratio common disclosure (EU LR2 Reg. 2021/637) (Table 1 of 2)

The table shows the leverage ratio as at 30 June 2021 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)		30.06.2021
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	792,994
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)	-14,179
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)	-8,953
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	769,862
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	12,358
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	13,625
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-
EU-9b	Exposure determined under Original Exposure Method	349
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	59,493
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-58,802
13	Total derivatives exposures	27,023
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	30,784
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-1,094
16	Counterparty credit risk exposure for SFT assets	2,800
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	32,490
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	282,423
20	(Adjustments for conversion to credit equivalent amounts)	-191,516
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-
22	Total other off-balance sheet exposures	90,907

LRCOM – Leverage ratio common disclosure (EU LR2 Reg. 2021/637) (Table 2 of 2)

(millions of euro)

Excluded exposures		30.06.2021
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)	-3,266
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)	-111,606
EU-22k	(Total exempted exposures)	-114,872
Capital and total exposure measure		
23	Tier 1 capital	55,257
24	Total exposure measure (sum of lines 7, 13, 18, 22 and EU-22k)	805,410
Leverage ratio		
25	Leverage ratio	6.86%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.86%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.03%
26	Regulatory minimum leverage ratio requirement (%)	3.09%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%
EU-26b	<i>of which: to be made up of CET1 capital</i>	0.00%
27	Leverage ratio buffer requirement (%)	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.09%
Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	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	17,016
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	29,690
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)	792,736
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)	904,342
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)	6.97%
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)	6.11%

(*) 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.

Table of synthetic composition		(millions of euro)
		30.06.2021
1	Total assets as per published financial statements	1,057,595
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-205,697
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))	-111,606
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	1
8	Adjustments for derivative financial instruments	1,978
9	Adjustment for securities financing transactions (SFTs)	1,707
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	90,907
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 (*)	-29,475
13	Total exposure measure	805,410

(*) "Other adjustments" mainly include amounts related to assets deducted for the calculation of Tier 1 Capital (transitional regime), 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
		30.06.2021
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	679,748
EU-2	Trading book exposures	32,604
EU-3	Banking book exposures, of which:	647,144
EU-4	<i>Covered bonds</i>	2,380
EU-5	<i>Exposures treated as sovereigns</i>	120,921
EU-6	<i>Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns</i>	13,921
EU-7	<i>Institutions</i>	40,527
EU-8	<i>Secured by mortgages of immovable properties</i>	147,657
EU-9	<i>Retail exposures</i>	54,810
EU-10	<i>Corporate</i>	202,983
EU-11	<i>Exposures in default</i>	12,020
EU-12	<i>Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)</i>	51,925

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 par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 3 - Pillar 3 as at 30 June 2021" corresponds to the corporate records, books and accounts.

Milan, 4 August 2021

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

Attachment 1

Own funds: Main features of regulatory own funds instruments issued during the half year
(EU CCA Reg. 2021/637)

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)	629
9	Nominal amount of instrument	750
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	No
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	No
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/mtn-us

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)	652
9	Nominal amount of instrument	750
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	No
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	No
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/mtn-us

Attachment 2

Own funds: Composition of regulatory
own funds
(EU CC1 Reg. 2021/637)

(millions of euro)

		30.06.2021	31.12.2020	Source based on reference numbers/ letters of the balance sheet under the regulatory scope	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	37,370	37,528	9, 10	26, paragraph 1, 27, 28, 29
	of which: instrument type 1	37,370	37,528	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	22,715	20,673	8	26, paragraph 2(c)
3	Accumulated other comprehensive income (and other reserves)	-3,080	-2,971	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)	7	31	12.1	84
EU5a	Independently reviewed interim profits net of any foreseeable charge or dividend	820	2,456	13	26, paragraph 2
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	57,832	57,717		Sum of rows from 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-302	-234	15	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-8,029	-6,760	1.1, 2, 5.2.1	36, paragraph 1(b), 37
9	Not applicable (*) (amount at 31/12/2020: Transitional adjustments related to IFRS 9, now included in row 27a as required by Reg. 2021/637)	-	2,129	8.1	
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)	-1,867	-1,824	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	631	728	6, 6.3	33, paragraph 1(a)
12	Negative amounts resulting from the calculation of expected loss amounts	-293	-299	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 (*) (amount at 31/12/2020 also included "Fair value gains or losses on liabilities measured at fair value arising from the institution's own credit risk related to derivative liabilities", now included in row 27a as required by Reg. 2021/637)	94	212	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)	-261	-263	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 (*) (amount as at 31/12/2020: Other CET1 deduction items based on instructions from the National Authority, now partly included in row EU25b and partly in row 27a as required by Reg. 2021/637)	-	-232		
EU20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-106	-104	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)	-106	-104	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) (*) (amount as at 31/12/2020: included in row 20)	-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 (*)	1,535	n/a (a)	8.1, 19, 21	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-8,840	-6,647		Sum of rows from 7 to 20a, 21, 22 and from 25a to 27
29	Common Equity Tier 1 (CET1) capital	48,992	51,070		Row 6 less row 28

Basel 3 Pillar 3 - Attachment 2

(millions of euro)

		30.06.2021	31.12.2020	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of	Reference article of Regulation (EU) 575/2013
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	6,307	7,480	7	51, 52
31	of which: classified as equity under applicable accounting standards	6,307	7,480	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	-	-		494bis, paragraph 1
EU33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-		494ter, 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	2	6	122	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	6,309	7,486		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)	-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 (*)	-	n/a (a)		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-44	-		Sum of rows from 37 to 42a
44	Additional Tier 1 (AT1) capital	6,265	7,486		Row 36 less row 43
45	Tier 1 capital (T1 = CET1 + AT1)	55,257	58,556		Sum of rows 29 and 44
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	10,024	9,966	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 as described in Article 486(4) CRR	-	-		486, paragraph 4
EU47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-		494bis, paragraph 2
EU47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-		494ter, 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	3	5	123	87, 88
49	of which: instruments issued by subsidiaries subject to phase out	-	-		486, paragraph 4
50	Credit risk adjustments (*)	912	-	18	62 (c)(d) and Art. 473bis Reg. 2395/2017 (7)(c)
51	Tier 2 (T2) capital before regulatory adjustments	10,939	9,971		
Tier 2 (T2) capital: regulatory adjustments					
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-193	-339	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)	-315	-255	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 (*)	-912	n/a (a)		
57	Total regulatory adjustments to Tier 2 (T2) capital	-1,420	-594		Sum of rows from 52 to 56b
58	Tier 2 (T2) capital	9,519	9,377		Row 51 less row 57
59	Total capital (TC = T1 + T2)	64,776	67,933		Sum of rows 45 and 58
60	Total Risk exposure amount	329,748	347,072		

(millions of euro)

		30.06.2021	31.12.2020	Source based on reference numbers/ letters of the balance sheet under the	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)	14.86%	14.71%		92, paragraph 2(a)
62	Tier 1 capital (as a percentage of the risk exposure amount)	16.76%	16.87%		92, paragraph 2(b)
63	Total capital (as a percentage of the risk exposure amount)	19.64%	19.57%		92, paragraph 2(c)
64	Institution CET1 overall capital requirements (*)	8.63%	7.59% (b)		CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	2.50%		
66	of which: countercyclical buffer requirement	0.04%	0.03%		
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%	0.56%		
EU67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.84%	n/a (a) (c)		
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (d)	9.51%	n/a (a)		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)	1,338	1,013		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)	2,926	2,983		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)	2,996	3,323		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)	1,497	2,456		62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	912	969		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	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	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)

(*) Figure as at 30 June 2021 not directly comparable with 31 December 2020, because it is reported on the basis of the requirements of the new Regulation 2021/637 and the new table structure.

(a) Row introduced by Reg. 2021/637, applicable from June 2021.

(b) The ratio as at 31/12/2020 did not include the Pillar 2 requirement of 0.84% (reported in row EU67b from June 2021).

(c) The ratio as at 31/12/2020 was in any case present in the Pillar 3 document at that date in Section 4 – Capital Requirements (and was 0.84%).

(d) 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

ABS – Asset-Backed Securities

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

ABS (receivables)

ABS whose collateral is made up of receivables.

Acquisition finance

Leveraged buy-out financing.

Additional return

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

Advisor

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

AIRB (Advanced Internal Rating Based) Approach

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

ALM – Asset & Liability Management

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

ALT-A Agency

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

ALT- A - Alternative A Loan

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

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

Alternative investment

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

Other related parties – close relatives

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

AP – Attachment Point

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

Arrangement fee

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

Arranger

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

Asset allocation

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

Asset management

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

AT1

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

Intangible asset

An identifiable, non-monetary asset lacking physical substance.

Discounting

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

Audit

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

AVA (Additional Valuation Adjustment)

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

AUM Assets under management

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

β

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

Back office

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

Backtesting

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

Banking book

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

Basis swap

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

Best practice

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

Bid-ask spread

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

Bookrunner

See Lead manager and Joint lead manager.

Brand name

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

Budget

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

Business combinations

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

Business model

The business model within which financial assets are managed.

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

CAGR (Compound Annual Growth Rate)

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

Capital Asset Pricing Model (CAPM)

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

Capital structure

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

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

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

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

Captive

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

Carry trade

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

Securitisation

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

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.

Cash management

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

Certificates

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

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

Sale without recourse

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

Sale with recourse

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

CCF - Credit Conversion Factor

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

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

CCP (Central Counterparty Clearing House)

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

CDO – Collateralised Debt Obligation

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

CDSs on ABX

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

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

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

Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation

CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities

Securitisations Debt instruments backed by mortgages on commercial real estate.

CMO - Collateralised Mortgage Obligation

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

Commercial paper

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

Consumer ABS

ABS whose collateral is made up of consumer credits.

Core Business

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

Core deposits

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

Common Equity Tier 1 Ratio (CET1 Ratio)

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

Corporate

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

Cost/income ratio

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

Amortised cost

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

Transaction costs

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

Covenant

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

Coverage ratio

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

Covered bond

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

CPPI (Constant Proportion 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

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

Credit enhancement

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

Credit/emerging markets (Funds)

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

Credit-linked notes

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

Credit Risk Adjustment (CRA)

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

Credit spread option

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

Past due loans

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

CreditVaR

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

Cross selling

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

CRM – Credit Risk Mitigation

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

CRP (Country Risk Premium)

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

CR01

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

CSA (Credit Support Annex)

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

Reclassification date

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

Default

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

Delinquency

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

Delta

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

Embedded derivatives

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

Desk

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

Dynamics of funding

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

Directional (Funds)

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

Domestic Currency Swap

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

Duration

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

EAD – Exposure At Default

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

ECAI – External Credit Assessment Institution

An external credit assessment institution.

EDF – Expected Default Frequency

Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

EHQLA (Extremely High Quality Liquid Asset)

Encumbered assets that are notionally eligible to be classified as extremely high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

ETD – Exchange Trade Derivatives

Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

Embedded value

A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)

Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the Euro area.

Equity hedge / long-short (Funds)

Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivative contracts involving securities or market indices.

Equity origination

Increase of a company's risk capital achieved by floating a new issue of stock.

ERP (Equity Risk Premium)

Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

Exotics (derivatives)

Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

EVA (Economic Value Added)

An indicator that provides a snapshot of the amount of value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Event-driven (Funds)

Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory

Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Expected Credit Losses (ECL)

Expected credit risk adjustments, determined based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Calculated as the difference between all contractual flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls) discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

12-Month Expected Loss

Portion of the lifetime expected loss that arises if the default occurs within 12 months from the reporting date (or a shorter period if the expected life is less than 12 months), weighted by the probability of that default.

Facility (fee)

Fee calculated with reference to the disbursed amount of a loan.

Factoring

Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value

The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

Fair value hedge

Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fair Value Option (FVO)

The Fair Value Option is an option for classifying a financial instrument.

When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion

An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

“G” factor (“g” growth rate)

It is the factor used for perpetuity projection of cash flows in order to calculate “Terminal value”.

FICO Score

In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the “score” to assess borrower default risk and to correctly price risk.

FIFO: First In First Out

Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale

Prudential filters

In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

Harmonised mutual funds

Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering units to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Forward Rate Agreement

See “Forwards”.

Forwards

Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office

The divisions of a company designed to deal directly with customers.

Funding

The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures

Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

FVTOCI: Fair Value Through Other Comprehensive Income

Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss

Method of recognition of changes in the fair value of financial assets through profit or loss

Global custody

An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

GMSLA

Global Master Securities Lending Agreement: these are margin agreements used to mitigate counterparty risk in securities lending transactions

GMRA

Global Master Repurchase Agreement: these are margin agreements used to mitigate counterparty risk in repurchase agreement transactions.

Goodwill

The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance

The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Grandfathering

The new composition of own funds under Basel 3 and other less significant measures will enter into force following a transitional period. Specifically, old instruments included in Basel 2 regulatory capital, which are not included under Basel 3, will be gradually eliminated (referred to as the grandfathering period).

Greeks

Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting

Rules pertaining to the accounting of hedging transactions.

Hedge funds

Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans

Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HQLA (High Quality Liquid Asset)

Encumbered assets that are notionally eligible to be classified as high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

HY CBO – High-Yield Collateralised Bond Obligation

CDOs with collateral represented by High-Yield securities.

IAS/IFRS

The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)

The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)

The "Second Pillar" provisions require that banks implement processes and instruments of Internal Capital Adequacy Assessment Process (ICAAP), to determine the amount of internal capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting 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, within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment

When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Deferred tax (tax liabilities or assets)

Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.

Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:

- (a) deductible temporary differences;
- (b) the carry forward of unused tax losses; and
- (c) the carry forward of unused tax credits.

Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.

There are two types of temporary difference:

- a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or
- b) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Significant increase in credit risk "SICR"

Criterion used to verify the transition between stages: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the lifetime expected credit losses of the instrument (lifetime ECL). The bank establishes whether there has been a significant increase in credit risk based on qualitative and quantitative information. Exposures are considered to have had a significant increase in credit risk when:

- the weighted average lifetime PD has increased beyond the threshold at the time of the origination. Other measures of PD deterioration can also be used. The relative thresholds are defined as percentage increases and set at a particular value or segment;
 - exposures are determined to be of higher credit risk and subject to closer monitoring;
- exposures are more than 30 days past due, used as a backstop rather than a primary driver.

Incurred loss

Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in a portfolio of performing loans and is the basic indicator for determining the size of the stock of collective adjustments recognised in the financial statements.

Index-linked

Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

CMBX index

The same as the ABX index, the only difference being that the reference entities are CMBs.

Internal dealing

Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday

Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment property

Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade

Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

IRC – Incremental Risk Charge

The maximum potential loss in the trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level.

IRS – Interest Rate Swap

A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

ISDA - International Swaps and Derivatives Association

An association of participants in the over-the-counter derivatives market. It is based in New York and has created a standard contract for entering into derivatives transactions.

Joint venture

Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior

In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke (Cost of Equity)

Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g

Difference between the cash flow discounting rate and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

Lambda (λ)

Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LCRE: Low Credit Risk Exemption

Exemption from the ordinary credit risk measurement according to which it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk (at least equal to investment grade) at the reporting date.

LDA - Loss Distribution Approach

Method of quantitative assessment of the risk profile through actuarial analysis of individual internal and external loss events; by extension, the term Loss Distribution Approach also refers to the calculation model for the historical capital per business unit.

Lead manager - Bookrunner

Lead bank of a bond issue syndicate. The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Risk-based lending

A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Leveraged & acquisition finance

See "Acquisition finance".

Liquidity Coverage Ratio (LCR)

It aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that may be converted into cash to meet its liquidity needs within a period of 30 days under conditions of severe stress. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net outflows of liquidity over a stress period of 30 calendar days.

LTV – Loan-to-Value Ratio

The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.

The LTV ratio measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

Cumulative loss

Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Loss Given Default (LGD)

It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

M–Maturity

The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Macro-hedging

Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

Mark to Market

Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation

Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making

Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral

Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

Mark-down

Difference between the 1-month Euribor and interest rates on household and business current accounts.

Mark-up

Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month Euribor.

Merchant banking

A range of activities including the underwriting of securities – both equities and bonds – issued by corporate customers for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine

In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Monoline

Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)

Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value

The market value of one share of the fund's managed assets.

Net Stable Funding Ratio (NSFR).

It is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. Net stable funding requirement is equal to the ratio of the stable funding available to the entity to the stable funding required by the entity and is expressed as a percentage.

Non-performing

Term generally referring to loans for which payments are overdue.

Covered bond

See "Covered Bond".

Option

Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

Outsourcing

The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)

Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)

It designates transactions carried out directly between the parties outside organised markets.

Packages

Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Expected credit loss

It is calculated as the product of the Probability of Default (PD) and Loss Given Default (LGD) multiplied by the exposure value (EAD). It represents the ratio of the amount expected to be lost on the exposure, over a time horizon of one year, as a result of a potential default by the counterparty and the amount of the exposure at the time of default.

Lifetime expected loss

Expected credit loss that results from all possible default events over the expected life of a financial instrument.

Performing

Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)

Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

POCI: Purchased or Originated Credit-Impaired Assets – Assets for which the lifetime expected losses are recognised upon initial recognition and which are automatically classed as Stage 3.

Index-linked life insurance policies

Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

Pool (transactions)

See “Syndicated lending”.

Held for trading

A financial asset or financial liability that:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Pricing

Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker

The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund’s manager with the utmost confidentiality. The Prime Broker also acts as the fund’s lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund’s risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund’s cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan

Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower’s history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking

Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity

Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

One-year Probability of Default (PD)

The likelihood that a debtor will default within the space of 1 year.

Lifetime PD

The likelihood that a debtor will default within a period equal to the expected life of the financial instrument.

Asset-backed commercial paper programme or <<ABCP programme>>

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 Reg.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 and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

PV01

Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Indirect customer deposits

The holding of third parties’ securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Rating

An evaluation of the quality of a company or of its bond issues, based on the company’s financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)

Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)

REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)

Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail

Customer segment mainly including households, professionals, retailers and artisans.

Counterparty risk

Counterparty risk is a particular type of credit risk, relating to OTC derivatives and SFTs (Securities Financing Transactions), which refers to the possible default of the counterparty before the expiry of a contract that has a positive market value.

Credit risk

The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Market risk

Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Liquidity risk

The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Operational risk

Risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk and compliance risk, model risk, ICT risk and financial reporting risk; strategic and reputational risk are not included.

Risk-free

Return on risk-free investments. For the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on 10-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management

Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities

Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)

It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

RTS (Regulation Technical Standards)

Regulatory technical standards.

Risk-Weighted Assets (RWA)

On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Scoring

System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Senior/Super senior tranche

In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity

It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer

In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)

Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

Significant Risk Transfer (SRT)

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 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 2017/2401 sets out similar conditions for significant risk transfer through funded or unfunded credit protection securitisations also for synthetic securitisations.

SPE/SPV

A Special Purpose Entity or Special Purpose Vehicle is a company established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade

Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

SPPI TEST

One of the two classification drivers (the other is the "business model") that the classification of the financial assets and the measurement basis depend on. The objective of the SPPI test is to identify the instruments, which can be defined as "basic lending arrangements" in accordance with the standard, whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI - solely payment of principal and interest). Assets with contractual characteristics other than SPPI are mandatorily measured at FVTPL.

Spread

This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar

Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stage 1

Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

Stage 2

Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

Stage 3

Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

Stakeholders

Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options

Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (strike price).

Stress tests

A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance

Structured finance transactions in the goods and services export financing sector.

Financial instruments listed in an active market

A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Subprime

A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps

Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending

Loans arranged and guaranteed by a pool of banks and other financial institutions.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Tax rate

The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value

An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by $(1 + g)$ and dividing that amount by $(K_e - g)$.

Impairment test

The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:

- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

Tier 1

Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

Tier 1 capital ratio

Ratio of Tier 1 Capital, which consists of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1), to total risk-weighted assets.

Tier 2

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.

Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value

Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio

Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2).

Total return swap

A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book

The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)

Real estate vehicles.

Trust-preferred Securities (TruPS)

Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee

Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use

Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

Collective assessment of performing loans

With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Fundamental Valuation

Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

VaR - Value at Risk

The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega

Coefficient that measures the sensitivity of an option's value in relation to a change (increase or decrease) in volatility.

Vega 01

Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage

Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Expected life

This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. The expected life for these credit facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life, based upon other experienced cases or similar cases of peers. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

Warrant

Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall

Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management

See "Asset management".

What-if

Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking

Banking activity mainly consisting of high-value transactions concluded with major counterparties.

Contacts

Intesa Sanpaolo S.p.A.

Registered office

Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office

Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication

Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations

Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Editing and production: Agema® S.p.A.



GALLERIE D'ITALIA. THREE MUSEUMS, A NATIONWIDE CULTURAL NETWORK.

Gallerie d'Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: 1,000 of its artworks are displayed in historic palazzos in three cities, creating a unique network of museums.

Housed in a palace of great architectural importance, **Gallerie d'Italia - Piazza Scala, Milan** has a selection of two hundred 19th-century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on Italian art of the 20th century.

Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza is home to art of the Veneto region from the 1700s as well as Attic and Magna Graecia pottery. It also holds one of the most important collections of Russian icons in the West.

Gallerie d'Italia - Palazzo Zevallos Stigliano, Naples hosts the *Martyrdom of Saint Ursula*, the last known painting by Caravaggio, alongside more than 120 examples of Neapolitan art dating from the early 17th to the early 20th century.

A fourth hub for **Gallerie d'Italia** is currently under construction in **Piazza San Carlo, Turin**, with a special focus on photography and the digital world.

Cover photo:



CARLO CANELLA

(Verona, 1800 - Milan, 1879)

The New Gallery in Milan with night-time passers-by, 1870

oil on canvas, 60.90 x 54.50 cm

Intesa Sanpaolo Collection

Gallerie d'Italia - Piazza Scala, Milan

The New Gallery in Milan with night-time passers-by was painted by the artist Carlo Canella, who specialised in perspective views of various Italian cities, particularly Milan and Verona, from the mid-1830s onwards.

His painting depicts the Galleria Vittorio Emanuele II a few years after it opened in 1867. The new Gallery found instant favour and acclaim among the people of Milan. The annals tell us that singers were the first to frequent the Gallery, trying out their voices in spontaneous singing contests beneath the great dome of the Octagon. Luxurious cafés, bookshops and numerous fashionable clothes stores flourished on the Gallery's ground floor. The painting received instant praise for its novel subject matter and the artist's success in setting the scene in a gallery, which appears brightly lit despite the upper part being in shadow.

The piece is part of the collection on permanent display at **Gallerie d'Italia - Piazza Scala**, Intesa Sanpaolo's museum hub in **Milan**. Its 19th-century section begins with Neoclassicism and goes right through to the early 20th century, taking in a century of Italian art on the way, with historic paintings, Italian unification battles, *vedute* and landscapes, genre paintings and masterpieces of Symbolism.

