Basel 3 Pillar 3

Disclosure as at 31 December 2023

This is an English translation of the original Italian document "Terzo Pilastro di Basilea 3 Informativa al pubblico al 31 dicembre 2023". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.
This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.
Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.
All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date of approval of this document. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Basel 3 Pillar 3 Disclosure as at 31 December 2023

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Introduction

Notes to the Basel 3 Pillar 3 disclosure

With effect from 1 January 2014, the reforms of the accord by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and increase banks' transparency and disclosures. In doing so, the Committee maintained the approach founded on three Pillars, underlying the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.

In particular, with the aim of better regulating the market, Pillar 3 identifies a set of public disclosure obligations on capital adequacy, the composition of regulatory capital, the methods used by banks to calculate their capital ratios, and on risk exposure and the general characteristics of related management and control systems.

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

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

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

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

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

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

In line with the regulatory changes introduced by CRR II, the above-mentioned Implementing Regulation (EU) 2021/637, stemming from the mandate given to the EBA by Article 434a CRR II ("Uniform disclosure formats"), was published on 21 April 2021, with the aim of streamlining and harmonising the periodic disclosures to the market by providing institutions with a complete integrated set of formats, templates and tables for uniform disclosures (the single framework), able to ensure high quality disclosure and a consistent framework aligned to international standards. This Regulation, applicable from 28 June 2021, establishes implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of the CRR.

In addition, to facilitate the application of the disclosure requirements by institutions and strengthen their consistency and comparability, the EBA also has made a mapping tool available to institutions, consisting of a file that links most of the quantitative public disclosure templates with those in the prudential supervisory reports.

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

With regard to the Pillar 3 provisions established by the EBA through the Guidelines, reference should be made to EBA/GL/2014/14 on the materiality, proprietary and confidentiality and frequency of Pillar 3 disclosures, under Articles 432(1) and (2) and 433 CRR.

With regard to IFRS 9, the transitional period (2018-2022) provided for by Regulation (EU) 2017/2395 to mitigate the capital impacts of its introduction ended on 31 December 2022. Moreover, from June 2020 the Intesa Sanpaolo Group has not applied either the new transitional IFRS 9 rules (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022), which were both introduced by Regulation (EU) no. 2020/873 (CRR Quick Fix) in the context of the pandemic.
In view of this, starting from 31 March 2023, the disclosure requirements relating to the temporary treatments described above, introduced by EBA/GL/2018/01 and the subsequent EBA/GL/2020/12, which represent an amendment to the former that became necessary due to the pandemic, no longer apply to the ISP Group. With the normalisation of the situation linked to the COVID-19 pandemic and the phasing out of the related support measures established, EBA/GL/2020/07 governing the related reporting obligations were also repealed with effect from 1 January 2023.

With reference to the increasing weight that control of environmental, social and governance risks (ESG risks) is taking on within the European regulatory framework, in December 2022 Commission Implementing Regulation (EU) 2022/2453 was published in the Official Journal, amending the implementing technical standards (ITS) laid down in Implementing Regulation (EU) 2021/637 with regard to the introduction of new, standard models for disclosure of ESG risks and instructions, developed in compliance with Article 449a of the CRR. That Article requires large institutions that have issued securities traded in a regulated market of any Member State to publish disclosure on ESG risks, including physical risks and transition risks. Banks have fulfilled the related initial disclosure obligations starting from 31 December 2022, and will be required to provide this disclosure on a half-yearly basis thereafter, gradually applying the disclosure obligations based on specific models (phase-in period from December 2022 to December 2024). In particular, as described in detail in Section 20 of this document, from December 2023, the disclosure regarding the Green Asset Ratio[1] - GAR has been added.

With regard to the impacts for the Intesa Sanpaolo Group of the military conflict between Russia and Ukraine, see the information provided in the Group's 2023 Financial Statements.

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In accordance with the above provisions and in line with the approach described above, this document has been prepared on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (as described in Section 2 - Scope of application - Qualitative disclosure).
As also reported in the 2023 Consolidated financial statements, with respect to 31 December 2022, the changes in the line-by-line accounting scope of consolidation involved the entry of:

– Reyl Finance (MEA) LTD wholly owned by Reyl & Cie S.A., following the exceeding of the immateriality limits that previously allowed its consolidation at equity;

and the exit of:

– Fideuram Bank Luxembourg, merged by incorporation into Intesa Sanpaolo Wealth Management S.A.;
– Intesa Sanpaolo Provis S.p.A., merged by incorporation into Intesa Sanpaolo S.p.A.;
– Intesa Sanpaolo Life Designated Activity Company, merged by incorporation into Intesa Sanpaolo Vita S.p.A.;
– Asteria Investment Managers S.A., which is now consolidated using the equity method in view of the negligible amounts of the balance sheet aggregates.

Lastly, for completeness, it is noted that Banca 5 S.p.A. changed its company name to Isybank S.p.A.

The changes in the prudential scope of consolidation with respect to 31 December 2022 were the same as those indicated in the section above for the accounting scope of consolidation, except for the merger by incorporation into Intesa Sanpaolo Vita of Intesa Sanpaolo Life designated activity company, an insurance entity not included in the scope of prudential consolidation.

With regard to how the Group's two subsidiaries present in Ukraine and Russia, respectively Pravex Bank Joint-Stock Company (hereinafter: Pravex) and Joint-Stock Company Banca Intesa (hereinafter: Banca Intesa Russia), contribute to the preparation of the consolidated financial statements as at 31 December 2023 – as already described in the 2023 Financial Statements, to which reference is made for more details – it should be noted that Banca Intesa Russia was consolidated based on the results as at 31 December 2023, while for Pravex, the specific situation in the city of Kiev (where the bank is based) led to the decision – with a view to containing "operational" risks – to use the accounting statements as at 30 September 2023, converted at the exchange rate as at 31 December 2023, for the consolidation. The results of Pravex Bank are therefore incorporated by means of the line-by-line consolidation of a consolidation package prepared in accordance with the IAS/IFRS for the previous quarter, in keeping with the approach already adopted as at 31 December 2022 and over the course of 2023. However, it is worth recalling here that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group. The above method of consolidation is also supported by the fact that the balance sheet management data as at 31 December 2023 do not show any significant differences – in the total aggregates – compared to those at the end of September.

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

In accordance with Article 433 of the CRR, banks publish the Pillar 3 Disclosures required by European regulations at the same time as the financial statements or as soon as possible after that date. The frequency of publication of disclosures by

[1] Also referred to as the green assets ratio, it indicates "*the proportion of exposures of the credit institution related to activities aligned to the EU Taxonomy – Reg. 2021/2178 (green assets) compared to the total assets of the institution. The GAR should relate to the credit institutions' main lending and investment business, including loans, advances and debt securities, and to their equity investments to reflect the extent to which those institutions finance Taxonomy-aligned activities*".

large institutions (the category the Intesa Sanpaolo Group belongs to) is specifically regulated by Article 433a CRR ("Disclosures by large institutions").
In relation to the scope of application of the provisions of the CRR, which refers - as previously indicated - to a "prudential" consolidation scope, and the provisions of the CRR, this document does not illustrate all the types of risk that the Intesa Sanpaolo Group is exposed to. Additional information about the risks is presented in the consolidated financial statements based on the provisions of IFRS 7 and the related explanatory instructions issued by the Bank of Italy (Circular 262 and related updates). In particular, the information on risks is set forth in Part E of the Notes to the consolidated financial statements. Part E also illustrates:

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

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

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

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

Approval, certification and publication of the Basel 3 Pillar 3 disclosure of Intesa Sanpaolo as at 31 December 2023

The Basel 3 Pillar 3 disclosure as at 31 December 2023 ("Pillar 3") of Intesa Sanpaolo has been prepared in accordance with Part Eight of the Regulation (EU) 575/2013, considering the specific requirements introduced by Regulation (EU) 2021/637.
The preparation of the Pillar 3 disclosure on capital adequacy, risk exposure and the general characteristics of the related management and control systems of Intesa Sanpaolo is governed, in compliance with the applicable regulations, by the "Guidelines on the disclosure of Financial information to the Market", approved by the Board of Directors. The governance of the Pillar 3 disclosure requires the Chief Risk Officer to ensure that the risk information provided therein – including the new disclosure on ESG risks (Article 449a CRR) – complies with the prudential regulation and is consistent with Group risk management guidelines and policies and with the measurement and control of the Group's exposure to the different risk categories. Also with reference to the ESG disclosure required by Art. 449a CRR, the Chief Financial Officer and the Chief Governance Officer guarantee, to the extent of their respective responsibilities, that the disclosure complies with the prudential regulations and is consistent with the strategies and policies on the matter of the Intesa Sanpaolo Group.
Additionally, in accordance with the "Guidelines on Remuneration, Incentives and Identification of Risk Takers", the Chief Operating Officer ensures that the information provided in the Pillar 3 document in accordance with Article 450 CRR complies with the prudential regulations and is consistent with the relevant guidelines and policies of the Intesa Sanpaolo Group.
As a public disclosure, the document is accompanied by the declaration of the Manager responsible for preparing the Company's financial reports, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, which confirms that the accounting information contained in the document corresponds to the supporting documentation, ledgers and other accounting records.
The preparation of Financial disclosures to the Market is one of the processes subject to assessment under the Group "Administrative and Financial Governance Guidelines", which were also approved by the Board of Directors.
The disclosure is prepared in accordance with the internal processes and control systems that have been adopted by the Bank.
Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

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

Considering the importance of this disclosure, Intesa Sanpaolo has decided to submit the annual Pillar 3 Disclosure, as at 31 December, to a limited review on a voluntary basis. The Independent Auditor's report is included.
The document is submitted for approval by the Board of Directors and subsequently published on Intesa Sanpaolo's website at the link www.group.intesasanpaolo.com in the Governance – Risk Management section.

References to the regulatory disclosure requirements

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

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

Reference to the requirements of Regulation (EU) 2021/637 (as amended)

The table below shows the placement in the Pillar 3 document of the disclosure requirements introduced by Regulation (EU) 2021/637 (and subsequent amendments, including: Regulation 2022/631 on IRRBB disclosure and Regulation 2022/2453 on ESG disclosure) relating to the implementing technical standards with regard to the publication by institutions of the information referred to in Part Eight of the CRR.

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 LIQA	Liquidity risk management	Half-yearly (summary) / Annual (full)	Section 5 – Liquidity Risk
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	Quarterly	
EU LIQ1	Quantitative information of LCR (Liquidity Coverage Ratio)	Quarterly	
EU LIQ2	Net Stable Funding Ratio (NSFR)	Half-yearly	
EU CRA	General qualitative information about credit risk	Annual	Section 6 – Credit risk: General disclosure
EU CRB	Additional disclosure related to the credit quality of assets	Annual	Section 7 – Credit risk: Credit quality
EU CR1	Performing and non-performing exposures and related impairment and provisions	Half-yearly	
EU CR1-A	Maturity of exposures	Half-yearly	
EU CR2	Changes in the stock of non-performing loans and advances	Half-yearly	
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	N/A*	
EU CQ3	Credit quality of performing and non-performing exposures by past-due days	Half-yearly	
EU CQ4	Quality of non-performing exposures by geography	Half-yearly	
EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	Half-yearly	
EU CQ1	Credit quality of forborne exposures	Half-yearly	
EU CQ2	Quality of forbearance	N/A*	
EU CQ6	Collateral valuation – loans and advances	N/A*	
EU CQ7	Collateral obtained by taking possession and execution processes	Half-yearly	
EU CQ8	Collateral obtained by taking possession and execution processes - vintage breakdown	N/A*	

EU CRD	Qualitative disclosure requirements related to standardised approach	Annual	Section 8 – Credit risk: Disclosures on portfolios subject to the standardised approach
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Half-yearly	
EU CR5	Standardised approach - Exposures post CCF and CRM	Half-yearly	
EU CR5 bis	Standardised approach - Exposures before CCF and CRM	Half-yearly	
EU CRE	Qualitative disclosure requirements related to IRB approach	Annual	Section 9 – Credit risk: Disclosures on portfolios subject to IRB approaches
EU CR6-A	Scope of the use of IRB and SA approaches	Annual	
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Half-yearly	
EU CR6	IRB approach – Credit risk exposures by exposure class and PD scale	Half-yearly	
EU CR10	Specialised lending and equity exposures under the simple risk weight approach	Half-yearly	
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Half-yearly	
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Annual	
EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	N/A	
EU CRC	Qualitative disclosure requirements related to CRM techniques	Annual	Section 10 - Credit risk mitigation techniques
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Half-yearly	
EU CCRA	Qualitative disclosure related to CCR	Annual	Section 11 – Counterparty risk
EU CCR1	Analysis of CCR exposure by approach	Half-yearly	
EU CCR2	Transactions subject to own funds requirements for CVA risk	Half-yearly	
EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Half-yearly	
EU CCR3 bis	Standardised approach – CCR exposures by regulatory exposure class and risk weights – Amounts without risk mitigation	Half-yearly	
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Half-yearly	
EU CCR5	Composition of collateral for CCR exposures	Half-yearly	
EU CCR6	Credit derivatives exposures	Half-yearly	
EU CCR8	Exposures to CCPs	Half-yearly	
EU SECA	Qualitative disclosure requirements related to securitisation exposures	Annual	Section 12 – Securitisations
EU SEC1	Securitisation exposures in the non-trading book	Half-yearly	
EU SEC2	Securitisation exposures in the trading book	Half-yearly	
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor	Half-yearly	
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor	Half-yearly	
EU SEC5	Exposures securitised by the institution – Exposures in default and specific credit risk adjustments	Half-yearly	
EU MRA	Qualitative disclosure requirements related to market risk	Annual	Section 13 – Market risk
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Annual	
EU MR1	Market risk under the standardised approach	Half-yearly	
EU MR2-A	Market risk under the Internal Model Approach (IMA)	Half-yearly	
EU MR3	IMA values for trading portfolios	Half-yearly	
EU MR4	Comparison of VaR estimates with gains/losses	Half-yearly	
EU PV1	Prudent valuation adjustments (PVA)	Annual	
EU ORA	Qualitative information on operational risk	Annual	Section 14 – Operational Risk
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Annual	
EU IRRBBA	Qualitative information on interest rate risk of non-trading book activities	Annual	Section 16 - Interest rate risk on positions not included in the trading book
EU IRRBB1	Interest rate risk of non-trading book activities	Half-yearly	
EU AE1	Encumbered and unencumbered assets	Annual	Section 17 – Encumbered and unencumbered assets
EU AE2	Collateral received and own debt securities issued	Annual	
EU AE3	Sources of encumbrance	Annual	

EU AE4	Accompanying narrative information	Annual	
EU LRA	Disclosure of LR qualitative information	Half-yearly	Section 18 - Leverage ratio
EU LR2	LRCom – Leverage ratio common disclosure	Half-yearly	
EU LR1	LRSum – Summary reconciliation of accounting assets and leverage ratio exposure	Half-yearly	
EU LR3	LRSpl – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Half-yearly	
EU REMA	Remuneration policy	Annual	Section 19 – Remuneration policy
EU REM1	Remuneration awarded for the financial year	Annual	
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	
EU REM3	Deferred remuneration	Annual	
EU REM4	Remuneration of 1 million EUR or more per year	Annual	
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	
Table 1 Qualitative Information	Qualitative information on environmental risk	Half-yearly	Section 20 – Disclosure of environmental, social and governance risks (ESG risks)
Table 2 Qualitative Information	Qualitative information on social risk	Half-yearly	
Table 3 Qualitative Information	Qualitative information on governance risk	Half-yearly	
Template 1	Banking book (Non-financial companies) - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity	Half-yearly	
Template 2	Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral	Half-yearly	
Template 4	Banking book - Indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms	Half-yearly	
Template 5	Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk	Half-yearly	
Template 6	Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures	Half-yearly	
Template 7	Mitigating actions: Assets for the calculation of GAR	Half-yearly	
Template 8	GAR (%)	Half-yearly	
Template 10	Other climate change mitigating actions that are not covered by the EU Taxonomy (Regulation (EU) 2020/852)	Half-yearly	
EU CCA	Own Funds: Main features of regulatory own funds instruments	Quarterly (instruments issued in the period)	Attachment 1
EU CC1	Own Funds: Composition of regulatory own funds	Quarterly	Attachment 2

* As at 31 December 2023 not applicable for the Intesa Sanpaolo Group because NPL ratio < 5%.

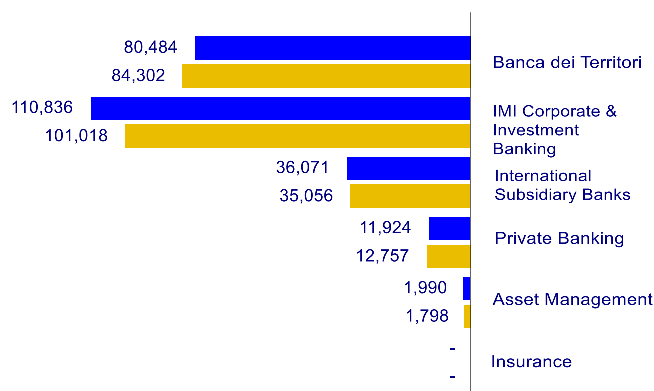
Section 1 - General requirements

Group's risk profile: key indicators as at 31 December 2023

Consolidated capital ratios (%)	31.12.2023	31.12.2022
Common Equity Tier 1 capital (CET1) net of regulatory adjustments / Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.7	13.8
TIER 1 Capital / Risk-weighted assets	16.3	16.2
Total own funds / Risk-weighted assets	19.2	19.1
Risk-weighted assets (millions of euro)	302,110	295,443
Absorbed capital (millions of euro)	29,010	29,523

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

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



Banca dei Territori

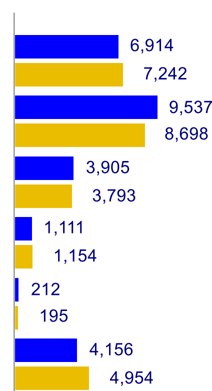
IMI Corporate & Investment Banking

International Subsidiary Banks

Private Banking

Asset Management

Insurance

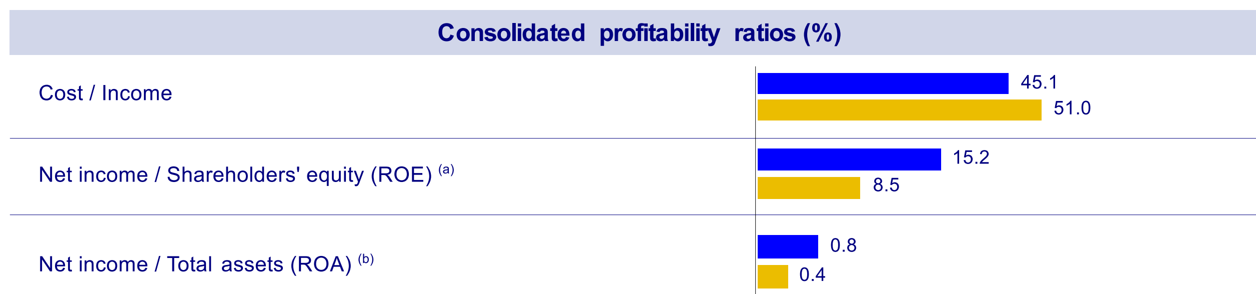


(*) Excluding Corporate Centre

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

31.12.2023 (blue)

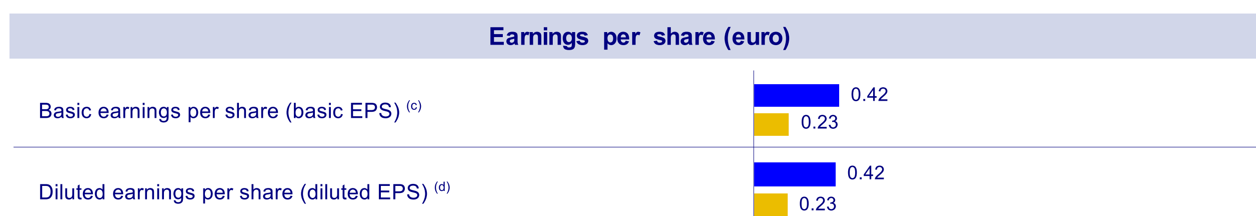
31.12.2022 (yellow)



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

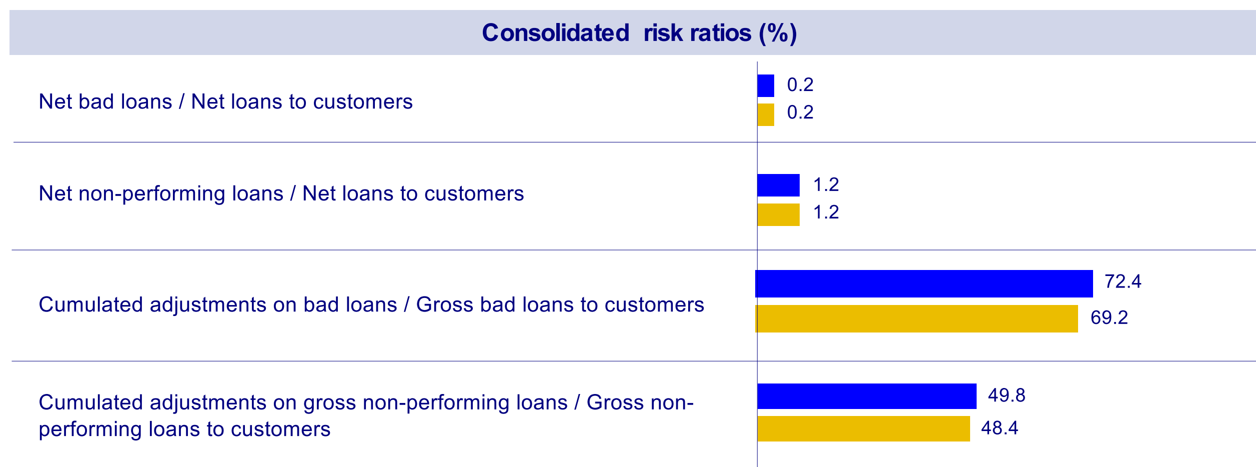
(a) Ratio between net income and shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments and income for the period. The comparative figure has not been restated.

(b) Ratio between net income and total assets at the end of the period. The comparative figure has not been restated.



(c) Net income (loss) attributable to shareholders compared to the weighted average number of outstanding shares, calculated excluding own shares. Intesa Sanpaolo's share capital consists solely of ordinary shares.

(d) The diluted earnings are calculated taking into account any future issuances of new ordinary shares and excluding own shares.



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

2023 (Income statement figures)
31.12.2023 (Balance sheet figures)

2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

General risk management principles

The Intesa Sanpaolo Group attaches great importance to risk management and control, as condition to ensure a reliable and sustainable value creation in a context of controlled risk.
The risk management strategy aims to achieve a complete and consistent overview of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the growth of the risk culture and enhancing a transparent and accurate representation of the riskiness of the Group's portfolios.
The Risk-taking strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Board of Directors. The RAF is established to ensure that risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the economic situation. The framework defines both the general risk appetite principles and the control of the overall risk profile and the main specific risks.
The general principles that govern the Intesa Sanpaolo Group's risk-taking strategy may be summarised as follows:

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

The general principles are applicable at Group level as well as at the individual entity level (business unit/legal entity). In case of an external growth, these general principles will be applied taking into consideration the specific characteristics of the business in which the target is involved and its competitive environment.
The Risk Appetite Framework thus represents the overall framework within which the management of corporate risks is developed, with the establishment of general risk appetite principles and the resulting structuring of the control of:

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

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

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

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

In compliance with the applicable regulations and in particular the EBA Guidelines (EBA/GL/2021/11) concerning the "Recovery plan indicators", the Group includes asset quality, market-based and macroeconomic indicators, to ensure consistency with its Recovery Plan.

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

deemed worthy of specific attention by the Corporate Bodies (e.g. transactions exposed to valuation risk, exposure to associated entities[2]).
Within the monitoring of the specific risks, the Credit Risk Appetite (CRA) Framework, a specific Risk Appetite Framework (RAF) for credit risk, identifies areas of growth for loans and areas to be monitored, using an approach based on ratings and other predictive statistical indicators, to guide lending growth by optimising the management of risk.
The CRA limits are approved within the RAF and are continuously monitored by the designated structures of the Chief Risk Officer Area.

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

In addition to the limits themselves, Early Warning thresholds may be defined, the exceeding of which is promptly discussed in the competent managerial committee[3].

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

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

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

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

[3] The competent Managerial Committee varies according to the RAF metrics considered:
- for model risk metrics, the responsibility lies with the Credit Risk and Pillar 2 Internal Models Committee;
- for non-financial risks and reputational risk metrics, the responsibility lies with the Group Control Coordination and Non-Financial Risks Committee;
- for the metrics related to liquidity, market, interest rate for banking book, equity participation, structural foreign exchange and insurance risks metrics, the responsibility lies with the Group Financial Risks Committee;
- for the metrics of capital adequacy, resolvability capacity, stability of profits, ESG & climate change, asset quality, credit risk, country risk, wealth management metrics and for all those metrics not explicity indicated in the points above, the responsibility lies with the Steering Committee.

months to the Corporate Bodies on the activities performed.

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

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

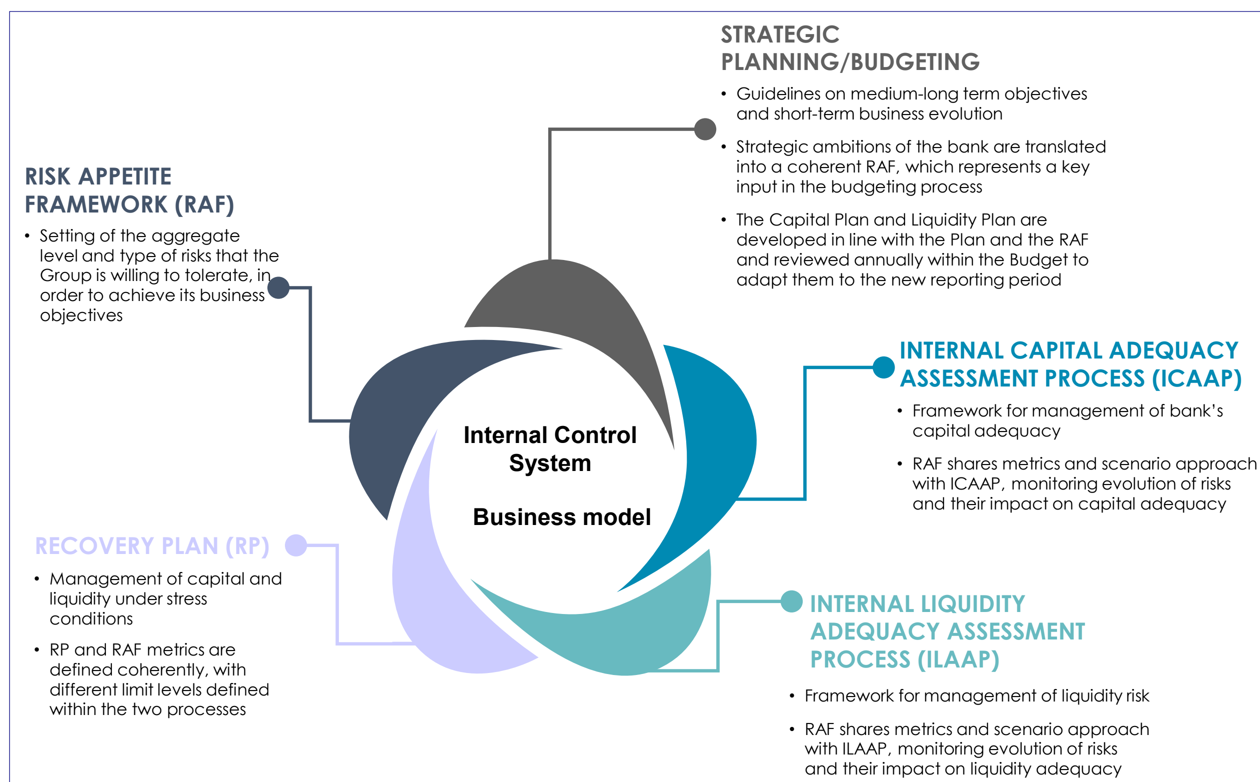
The scope of analysis also includes the insurance segment to better capture the specific characteristics of the Group's business model (financial conglomerate).
The quantitative reconciliation between regulatory requirements and management estimates of capital adequacy is set out in a specific document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

The Group is required to provide a Recovery Plan according to indications received by Supervisory Authorities. The Recovery Plan is governed by the European Bank Recovery and Resolution Directive – BRRD - 2014/59/EU, transposed into Italian law by Legislative Decrees no. 180 and no. 181 of 16 November 2015 and the Bank Recovery and Resolution Directive – BRRD II - Directive 2019/879/EU, transposed into Italian law by Legislative Decree no. 193 of 8 November 2021, in force from 1 December 2021, and establishes the methods and measures to be used when an institution comes under severe stress and in an early intervention phase, in order to restore financial strength and long-term viability.
Within the annual preparation process for the Group Recovery Plan, the Chief Risk Officer Governance Area identifies the stress scenarios suitable of highlighting the main vulnerabilities of the Group and its business model (e.g. significant exposure to the domestic market), as well as measuring their potential impacts on the Group's risk profile.
For 2023, in accordance with the applicable regulations, the Intesa Sanpaolo Group has developed four stress scenarios, one of which is purely idiosyncratic, with very rapid evolution, while the other three are "combined", as they are based on a macroeconomic scenario that is made more severe by the addition of systemic and idiosyncratic events. Two of the combined scenarios were developed also taking into account the potential economic and financial fallouts of the prolonged crisis caused by the Russia-Ukraine conflict.
Following the publication of the European Banking Authority's Final Report on Recommendation on the coverage of entities in a group recovery plan (EBA/Rec/2017/02), dated 1 November 2017, Intesa Sanpaolo has adopted specific criteria for the classification of Group companies among:

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

The application of these criteria to the Group scope has led to the Parent Company, as well as Fideuram ISPB Group, VUB Group, Banka Intesa Sanpaolo d.d., Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, CIB Group, PBZ Group, Banca Intesa Beograd and Intesa Sanpaolo Romania, being classified among the Group-relevant entities. The remaining companies are included in the category of not relevant entities. The above breakdown is consistent with the scope covered by the 2022 Recovery Plan.

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



Stress Tests

Stress tests are a fundamental risk management tool that enable institutions to adopt a forward-looking perspective in their risk management, strategic and capital planning activities.
The Group regularly carries out stress tests within the main company processes (RAF, ICAAP/ILAAP, Recovery Plan, Budget/Capital Plan, ...) aimed at assessing capital and liquidity adequacy.
In line with the applicable regulations, the Group has a structured stress testing framework that governs the stress testing activities with reference to both the organisational and governance aspects, as well as the methodological and data infrastructure related aspects. It is an integral part of the Group's risk management systems, providing fundamental support to the company processes and decisions, the strategic ones in particular, which are linked to the management of capital and liquidity. It also enables a forward-looking assessment of the potential material risks and of the main vulnerabilities which the Group is exposed, also in stress scenarios, using both scenario analyses and sensitivity analyses, depending on the objective of the exercise.

The stress testing framework establishes the:
- roles and responsibilities of the structures involved and of the Corporate Bodies;
- stress testing activities (types of exercises, scope, frequency, objectives and applications);
- macro-process adopted;
- methodological approach;
- data infrastructure;
- Group steering and coordination.

With regard to the *macro-process*, the stress test exercises consist of three fundamental phases:
- selection and approval of scenarios;
- execution of stress tests activities;
- approval of the outcome.

With regard to the *types of exercises*, the Group conducts the following stress exercises:
- **multi-risk exercises**: based on scenario analysis, it allows the assessment, according to a forward-looking approach, of the simultaneous impact on the Group of multiple risk factors, also taking into account the inter-relations and possibly the ability of Top Management to react. This type of exercise, which requires the full revaluation of each impact, is also used as part of the processes of RAF, ICAAP/ILAAP and Recovery Plan;
- **regulatory multi-risk exercises**: requested and coordinated by the Supervisor/Regulator which defines the general assumptions and scenarios, requires the full revaluation of the impacts;

- **situational exercises**: requested by the Top Management or by the Supervisor/Regulator in order to assess, in a forward-looking approach, the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.). Their scope may vary from case to case;
- **single or specific risk exercises**: aimed at assessing the impact of scenarios (or single or more specific risk factors) on specific risk areas;
- **single or specific risk regulatory exercises**: ordered and coordinated by the Supervisor/Regulator which defines its general assumptions and scenarios, to assess the impact on specific risk areas.

The results of the stress exercises, carried out through scenario and/or sensitivity analyses, represent a support for the Group in the:

- overall current and forward-looking assessment of capital and liquidity adequacy within the main strategic processes (ICAAP, ILAAP, Recovery Plan and Budget/Capital Plan);
- assessment of the potential vulnerabilities to which the Group is exposed and possible mitigation actions;
- setting of the limits envisaged in the RAF.

With specific reference to the regulatory multi-risk tests, on 28 July 2023, were published the results of the 2023 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in collaboration with the Single Supervisory Mechanism (SSM), the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB), which also involved the Intesa Sanpaolo Group. The stress test scenario was developed over a three-year time horizon (2023-2025) and carried out applying a static balance sheet assumption as at December 2022, therefore without taking into account future business strategies and management actions. It is not a forecast of Intesa Sanpaolo profits. The Intesa Sanpaolo Group fully loaded CET1 ratio resulting from the stress test for 2025, the final year considered in the exercise, stood at 14.85% under the baseline scenario and 10.85% under the adverse scenario, versus the starting-point figure of 13.53% as of 31 December 2022. The results of the stress tests exercise highlight that Intesa Sanpaolo is able to confirm its solidity even in complex scenarios, thanks to its well-diversified and resilient business model.

In 2024, Intesa Sanpaolo Group will take part in the following regulatory exercises:

- 2024 ECB cyber resilience stress test: an exercise conducted by the ECB in which banks will be required to face, under a common severe and plausible scenario, a cyber attack that succeeds in disrupting the bank's daily business operations. The exercise will assess banks' ability on cyber attack response and recovery;
- EBA one-off fit-for-55 climate risk scenario analysis: exercise promoted by the EBA, aimed at assessing the resilience of the financial sector in line with the Fit-for 55 package and to gain insights into the capacity of the financial system to support the transition to a lower carbon economy under conditions of stress.

For both the exercises described above, the results will be used as input in the Supervisory Review and Evaluation Process (SREP).

Risk Culture

Risk Culture is the subject of increasing attention, as an essential tool to promote solidity as a crucial value, in a rapidly changing economic context. This is two-sided, as it is an expression of the principles guiding the Group (top-down) on one side, and the values and attitudes of its people on the other (bottom-up). Particular attention is paid to the promotion of the guiding principles, also by systematically and carefully updating the reference documents on risk (e.g. Tableau de Bord of Group Risks, ICAAP, RAF) and the information set for the exercise of operational activities. In addition, several initiatives were carried out during 2023 to strengthen risk awareness and responsibility, including:

- workshops/webinars on innovative topics with a high potential impact on the Group's risk profile (e.g. learning market data anomalies, generative artificial intelligence, the dissemination of financial knowledge, the Group's commitments in the fight against climate change, the main megatrends, and emerging risks);
- in line with previous years, the Risk Culture Ambassador initiative entailed the temporary secondment of resources from the Chief Risk Officer Area, receiving the same number of resources from the recipient structures of the Head Office Departments and Divisions.

Risk governance organisation

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

The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies. In addition, as an Officer performing management functions, he/she is designated as the Anti-Money Laundering Officer.

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

- the Steering Committee, chaired by the Managing Director and CEO, is a Group body with a decision-making, consulting and reporting role, which, within the Group Risk Analysis Session, seeks to ensure the control and management of risks and safeguard business value at Group level, including the internal control system, in implementation of the strategic guidelines and management policies established by the Board of Directors. Its various tasks include examining the RAF proposal for the Group, preparatory and instrumental to its approval by the Board of Directors, the analysis of the ICAAP

and ILAAP Group packages and of the Tableau de Bord of Group Risks;
- the Group Financial Risks Committee is a technical body with decision-making, reporting and consulting powers, focused both on the risks relating to the banking business (including market risk, banking book financial risks, liquidity risk, financial risks for customer investments, supervision and monitoring of business models, and Active Value Management) and those in the life and non-life insurance business (result exposure to the trend in market variables and technical variables). The functions of said Committee are set out in three sessions:
  - the Risk Analysis and Valuation Session, chaired by the Chief Risk Officer, responsible for evaluating, inter alia, in advance of approval by the Board of Directors, the guidelines on undertaking and measuring financial risks and the liquidity risk of the Group, with a view to consistency with the RAF, proposals for operational limits for financial operations referring to interest rate risk of the banking, the trading book and valuation risk defining, within the scope of the powers received, the distribution thereof amongst the Group's major units. It also periodically analyses the overall financial risk profile and exposure to liquidity risk and interest rate risk of the Group and the single Group banks and companies, verifying any breaches of the limits and monitoring the approved come-back procedures;
  - the Management Guidelines and Operating Choices Session (ALCO), chaired by the Chief Financial Officer, provides the Group Companies operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors, in respect of management of the banking book, liquidity, interest rate and exchange risk;
  - the ALCO session – Extended, chaired by the Chief Risk Officer, which analyses the performance of loans and deposits, in current and prospective terms, together with the expected trend in Risk-Weighted Assets (RWA) and financial assets (debt securities and loans) measured at Fair Value through Other Comprehensive Income (FVOCI reserves), in order to monitor and assess their impact on the Group's liquidity and capital profiles.
- the Credit Risk and Pillar 2 Internal Models Committee is a technical body with a decision-making, reporting and advisory role. In particular, with regard to the internal risk measurement systems, the Committee acts as the competent Management Committee for:
  - the internal models for the measurement and management of credit risk;
  - the internal models for Pillar 2 risks[4].
- the Group Control Coordination and Non-Financial Risks Committee is divided into specific and distinct sessions:
  - the Integrated Internal Control System session, with a reporting and advisory role, whose objective is to reinforce coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process, in relation to non-financial and reputational risks, to facilitate their effective management;
  - the Operational and Reputational Risk session, with a decision-making, reporting and advisory role, which has the task of supervising the implementation of operational and reputational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall non-financial risk profile, monitoring the implementation of the mitigation actions identified in accordance with indications formulated by the Corporate Bodies and/or the Steering Committee;
  - the Compliance Risk Session, for reporting and consulting purposes, which is tasked with examining the results of the periodic compliance risk assessments.

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

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

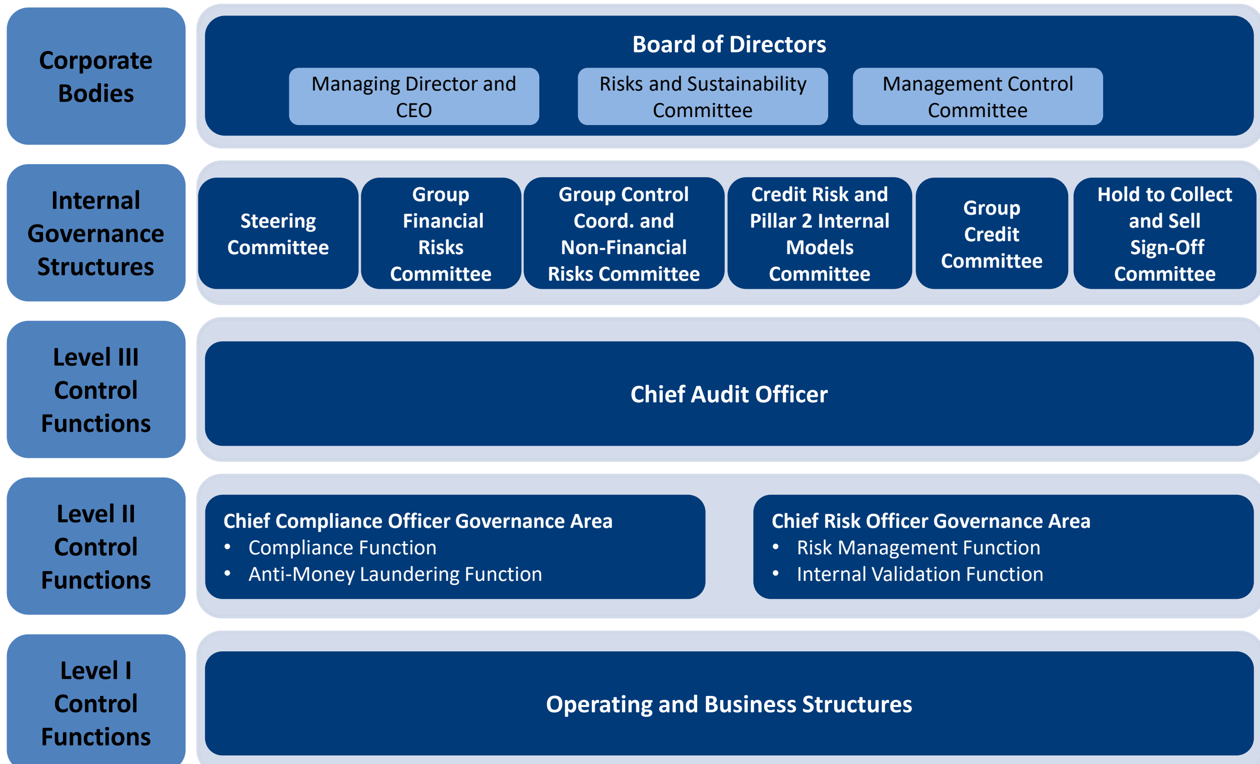
[4] The scope does not include the Pillar 2 models for the measurement and quantification of financial risks in the banking book, which already come under the scope of the Group Financial Risks Committee and the Pillar 2 models for the measurement and quantification of operational and reputational risks,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

  - Market and Financial Risk Management Head Office Department;
  - IMI C&IB Risk Management Head Office Department;
- Internal Validation & Controls Coordination Area:
  - Internal Validation & Model Risk Management;
  - Credit Controls;
  - Data Quality Controls and Analytics.
- Credit Risk Management Head Office Department;
- Banca dei Territori Risk Management Head Office Department;
- Enterprise Risk Management Head Office Department;
- Operational IT & Cyber Risk Management;
- Foreign Banks Risk Governance;

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

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

The Chief Compliance Officer Governance Area is broken down into the following Organisational Units:
- Regulatory Compliance Retail and Private Banking Head Office Department;
- Regulatory Compliance Corporate and Investment Banking Head Office Department;
- Compliance Governance, Privacy and Controls Head Office Department, which includes the Data Protection Officer function that performs the tasks assigned by data protection legislation;
- Anti Financial Crime Head Office Department, which is tasked, *inter alia,* with the duties and responsibilities of the anti-money laundering function;
- Compliance Digital Transformation.



The Parent Company performs a guidance and coordination role with respect to the Group companies[5], aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Corporate Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.
Irrespective of the control model adopted within their company, the corporate bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for Listed Companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

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

The internal control system plays a crucial role and involves the entire company organisation (bodies, structures, hierarchical levels, all personnel). In compliance with the provisions of Bank of Italy Circular 285/2013 (First Part, Title IV, Chapter 3) the "Integrated Internal Control System Regulation" was finalised. This aims to define the guidelines of Intesa Sanpaolo's internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adaptation of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration.
The internal control system is made up of a documentation infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls present in the Company, which incorporate all the company policies and the instructions of the Supervisory Authorities, as well as the provisions of law, including the principles laid down in Legislative Decree 231/2001.
The regulatory framework consists of “Governance Documents”, adopted from time to time, that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Internal Code of Conduct, Group Regulations, Group Committees Regulation, Regulation on Related Party Transactions, Integrated Internal Control System Regulation, Authorities and powers, Guidelines, Function charts of the Organisational Structures, etc.) and more strictly operational regulations that govern business processes, individual operations and the associated controls (Rules, Process Guidelines, Control Sheets, etc.).
More specifically, the corporate rules set out organisational solutions that:

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

The Company’s organisational solutions also include controls at each operational level that enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.
In terms of Corporate Governance, Intesa Sanpaolo adopted the one-tier corporate governance system, pursuant to Articles 2409-sexiesdecies and following of the Italian Civil Code. It therefore conducts its operations through a Board of Directors, certain members of which are also members of the Management Control Committee.

[5] In this regard, it is specified that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. or its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

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

The Board of Directors elects a Managing Director from its members, other than the Chair of the Board, the members of the Management Control Committee or the minimum number of Independent Directors.
The Intesa Sanpaolo Group adopts an internal control system based on three levels, in line with the legal and regulatory provisions in force.
The model has the following types of control:
- Level I: line controls which are aimed at ensuring proper performance of operations (for example, hierarchical, systematic and sample-based controls) and which, to the extent possible, are incorporated in the IT procedures. They are carried out by the same operating and business structures, including through units dedicated exclusively to control duties reporting to the heads of the same structures or performed as part of the back office.
- Level II: risk and compliance controls for the purpose of ensuring, inter alia:
  - correct implementation of the risk management process;
  - compliance with the operational limits assigned to the various functions;
  - regulatory compliance of company operations, also in relation to self-regulatory provisions.

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

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

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

Compliance

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

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

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

These models are organised in such a way as to account for the Group's structure in operational and territorial terms.
In particular:
- for the specifically identified Italian Banks and Companies, whose operations have a high level of integration with the Parent Company, compliance monitoring is centralised at the Parent Company;
- for the other Companies, that have a legal obligation or have been specifically identified based on the business conducted, as well as the International Branches, an internal compliance function is established and a local Compliance Officer is appointed, which are assigned compliance responsibilities. The Compliance/AML Officers of the subsidiaries functionally report to the Chief Compliance Officer Governance Area structures, while those of the International Branches, except where not permitted by local regulations, hierarchically report to the Chief Compliance Officer Governance Area structures. Functional reporting is also in place for the local Data Protection Officers of Group Companies established in the European Union.

Anti-Money Laundering

The duties and responsibilities of the anti-money laundering function are assigned, as required by the regulations, to the Anti Financial Crime Head Office Department, which reports to the Chief Compliance Officer, and is therefore independent and autonomous in relation to the operating structures, reporting directly to the Corporate Bodies, and has access to all activities within the Bank, as well as to any significant information for the performance of its duties.
Specifically, as envisaged in the Guidelines for combating money laundering and the financing of terrorism and for managing embargoes and the Group Anti-Corruption Guidelines, the Anti Financial Crime Head Office Department ensures monitoring of compliance risk in the area of money laundering, terrorist financing, breach of embargoes, weapons and corruption (Financial Crime), by:
- laying down the general principles to be adopted within the Group for the management of compliance risk;
- identifying and assessing compliance risk;
- conducting ongoing monitoring, with the support of the competent functions, of developments in the national and international context of reference, verifying the adequacy of company processes and procedures with respect to applicable regulations and proposing appropriate organisational and procedural changes;
- providing advice to the corporate functions, as well as establishing adequate training plans;
- preparing appropriate periodic reporting for Corporate Bodies and top management;
- discharging the required specific obligations including, in particular, enhanced customer due diligence, controls of proper management of the data storage Archive and the assessment and monthly submission to the Financial Intelligence Unit of data relating to aggregated anti-money laundering reports, and the assessment of reporting of suspicious transactions received from operating structures for the submission to the Financial Intelligence Unit of reports deemed accurate.

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

The Risk Management and Internal Validation Function

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank's entire decision-making chain, down to individual operational units. The tasks and functions are discussed in detail in the subsequent chapters of this Part.
Through the Internal Validation & Controls Coordination Area, the Chief Risk Officer Governance Area carries out the Level II controls on credit and data quality.
The purpose of the credit controls is to verify the proper classification and provisioning and the adequacy of the management and recovery process for individual exposures (so-called single names).
In general, the control activities development includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.
As part of the overall risk management process, the Coordination Area carries out the Level II controls connected with data quality, in line with the internal and external regulations on the matter, with specific focus on the input data used in internal models. In accordance with regulatory developments, the Internal Validation & Controls Coordination Area is also responsible for the development, maintenance and oversight of the framework for the model risk governance, aimed at ensuring the identification, assessment, monitoring and mitigation of the risk for all Internal Systems, including the Pillar 1 and 2 risk measurement systems and the systems that are used for accounting purposes. To that end, the Coordination Area mainly carries out the following activities, in coordination with the Functions concerned: a) defining and developing the model risk governance and methodological framework to identify models, assign the related priorities and assess and mitigate model

risk, including the methodology for quantifying the economic capital buffer for model risk; b) defining, managing and upgrading the Group Model Management platform (Group Model Inventory) with the goal of guaranteeing a complete, updated inventory of the models and tracking of the processes connected to the various phases of their life cycles; c) ensuring the periodic identification and assessment of model risk and the economic capital buffer; d) overseeing the process for assigning priorities to models (tiers) in order to efficiently steer their governance, with specific reference to the levels of detail, analysis and frequency of validation and development activities; e) for the model risk component, contributing to the annual proposal to update the Group RAF and periodically monitoring the model risk appetite indicators; and f) providing periodic disclosure on the Model Risk Management Framework and on the results of the model risk assessments to the Head of the Chief Risk Officer Area, the competent managerial committees and the Corporate Bodies.
Moreover, the Internal Validation & Controls Coordination Area is assigned the validation function, aimed at ensuring the validation at Group level of the internal risk measurement systems, used both for the determination of capital requirements and for non-regulatory purposes, in order to assess their compliance with regulatory provisions, operational needs and reference market demands[6].
The internal systems adopted by the Group are validated on first adoption (based on the plans of gradual extension made by the Group) or when changes are made to them, in compliance with the development and validation process approved by the Corporate Bodies. The validation function also ensures the periodic review of internal systems in terms of models, processes, data used and implementations in IT, assessing their adequacy, predictive ability and performance, as well as their compliance over time with regulatory provisions, company needs and changes in the reference market.
Upon First Adoption, two approaches were developed for the validation of the Pillar 1 internal credit risk models: the Stage Gate Approach and the Waterfall Approach, with the latter corresponding to the validation traditionally carried out at the end of the development of the model. The Stage Gate Approach is a new approach that was introduced with the development of the new Large Corporate model and is only used for the more relevant models. This approach essentially involves a series of intermediate steps in which the Development function releases documentation to the Validation function (Internal Validation and Regulatory Requirements on Internal Risk Systems) at formalized moments (broadly corresponding to the completion of the risk differentiation, risk calibration, and the end of the development), following which the Validation function produces intermediate reports, which include assessments relating both to regulatory compliance and to the Validation controls established (in internal regulations). The Stage Gate approach has been introduced so that the Validation observations can already be factored into the new model, making it more robust.
In addition to overseeing the regulatory aspects of the Pillar 1 credit risk models, in particular by providing regulatory assurance during model changes, the tasks of the Regulatory Requirements function include advisory assessments on broader regulatory issues and interpretations, in response to requests originating from the Chief Risk Officer Area. In 2023, this activity gave rise to around ten notes concerning specific areas.
The validations are conducted in line with the planning of the function's activities, defined consistently with the internal and external reference regulations and that presented to the competent Corporate Bodies. The relevant criteria that define the type of validation to implement (Standard or Full) and its frequency also include the tier of the model and its use, as attributed in the Model Risk Management Framework.
For Pillar 1 risks, the validation frequency is set, in any event, in line with the external reference regulations.
In order to ensure the periodic reporting on the results of the validation process continuously carried out to the Corporate Bodies and, regarding the internal Pillar 1 risk measurement systems, to the Supervisory Authorities, the Internal Validation Function prepares the Annual Validation Reports regarding the internal Pillar 1 systems and the internal systems used for management purposes. These reports summarise the results of the analyses conducted during the reporting year on the internal systems used at the Parent Company and the Group Companies and the opinion formulated. They also highlight the main areas for improvement identified and the critical level assigned. In addition, the Internal Validation function prepares an update on the internal models in terms of performance and resolution of the issues raised by the validation function, which is submitted to the relevant corporate bodies on a half-yearly basis. In carrying out the validation process at Group level, the function interacts with the Supervisory Authorities, with the relevant Corporate Bodies and the functions responsible for the Level III controls required by the regulations. It adopts a decentralised approach for companies with local validation functions (the main Italian and international companies), coordinating and supervising the activities of those companies, and adopting a centralised approach for the others. The adopted methodologies were developed in implementation of the principles that inspire the Supervisory regulations for banks, EU directives and regulations, general guidelines of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.

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

Internal Auditing

Internal auditing activities are assigned to the Chief Audit Officer, who reports directly to the Board of Directors (and therefore it reports to the Chair), functionally reporting to the Management Control Committee, without prejudice to the appropriate links with the Managing Director and CEO. The Chief Audit Officer has not any direct responsibility on the business.
This function has a structure and a control model which is organised according to the evolution of the organisational structure of Intesa Sanpaolo and of the Group.
The local Internal Auditing structures of the Group's Italian and international companies report to the Chief Audit Officer in terms of functions.
The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the Risk Appetite Framework (RAF), the risk management process and risk measurement and control instruments. In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. This includes the verification of the corporate functions for risk control and regulatory compliance, also by participating in projects, in order to create added value and improve the effectiveness of the control processes and the governance of the organisation.
The Head of the Internal Auditing Department do not have direct responsibility for operating areas subject to control and not be directly subordinate to the managers of these areas. The Department has access to all the activities carried out both in the head office structures and in the peripheral structures. In case of outsourcing to third parties of relevant activities for the functioning of the internal control system (e.g. data processing activity), the internal audit function must access to the activities carried out by those parties either.
Within the RAF, the Chief Audit Officer prepares his/her contribution to the Integrated Risk Assessment conducted by the corporate control functions and the Manager responsible for preparing the Company's financial reports.
The Department uses personnel with the appropriate professional skills and expertise and operates in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA).
As required by the international standards, the department is subject to an external Quality Assurance Review every five years. The most recent review was carried out at the end of 2021, three years after the previous review, in accordance with the frequency agreed with the Management Control Committee, and concluded in the first quarter of 2022, confirming the highest assessment envisaged ("Generally Compliant").
When performing its tasks, the function uses structured risk assessment methodologies to identify the areas of greatest focus and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.
It supports the Surveillance Body pursuant to Legislative Decree 231/2001 in ensuring constant and independent surveillance of the regular performance of operations and processes, to prevent or detect anomalous and risky actions or situations, and to monitor compliance with and effectiveness of the rules set out in the 231 Model. The Chief Audit Officer ensures the proper performance of the internal whistleblowing management process.
The Chief Audit Officer coordinates the "Integrated Internal Control System" session of the Group Control Coordination and Non-Financial Risks Committee.
During the year, auditing was performed directly for the Parent Company as well as for other subsidiaries under an outsourcing contract. For the other Group companies having their own internal audit departments, steering and practical coordination of the local departments was performed to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, were also performed for those companies, as mentioned above.
Any weaknesses identified in the audit activities were systematically reported to the Corporate Functions involved for prompt improvement action, which is, duly followed up by the Chief Audit Officer to verify its effectiveness.
Summary internal control system assessments from the audit activities have been periodically submitted to the Management Control Committee and the Board of Directors.
The results of audit activities with an adverse outcome or highlighting significant shortcomings were sent to the Board of Directors, the Managing Director and CEO and the Management Control Committee, as well as the Boards of Directors and Boards of Statutory Auditors of the subsidiaries concerned.
The main weaknesses identified and their evolution have been included in the Audit Tableau de Bord, with evidence of the ongoing mitigation actions, the parties responsible for implementing them and the relevant deadlines, to ensure systematic follow-up.
Lastly, the Chief Audit Officer ensured constant assessment of its own effectiveness and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of International Standards for the Professional Practice of Internal Auditing. In this context, during 2023, the Strategic Audit Innovation Line-up (SAIL) programme for the period 2022-2025 continued in line with the Business Plan.

Manager responsible for preparing the Company's financial reports

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

In order to comply with the aforesaid provisions, the Manager responsible for preparing the Company's financial reports:

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

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

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

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

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

The Manager responsible for preparing the Company's financial reports contributes to supervising the independence of the independent auditors, in accordance with the procedures governed by specific Company Regulations, in line with the provisions of law (Legislative Decree 39/2010 amended by Legislative Decree 135/2016, which transposed Directive 2014/56/EU into the Italian legislation, and EU Regulation 537/2014). The above-mentioned Company Regulations assign to the Manager responsible for preparing the Company's financial reports the role of supervising, overseeing and monitoring the accounting audit engagements and other services entrusted by the Parent Company departments and the Group companies to independent auditors, their networks and their affiliates, in addition to the task of regularly informing the Management Control Committee in this regard.

The Manager responsible for preparing the Company's financial reports also ensures periodic reporting to the Board of Directors regarding the legal and regulatory obligations assigned to the Board for the monitoring of the adequacy of powers and means granted to the Manager responsible for preparing the Company's financial reports and of the effective observance of administrative and accounting procedures. This reporting is discussed beforehand with the Management Control Committee and the other Board Committees, for the aspects under their responsibility.

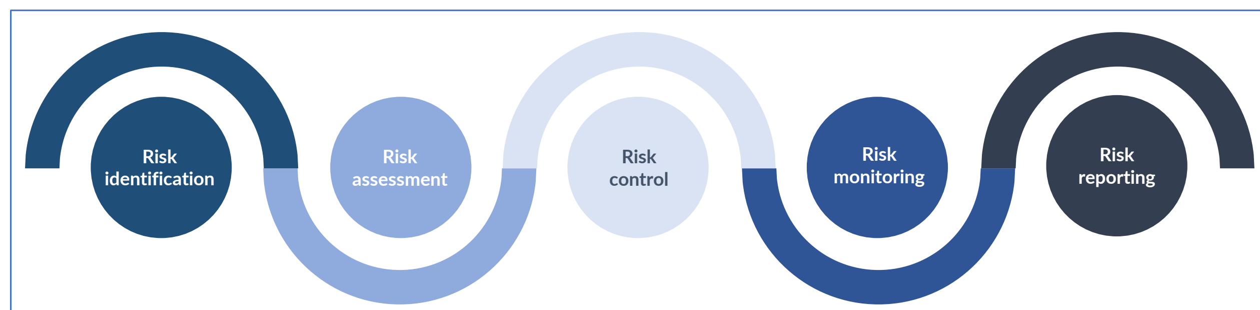
Scope of risks

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

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

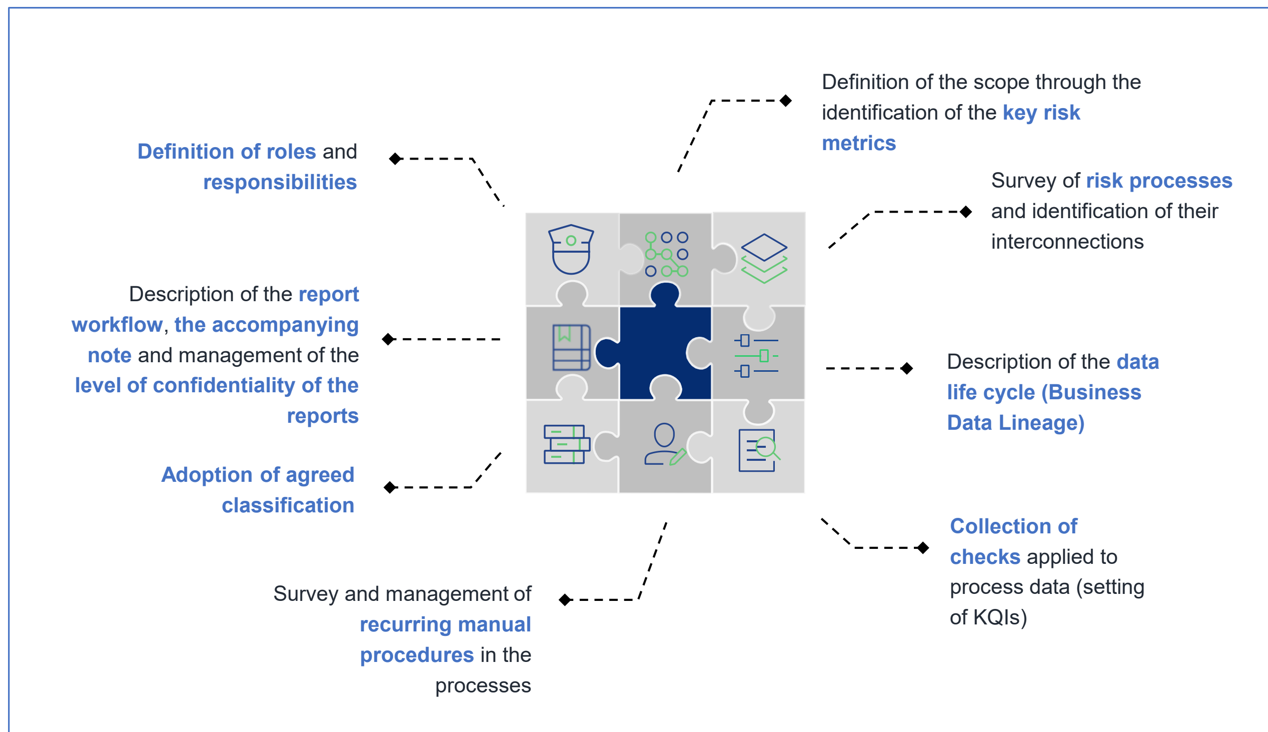
The hedging of risks, both those included and not included in the quantification of the Economic Capital, is based – according to the nature, frequency and potential impact of the risks – on a constant combination of mitigation/hedging actions, control procedures/processes and capital protection measures, including stress tests.
Special attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.
The Group also attaches great importance to the management of reputational risk, which it pursues not only through organisational units with specific duties of promotion and protection of the company image, but also through dedicated processes for the identification and assessment of reputational risk and the creation of specific reporting flows. In addition, starting in 2018, a specific add-on for economic capital has been introduced for operational risk, determined on the basis of operational losses, to strengthen the protection against possible reputational repercussions.
Lastly, particular attention is also given to the control of environmental, social and governance (ESG) risks associated with the activities of its corporate customers and the economic activities the Group is involved in. In the area of ESG risks, particular attention is given to integrating climate change risk into the overall risk management framework, in line with the regulatory guidance and international best practices.

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



The risk monitoring processes have undergone a progressive strengthening of the Data & Reporting Governance controls, also in compliance with the applicable regulations ("Principles for effective risk data aggregation and risk reporting - BCBS239"). The target framework, designed and regulated by the Data & Artificial Intelligence Department, ensures the adoption of agreed classifications and uniform practices for describing the life cycle of the data, as well as the adoption of the Data Quality standards for the various Risk Areas designed to increase the accuracy of the Group's data. Attention is also given to the data aggregation processes to ensure that they are able to meet the regulatory requirements or ad hoc requests, also in the stress/crisis situations. This is done in accordance with the expectations expressed by the Supervisory Authorities.
With regard to the risk data reporting practices, the Group has set up a Reporting Governance framework which has identified that the current risk reporting is accurate, clear and complete, and therefore supports effective decision-making by the corporate bodies.

More generally, the strengthening of Data & Reporting Governance has involved the aspects detailed in the diagram below.



The Group has also strengthened its focus on data quality control, with the establishment of a unit responsible for second level data quality controls within the Chief Risk Officer Area.
Assessments of each single type of risk for the Group are integrated in a summary figure – the Economic Capital – defined as the maximum "unexpected" loss the Group may incur over a year, at a given confidence level. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also at a forecast level, in line with the approved Risk Appetite Framework, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group's capital adequacy calculated within the ICAAP.
The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks and Sustainability Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks.

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

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

With regard to the detail of the different types of risk governed by Basel 3 Pillar 3 Disclosure (credit, counterparty, market, interest rate, liquidity, operational and ESG risk), reference is made to the individual sections of this document. With regard to insurance risk, outside the prudential scope, reference is made to Part E of the Notes to the 2023 consolidated financial statements, available for consultation in the "Financial Reports" section of the Group website www.group.intesasanpaolo.com.

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

Strategic risk

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

Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses, with analyses to assess the impacts on both interest income and margins from the performance of net fees and commissions.

Reputational risk

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

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

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

- the Reputational Risk Assessment, aimed at identifying the most significant reputational risk scenarios the Intesa Sanpaolo Group is exposed to, in order to determine their probability of occurrence and the Group's exposure to reputational risk. The assessment is carried out annually and gathers the opinion of top management regarding the potential impact of these scenarios on the Group's image, in order to identify appropriate communication strategies and specific mitigation actions, where necessary. To this end, the analysis not only takes into account the business information gathered from the top managers and the Group Business Plan, but also any contributions from external observers. For example, starting from 2022, an analysis has been carried out on the population with knowledge of finance and economics and on opinion leaders (e.g. economic/financial analysts and experts, academics, institutions);
- ESG & Reputational Risk Clearing, which is aimed at the ex-ante identification and assessment of the potential reputational risks associated with the most significant business operations and the selection of the Group's suppliers/partners;
- Reputational Risk Monitoring, aimed at analysing and verifying the evolution of the exposure to reputational risk on an ongoing basis, using specific national and international monitoring (e.g. Web & press monitoring), algorithms aimed at tracking the developments in the company's exposure to reputational risk, and the information provided by the reputational positioning analyses carried out periodically.

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

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

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

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

Risk on owned real-estate assets

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

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

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

Model risk
Model risk is defined as the potential loss an institution may sustain, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. In continuity with previous years, within the 2023 ICAAP Report, the Internal Validation & Controls Coordination Area updated the model risk assessment (expressed synthetically through a score) of the methodologies supporting the measurement of Pillar 1 and Pillar 2 risks that also contribute to the calculation of the Economic Capital and provided the Enterprise Risk Management Head Office Department with the parameters for the quantification of the model risk economic capital buffer.

Emerging risks
The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.
The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function as part of identifying risk, continuously performed within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard long term viability. In addition to being performed as part of the identification and assessment processes, that activity also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.
Any emerging risks for which a model for calculating economic capital has not been developed are assessed, in any event, using expert-based approaches or using proxies or simplified calculation models in order to guarantee a prudent assessment of the economic capital absorbed.
In that context, the increasing digitalisation of technological infrastructure and the commercial offering, the increased process automation (e.g. through the introduction of robotics and/or artificial intelligence) and the introduction of new ways of working have changed the morphology of certain risks. Specifically, though they do not represent intrinsically new risks, it is probable that there will be significant exposure to:
- IT and Cyber risks, in relation to: (i) the increasing dependence on ICT systems and the resulting increase in the number of users of virtual channels and interconnected devices, (ii) exponential growth in the quantity of data managed, which must be high quality and protected, (iii) greater use of IT services offered by third parties (Open Banking, Fintech, Cloud systems), and (iv) low production costs of new attack techniques with the presence of organisation with specific skills and experience;
- risks connected with the digital transformation process linked to the increase in competition triggered by digitalisation in the financial sector (e.g. entry of new competitors) and the vulnerability that still marks the current operating context (e.g. costs of the digitalisation process, obsolescence of legacy systems and fragmentation of the regulatory framework);
- third party risk, in relation to: (i) greater dependence on systems and services offered by third parties (both regarding the outsourcing of company processes and the growing dependence on providers of cloud or IT services in general);
- risks associated with Artificial Intelligence (AI) supporting the execution of business processes, through the development of use cases involving the application of techniques differentiated according to the objectives and corporate functions involved. The potential impact of risks associated with these applications is assessed in relation to: i) possible implications in terms of regulatory compliance (Artificial Intelligence Act); ii) ethical and responsible use of AI solutions; and iii) governance of AI solutions and assessment of the associated technological, reputational and model risks. The management of AI solutions and the related risks is ensured by updating and supplementing the applicable company regulations, while the monitoring of ongoing initiatives is performed through specific project activities. Specific statements have also been established within the Group Risk Appetite, together with indicators to monitor compliance with those statements.

In addition, in view of the rapidly evolving world of digital assets, the Group has launched a series of project initiatives aimed at studying and gradually implementing use cases regarding the provision of services related to digital assets and the application of the associated technologies (Blockchain, Distributed Ledger Technology - DLT, Metaverse). Although the current progress of the work does not allow for an overall assessment of the risk associated with these ecosystems, from the preliminary analyses carried out, it is reasonable to expect that transactions in digital assets and the use of new technology will have the same categories of risk as traditional finance products, but with increased significance due to the following factors:
- vulnerabilities of the new technologies not fully explored;

- technological standards being defined;
- absence of a reference regulatory/legal framework;
- absence of safeguards and guarantee schemes;
- presence of non-regulated entities and/or entities based in non-EU/OECD jurisdictions;
- continuous evolution of the related laws and regulations.

The risks associated with the ongoing initiatives are assessed in the ordinary clearing processes and are monitored under the Risk Appetite Framework (overview of initiatives under study and implementation, limitations in terms of customer segments potentially affected by the initiatives, and very strict operating limits).

The continuous evolution of the operational environment, both internal and external, requires the continuous updating of the current analysis frameworks (e.g. portfolio development policies, internal control system, payment systems, cybersecurity safeguards, anti-money laundering and counter-terrorism financing safeguards, and accounting, tax and prudential treatment of the assets) in order to take into account the new/altered operations and maximise the effectiveness of the controls for the identification and mitigation of the Group's potential exposure. In this regard, the work is continuing in the project initiatives aimed at optimising the Group's resilience profile.

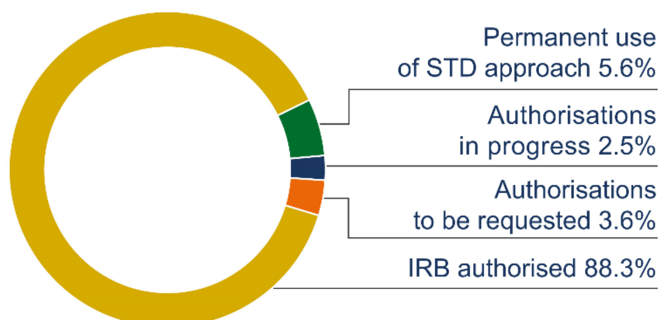
The Basel 3 regulations

In view of compliance with the reforms of the previous accords by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives in order to improve the measurement systems and the related risk management systems. In 2023, the project work began on the preparations for the incorporation of the restructuring of the Basel Committee agreements ('Basel 4').

With regard to credit risks, the ECB authorisations to use the new Corporate (from March 2023) and Specialised Lending models (from December 2023) for regulatory purposes have been implemented.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

With regard to the progress of the roll-out plan for the internal models for credit risk (IRB regulatory Roadmap), the share of exposures authorised for the IRB system is 88.3% of the loans portfolio. There are no pending authorisations on portfolios not yet validated, while requests to be made for the remaining portfolios of the Group's Italian and international banks represent 3.6% of the portfolio. For the residual component, equal to 8.1%, the permanent use of the Standardised approach has been reported to the supervisory authorities and authorisation has been received for 5.6% and is still being awaited for 2.5%.

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



(*) Percentages calculated based on the full standard RWA amounts as at 31.12.2023. The portfolios are considered to be covered by IRB models when the authorisation has been received, from the Supervisory Authority, for use of the internal model for at least one of the risk parameters.
(**) The following are excluded from the Portfolio:
- risk-weighted exposures with counterparties classified as Sovereigns and DTAs
- exposures to Group Companies that, based on the product classification in the Group Map at the monitoring reference date, do not come under one of the following categories: Banking Companies, Other Financial Intermediaries, and "Cards and Payment Systems" companies.

With regard to counterparty risk, the Banking Group has improved its measurement and monitoring by refining the tools required under Basel 3. For reporting purposes, the Parent Company is authorised to use the internal model approach for the capital requirement related to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing). This authorisation was obtained for derivatives from the first quarter of 2014, and for SFTs from the report as at 31 December 2016.
For management purposes, the advanced risk measurement approaches have been implemented for the OTC derivatives of the Parent Company since 2010 and were subsequently extended in 2015 to Securities Financing Transactions.
Compared to 31 December 2022, starting from the fourth quarter of 2023, for counterparties with margin contracts, a

monitoring process was introduced for the impact of potential missing payments that could occur before the close-out of the positions, in the event of default. To mitigate these impacts, a process has been introduced for detecting and managing high-risk counterparties with a low credit rating and subject to settlement risk.

With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. As at 31 December 2023, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the banks and companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in March 2023.

Other risk factors

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

Interest Rate Benchmark Reform – General aspects

Initiated in 2016, following the publication of the EU Benchmark Regulation (Regulation (EU) 2016/1011), over the last few years, the benchmark reform has been characterised in particular by the following:

- in 2019, the start of a new Euribor survey completed by EMMI (European Money Market Institute);
- in 2019, the €STR rate – calculated and published daily by the ECB – replaced the previous fixing of the Eonia rate, also laying the foundations, with the recording of the compound rates and the €STR index, for a Euribor fallback rate, to be indicated in fallback contractual clauses and to be used in the event of any future permanent cessation of publication of the Euribor;
- in 2021, the Financial Conduct Authority (FCA) confirmed that the Libor would no longer be published or would lose validity (i) immediately after 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar and (ii) immediately after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month);
- in 2023, the FCA announced its decision to request the administrator to continue with the publication for 1- 3- 6-month maturities of the synthetic USD LIBOR also after the termination date of 30 June 2023 and until September 2024 in order to facilitate the transition of legacy contracts (other than in cleared derivatives).

The following is a summary of the framework of risk-free rates:

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

Source: ICE Benchmark Administration, Intesa Sanpaolo

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

Information on the governance system

Intesa Sanpaolo complies with the Italian Corporate Governance Code and its governance therefore also follows the aims and recommendations set out in the Code, as well as national and international best practice in general, to ensure effective and transparent separation of the roles and responsibilities of its Corporate Bodies. In particular, also in accordance with Supervisory Provisions, this approach ensures a proper balance between strategic supervision, management and control functions.

One-tier governance system

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

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

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

The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, including non-shareholders, appointed by the Shareholders' Meeting on the basis of slates submitted by shareholders. Board Members remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected. The Shareholders' Meeting of Intesa Sanpaolo, held on 29 April 2022, determined the number of members of the Board of Directors as 19 and appointed the Board of Directors for the 2022/2023/2024 financial years, electing as its Chair Gian Maria Gros-Pietro and as Deputy Chair Paolo Andrea Colombo. The election took place on the basis of slates of candidates who meet the requirements envisaged by law and by the Articles of Association.
The Board of Directors is responsible for corporate management: it may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration.
The Board has guidance and strategic supervision duties over the Company and the duty to pass resolutions on all the most important corporate actions.
With regard to its corporate management duties, the Board of Directors, without prejudice to the powers reserved for it, delegates to the Managing Director the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines decided by the same Board. The Board of Directors determines the content, limits and methods of exercise of the powers granted to the Managing Director and CEO and establishes the methods whereby the Board of Directors is to receive information concerning the delegated activity on a quarterly basis.
At the meeting held on 29 April 2022, the Board of Directors, in continuity with the previous mandate, unanimously confirmed the appointment of Carlo Messina as Managing Director and CEO, granting him the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines issued by the Board.
The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors. He determines and issues operational directives and is responsible for personnel management.
As also provided for in the Supervisory Provisions, the following Committees are established within the Board of Directors:

- Nomination Committee: it performs investigative and consulting functions to support the Board of Directors in the process of appointment or co-option of the Board Members to ensure that the composition of the body, in terms of size and professionalism, makes it possible to fulfil its duties efficiently, and as part of the process for the appointment of the Bodies of the main subsidiaries.
- Remuneration Committee: it proposes, advises and enquires on remuneration and incentive matters, thereby supporting the Board of Directors.
- Risks and Sustainability Committee: it supports the Board of Directors in the performance of strategic supervision functions regarding risks, the internal control system, as well as sustainability issues (ESG).
- Committee for Transactions with Related Parties: it carries out the tasks assigned to it by the rules on transactions with related parties and associated entities; in particular, it issues its opinion, for the benefit of the Board of Directors, on the transactions that fall within the scope of application of the rules and of the internal regulations.

The Management Control Committee

The Management Control Committee, established as part of the Board of Directors, consists of 5 members of the Board of Directors elected directly by the Shareholders' Meeting – in accordance with the requirements of the Supervisory Provisions – which appointed Alberto Maria Pisani as its Chair. Two members must belong to the less-represented gender.

The members of the Management Control Committee must all be independent and meet the requirements applicable to the Members of the Board of Directors, as well as the additional requirements of professionalism laid down in the regulations and the Articles of Association, under penalty of disqualification from office.
The Management Control Committee performs the duties assigned by current regulations to the control body of a listed parent company of a banking group heading a financial conglomerate and also operates as the Internal Control and Audit Committee pursuant to Article 19 of Legislative Decree no. 39/2010.
Among other activities, the Committee supervises:
(i) compliance with the regulations, the principles of correct management and the actual implementation of the corporate governance rules set forth in the Corporate Governance Code,
(ii) the adequacy of the Company's organisational, administrative and accounting structure,
(iii) the statutory audit process and accounting and financial disclosures,
(iv) the adequacy, efficiency and functionality of the internal control system,
(v) the adequacy, efficiency and functionality of the risk governance and management process and the business continuity plan.
The Committee may, after notifying the Chair of the Board of Directors, convene the Shareholders' Meeting whenever it deems it necessary for the performance of its duties or if, during its activities, it detects objectionable facts of significant severity and requiring urgent measures.

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

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

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

Director	Office	E/NE	Company/Entity	R
Gian Maria Gros-Pietro	Member of the Board of Directors		ABI – Italian Banking Association	
	Member of the Board of Directors	NE	ABI Servizi S.p.A.	•
	Member of the Board of Directors		LUISS – Università Guido Carli	
Paolo Andrea Colombo	Member of the Board of Directors	NE	Colombo & Associati S.r.l.	•
	Chair of the Board of Statutory Auditors	NE	Humanitas S.p.A.	•
Carlo Messina	Member of the Board of Directors		Bocconi university	
	Member of the Board of Directors		ABI – Italian Banking Association	
Franco Ceruti	Chair of the Board of Directors	NE	Intesa Sanpaolo Expo Institutional Contact S.r.l. ([1])	
	Chair of the Board of Directors	NE	Società Benefit Cimarosa 1 S.p.A. ([1])	
	Member of the Board of Directors	NE	Intesa Sanpaolo Private Banking S.p.A. ([1])	
	Chair of the Board of Directors		Fondazione per l'Innovazione del Terzo Settore	
	Member of the Board of Directors		Milan Monza Brianza Lodi Chamber of Commerce	
Anna Gatti	Member of the Board of Directors	NE	WiZink Bank S.A.	•
	Member of the Board of Directors	NE	Wizz Air Holdings PLC	•
	Member of the Board of Directors	NE	Lutech S.p.A.	•
Liana Logiurato	Member of the Board of Directors		IMD Business School - International Alumni Association	
Maria Mazzarella	-			
Luciano Nebbia	Deputy Chair of the Board of Directors	NE	Equiter S.p.A.	•
	Member of the Board of Directors		Fondazione Parchi Monumentali Bardini Peyron	
Bruno Maria Parigi	-			
Bruno Picca	Member of the Management Board	NE	National Interbank Deposit Guarantee Fund – Voluntary Scheme	•
Livia Pomodoro	Chair of the Executive Board		Milan Center for Food Law and Policy	
	Director Executive Board		Fondazione Sodalitas	
	Member of the Board of Directors	NE	Febo S.p.A.	•
	Member of the Board of Directors		Touring Club Italiano	
	Chair of the Board of Directors		Spazio Teatro No'hma	
	Chair of the Board of Directors	NE	Sustainability and Inclusion for Food S.r.l.	•
	Chair of the Board of Directors	NE	WHTEXCH S.p.A.	•
	Director Executive Board		Giubileo 2025 - NO'HMA IN CAMMINO	

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

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

Policy on selection and replacement of members of the management body

In accordance with the Articles of Association, the procedure for appointing Directors is based on slates of candidates prepared by Shareholders, in line with the legislation for listed companies. The Board of Directors is not entitled to submit a slate of candidates.

The election system defined in the Articles of Association is based on a majority principle, balanced by the appointment of a share of Directors and members of the Management Control Committee on a proportional basis.

This mechanism ensures adequate representation of minority shareholders within the Corporate Bodies, through the submission of slates of candidates to the Shareholders' Meeting at the time of Board renewal and also for the replacement of any Board Member who ceases to hold office.

The minority shareholders are indeed given the option to elect, within both the Board and the Management Control Committee, a number of Directors well above that required by the legislation.

This solution creates a governance structure in line with international standards and makes full use of the slate election system, provided for by Italian law, allowing the minorities to appoint Directors as well as members of the Management Control Committee.

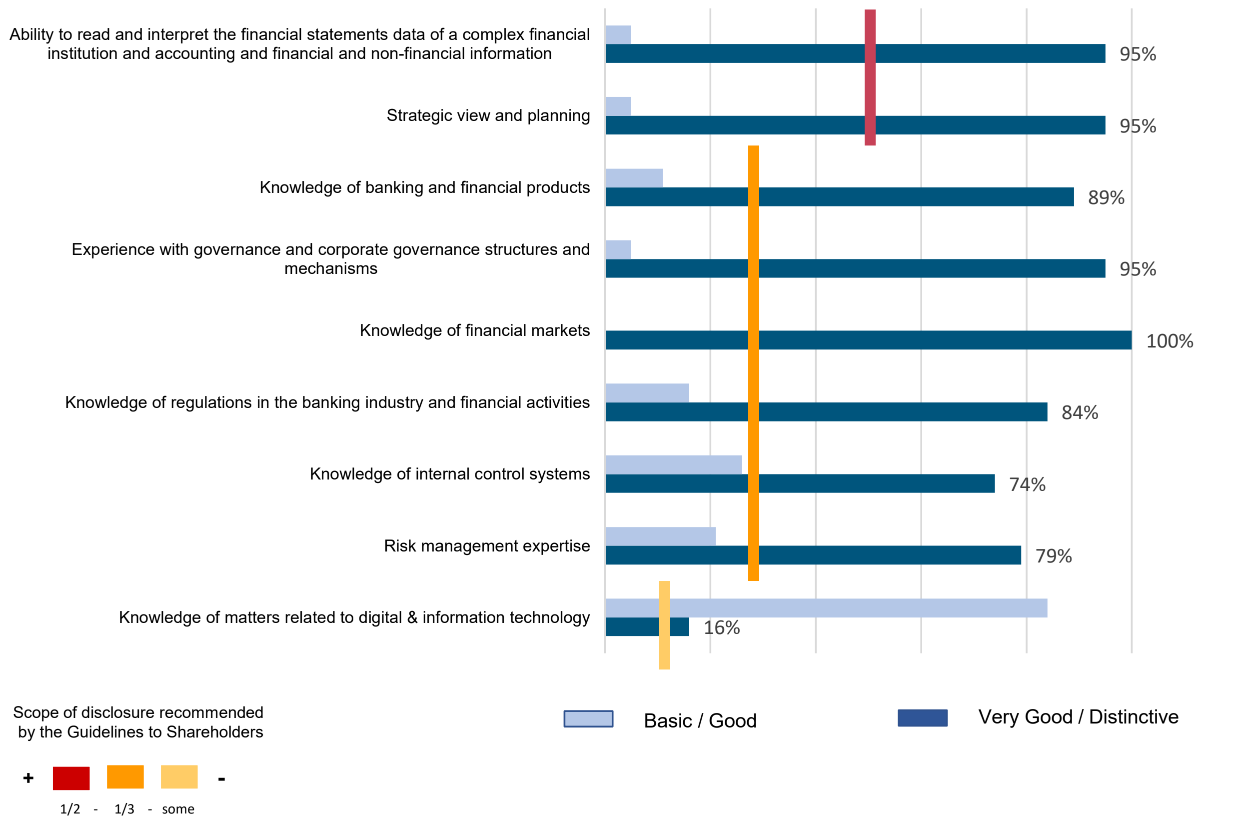
Moreover, the minority slate not connected with the majority shareholders that obtains the highest number of votes in the Shareholders' Meeting is given the option to appoint, in addition to the Chair of the Management Control Committee, also a second Director as a member of the same Committee, to further strengthen the level of protection of the minorities within the control body.

The slates, containing between a minimum of 2 and a maximum of 19 names, must comprise two sections: the first section with the names of the candidates for the positions of Director and the second with the names of the candidates for the positions of Director and member of the Management Control Committee.

For the purposes of election, all Board Members are drawn from the majority slate, except for 5 or 4 Directors, depending on their total number. Moreover, three Directors from the majority slate are also appointed to the Management Control Committee. Among the Directors appointed from the minority slates, two are in any case taken from the minority slate that obtained the second highest number of votes (first minority slate) and that has no connection with the majority, as required by the legislation.
The first of said Directors is appointed Chair of the Management Control Committee. The other Board Members are drawn proportionately from slates other than the one that obtained the highest number of votes, also including the first minority slate, provided that such slates, taken as a whole, obtained votes at least equal to 10% of the ordinary share capital represented at the Shareholders’ Meeting.
Where it is necessary to complete the composition of the Board as a result of the proportional division, all the other additional Directors are drawn from the slate that obtained the highest number of votes, until it is exhausted.
The appointment procedure ensures that the Board composition is in line with the requirements of professionalism, independence and gender balance.
The Articles of Association establish a supplementary mechanism whereby a candidate not meeting the requirements is replaced by the candidate who meets the requirements and is drawn from the same slate as the excluded candidate. If there are not enough candidates on the slates for that purpose and in any other case in which the established criteria do not make it possible to appoint all Directors in compliance with the necessary requirements, the full complement of the Board is ensured by the Shareholders’ Meeting with replacement procedures that make it possible to meet all necessary requirements.
If only one slate of candidates is submitted, the Board Members are chosen from that slate, up to the number of candidates it contains, drawing from the second section of the slate all the members of the Management Control Committee. In this case, the office of Chair of the Committee is awarded to the first candidate in the ranking of the second section of the slate.
In the absence of slates, the Shareholders’ Meeting elects the Directors and the Management Control Committee members by relative majority of the capital represented at the Shareholders’ Meeting, subject to compliance with the requirements established by the applicable legislation and the Articles of Association. In this case, the Shareholders’ Meeting shall appoint the Chair of the Committee when appointing the Committee members.
The Shareholders’ Meeting elects the Chair of the Board of Directors and one or more Deputy Chairs by relative majority.
For additional information on the appointment of Board Members, see the relevant provisions of the Articles of Association.

In line with the Supervisory Provisions, for the purpose of appointing or co-opting the Directors, the Board of Directors identifies its optimal qualitative and quantitative composition, including, among other things, an adequate level of diversification of the members also in terms of age, gender, geographical origin and skills.
The Board currently in office was appointed, in compliance with the recommendations to shareholders on the Board’s composition and diversity, made by the outgoing Board at the time of the 2022 renewal, in the document on the qualitative and quantitative composition of the Board of Directors approved on 1 March 2022 and published on 3 March 2022.
The document, taking into account the outcomes of the self-assessment, including the qualifications of the candidates, identified and justified professional characteristics and suitability qualifications deemed adequate to the purpose, as well as the diversity criteria, including gender diversity, to ensure the Board’s appropriate overall composition.
With specific reference to the adequacy and diversity of the professional profiles required, a Skills Directory was created, outlining the set of very good or distinctive expertise, knowledge and skills – with very wide, medium-wide or limited distribution – considered appropriate to achieve the optimal qualitative composition of the new Board of Directors, specifying the minimum time required for performing the various offices within the Board. In addition, the professional profiles required for the Chair of the Board of Directors, the Managing Director and CEO, and the Chair of the Management Control Committee were described in detail.

Following the renewal of the Bodies in 2022, the characteristics declared by the Directors were assessed by the new Board as appropriately diversified and suitable to ensure adequate Board composition and a well-balanced composition of the Board Committees. Similarly, the Management Control Committee assessed the compliance of its composition with the recommendations given to shareholders. The Board and the Management Control Committee have also assessed and confirmed that their members meet all the suitability requirements, taking into account the regulatory provisions and the Articles of Association.
Without prejudice to the general expertise required for all areas envisaged by the applicable legislation, the chart below illustrates the skills declared by the individual Directors when their candidature is accepted. The indicated skills and expertise were subsequently strengthened and expanded based on a comprehensive induction plan for Board members, as well as in-depth discussions also during the meetings of the Corporate Bodies.



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

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

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

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

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

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

Risks and Sustainability Committee

As already mentioned, Intesa Sanpaolo has established a Risks and Sustainability Committee, within the Board of Directors, composed of 5 non-executive members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association and 3 are enrolled with the Register of Statutory Auditors and have practised for at least three years.
In 2023, the Committee held 46 meetings. The Report on Corporate Governance and Ownership Structures published by the Bank sets out the main responsibilities and activities carried out by the Committee in support of the Board, in line with the Organisation and Operating Regulations adopted.
The Committee supports the Board: in defining and approving the risk governance policies at Group level, including those related to liquidity risk, which take into account the specific operations and the related risk profiles of each of the Group member companies, in order to implement an integrated and consistent risk management policy, also conducting the activities necessary for their periodic review by the Board, in relation to the evolution of the business and the external environment, in order to ensure its effectiveness over time; in overseeing the Bank’s public disclosure and reporting process, as well as approving the Pillar 3 disclosure; in assessing and investigating the sustainability issues (ESG) associated with the performance of the Bank’s activities and in approving the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, contributing to ensuring more efficient risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders; in approving the list of ESG-sensitive sectors for the purposes of the Group’s lending activity; in approving the updates to the Code of Ethics and the CNFS, analysing, in particular, the potentially most relevant sustainability issues, as well as any other report of particular importance in this area submitted to the Board of Directors; in examining the Report on the Code of Ethics and its principles of social and environmental responsibility; and in verifying the Group’s positioning with respect to national and international best practices in sustainability, with particular reference to Intesa Sanpaolo’s participation in the main sustainability indices.

Information flows to the Board of Directors regarding risks

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

The Board, with the aid of the Risks and Sustainability Committee, examines the reports prepared, at least annually, by the Corporate Control Functions and approves the annual work plan, including the audit plan and the multi-year audit plan prepared by the Internal Auditing Function, also taking into account the findings and remarks of the Management Control Committee reported by the latter to the Board.
The Committees periodically report to the Board on their activities and their main findings.

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

In particular, with regard to information flows concerning the reporting and management of any significant breaches and/or deficiencies identified, the reporting process by the control functions to the Bodies consists of:

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

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

Section 2 - Scope of application

Qualitative disclosure

Name of the bank to which the disclosure requirement applies

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

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

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

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

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

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2023 (EU LI3 Reg. 2021/637) *(Table 1 of 4)*

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

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2023 (EU LI3 Reg. 2021/637) *(Table 2 of 4)*

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

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2023 (EU LI3 Reg. 2021/637) *(Table 3 of 4)*

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

Outline of the differences in the scopes of consolidation (entity by entity) as at 31 December 2023 (EU LI3 Reg. 2021/637) *(Table 4 of 4)*

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
INTESA SANPAOLO PRIVATE ARGENTINA S.A.	Equity method			X			FINANCIAL COMPANY
INTESA SANPAOLO SERVICOS E EMPRENDIMENTOS LTDA EM LIQUIDACAO	Equity method			X			FINANCIAL COMPANY
INTRUM ITALY S.P.A.	Equity method				X		PRODUCTION COMPANIES
ISM INVESTIMENTI SPA	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
ISP CB IPOTECARIO S.R.L.	Equity method			X			FINANCIAL COMPANY
ISP CB PUBBLICO S.R.L.	Equity method			X			FINANCIAL COMPANY
ISP OBG S.R.L.	Equity method			X			FINANCIAL COMPANY
LENDLEASE MSG HEARTBEAT	Equity method				X		OTHER COLL. INVEST. ORG.
LEONARDO TECHNOLOGY S.R.L. IN LIQUIDAZIONE	Equity method				X		PRIVATE OPERATING HOLDING
MARKETWALL SRL	Equity method				X		PRODUCTION COMPANIES
MATERIAS SRL	Equity method				X		PRODUCTION COMPANIES
MIR CAPITAL MANAGEMENT SA	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
MIR CAPITAL S.C.A. SICAR	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
MISR ALEXANDRIA FOR FINANCIAL INVESTMENTS MUTUAL FUND CO. IN LIQUIDAZIONE	Equity method				X		OTHER NON-EU FIN. COMPANIES
MISR INTERNATIONAL TOWERS CO.	Equity method				X		NON-EU NON FIN. COMPANIES
MONILOGI SRO	Equity method				X		EU EMU NON FIN. COMPANIES
MONTEFELTRO SVILUPPO SOC. CONS. A R.L.	Equity method				X		PRODUCTION COMPANIES
MOONEY GROUP S.P.A.	Equity method		X				FIN AND NON-FIN- GROUPS HOLDING
MORVAL BANK & TRUST CAYMAN LTD IN LIQUIDATION	Equity method			X			BANK
NETWORK IMPRESA S.P.A. IN CONCORDATO PREVENTIVO	Equity method				X		PRODUCTION COMPANIES
NEVA FIRST-FCC	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
NEVA SGR S.P.A.	Equity method			X			FINANCIAL COMPANY
ORO ITALIA TRADING SPA IN LIQUIDAZIONE	Equity method				X		PRODUCTION COMPANIES
PBZ CROATIA OSIGURANJE PUBLIC LIMITED COMPANY FOR COMPULSORY PENSION FUND MANAGEMENT	Equity method		X				OTHER EU EMU FIN. INTERMEDIARIES
PENGHUA FUND MANAGEMENT CO. LTD	Equity method				X		OTHER NON-EU FIN. COMPANIES
RCN FINANZIARIA S.P.A.	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
REXER S.P.A.	Equity method				X		PRODUCTION COMPANIES
REYL & CIE (MALTA) HOLDING LTD	Equity method			X			FINANCIAL COMPANY
REYL & CIE (MALTA) LTD	Equity method			X			FINANCIAL COMPANY
REYL & CO (UK) LLP	Equity method			X			FINANCIAL COMPANY
REYL & CO HOLDINGS LTD	Equity method			X			FINANCIAL COMPANY
REYL OVERSEAS AG	Equity method			X			FINANCIAL COMPANY
REYL PRIVATE OFFICE (LUXEMBOURG) SARL	Equity method			X			INSTRUMENTAL
REYL SINGAPORE HOLDING PTE. LTD.	Equity method			X			FINANCIAL COMPANY
REYL SINGAPORE PTE LTD	Equity method			X			FINANCIAL COMPANY
RSCT FUND - COMPARTO CREDITI	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
S.F. CONSULTING S.R.L.	Equity method				X		PRODUCTION COMPANIES
SICILY INVESTMENTS S.A.R.L.	Equity method				X		EU EMU NON FIN. COMPANIES
SLOVAK BANKING CREDIT BUREAU S.R.O.	Equity method				X		EU EMU NON FIN. COMPANIES
SOCIETA' BENEFIT CIMAROSA 1 SPA	Equity method				X		PRODUCTION COMPANIES
SRM STUDI E RICERCHE PER IL MEZZOGIORNO	Equity method				X		SOC. SEC./CHAR./TRAD. UN./POLIT. INST./ENTITIES
SVILUPPO INDUSTRIALE S.P.A. IN LIQUIDAZIONE	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
TRINACRIA CAPITAL S.A.R.L.	Equity method				X		EU EMU NON FIN. COMPANIES
UBI FINANCE S.R.L.	Equity method			X			FINANCIAL COMPANY
UBI SPV LEASE 2016 S.R.L. - IN LIQUIDAZIONE	Equity method				X		SECURITISATION VEHICLE
WARRANT HUB S.P.A.	Equity method				X		COMP. UNDER LOCAL ADMIN. CONTROL
YOLO GROUP SPA	Equity method				X		OTHER ACCESSORY FINANCIAL COMP.

(*) The equity investment has been classified under discontinued operations since December 2023

The table below (LI1) contains the reconciliation of the consolidated balance sheet with the regulatory-scope balance sheet as at 31 December 2023, as well as the allocation of the entries among the regulatory risk categories. The second table below (EU LI2) presents the reconciliation between the total amount based on the "prudential" scope of consolidation (carrying amounts) and the exposure value subject to capital requirements, for each type of risk.

Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories as at 31 December 2023 (EU LI1 Reg. 2021/637)
(Table 1 of 2)

(millions of euro)

	Breakdown by asset classes according to the balance sheet in the published financial statements	**Carrying values as reported in published financial statements**	**Carrying values under scope of prudential consolidation**	**Carrying values of items**						
				Subject to the credit risk framework	Subject to the CCR framework	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Assets									
10.	Cash and cash equivalents	89,270	88,590	88,590	-	-	-	-	-	-
20.	Financial assets measured at fair value through profit or loss	144,594	43,588	5,084	25,547	-	*25,547*	300	38,210	14
	a) financial assets held for trading	*38,163*	*38,212*	*20*	*25,547*	-	*25,547*	-	*38,210*	*2*
	b) financial assets designated at fair value	*1*	*1*	*1*	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	*106,430*	*5,375*	*5,063*	-	-	-	*300*	-	*12*
30.	Financial assets measured at fair value through other comprehensive income	140,753	68,618	66,514	-	-	-	2,104	-	-
40.	Financial assets measured at amortised cost	518,950	519,600	458,918	25,593	*25,593*	-	35,053	-	36
	a) due from banks	*32,899*	*32,903*	*23,946*	*8,957*	*8,957*	-	-	-	-
	b) loans to customers	*486,051*	*486,697*	*434,972*	*16,636*	*16,636*	-	*35,053*	-	*36*
50.	Hedging derivatives	7,006	6,980	-	6,980	-	*6,980*	-	-	-
60.	Fair value change of financial assets in hedged portfolios (+/-)	-5,695	-5,695	-5,695	-	-	-	-	-	-
70.	Investments in associates and companies subject to joint control	2,501	9,546	8,503	-	-	-	-	-	1,043
80.	Insurance assets	813	-	-	-	-	-	-	-	-
	a) insurance contracts issued that are assets	*412*	-	-	-	-	-	-	-	-
	b) reinsurance contracts held that are assets	*401*	-	-	-	-	-	-	-	-
90.	Property and equipment	9,825	9,284	9,284	-	-	-	-	-	-
100.	Intangible assets	9,524	8,999	1,881	-	-	-	-	-	7,118
	of which:									
	- goodwill	*3,672*	*3,246*	-	-	-	-	-	-	*3,246*
110.	Tax assets	14,533	13,962	11,532	-	-	-	-	-	2,430
	a) current	*1,932*	*1,852*	*1,852*	-	-	-	-	-	-
	b) deferred	*12,601*	*12,110*	*9,680*	-	-	-	-	-	*2,430*
120.	Non-current assets held for sale and discontinued operations	264	212	212	-	-	-	-	-	-
130.	Other assets	31,232	27,820	25,709	-	-	-	-	2,111	-
Total Assets		**963,570**	**791,504**	**670,532**	**58,120**	***25,593***	***32,527***	**37,457**	**40,321**	**10,641**

Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories as at 31 December 2023 (EU LI1 Reg. 2021/637)
(Table 2 of 2)

(millions of euro)

	Breakdown by liability classes according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items						
				Subject to the credit risk framework	Subject to the CCR framework	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Liabilities and Shareholders' Equity									
10.	Financial liabilities measured at amortised cost	642,119	643,201	-	34,920	*34,920*	-	-	-	608,281
	a) due to banks	*93,242*	*92,379*	-	*21,911*	*21,911*	-	-	-	*70,468*
	b) due to customers	*440,449*	*442,795*	-	*13,009*	*13,009*	-	-	-	*429,786*
	c) securities issued	*108,428*	*108,027*	-	-	-	-	-	-	*108,027*
20.	Financial liabilities held for trading	43,493	43,568	-	26,269	-	*26,269*	-	41,307	2,261
30.	Financial liabilities designated at fair value	72,782	21,344	-	-	-	-	-	-	21,344
40.	Hedging derivatives	5,188	5,104	-	5,104	-	*5,104*	-	-	-
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,967	-3,967	-	-	-	-	-	-	-3,967
60.	Tax liabilities	1,946	1,097	-	-	-	-	-	-	1,097
	a) current	*458*	*358*	-	-	-	-	-	-	*358*
	b) deferred	*1,488*	*739*	-	-	-	-	-	-	*739*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2	2	-	-	-	-	-	-	2
80.	Other liabilities	12,741	11,872	-	-	-	-	-	-	11,872
90.	Employee termination indemnities	767	762	-	-	-	-	-	-	762
100.	Allowances for risks and charges	4,523	4,421	-	-	-	-	-	-	4,421
	a) commitments and guarantees given	*524*	*525*	-	-	-	-	-	-	*525*
	b) post-employment benefits	*98*	*98*	-	-	-	-	-	-	*98*
	c) other allowances for risks and charges	*3,901*	*3,798*	-	-	-	-	-	-	*3,798*
110.	Insurance liabilities	119,849	-	-	-	-	-	-	-	-
	a) insurance contracts issued that are liabilities	*119,674*	-	-	-	-	-	-	-	-
	b) reinsurance contracts held that are liabilities	*175*	-	-	-	-	-	-	-	-
120.	Valuation reserves	-2,009	-2,009	-	-	-	-	-	-	-2,009
130.	Redeemable shares	-	-	-	-	-	-	-	-	-
140.	Equity instruments	7,948	7,948	-	-	-	-	-	-	7,948
150.	Reserves	14,697	14,697	-	-	-	-	-	-	14,697
155.	Interim dividends (-)	-2,629	-2,629	-	-	-	-	-	-	-2,629
160.	Share premium reserve	28,003	28,003	-	-	-	-	-	-	28,003
170.	Share capital	10,369	10,369	-	-	-	-	-	-	10,369
180.	Treasury shares (-)	-140	-140	-	-	-	-	-	-	-140
190.	Minority interests (+/-)	164	137	-	-	-	-	-	-	137
200.	Net income (loss) (+/-)	7,724	7,724	-	-	-	-	-	-	7,724
Total liabilities and shareholders' equity		**963,570**	**791,504**	**-**	**66,293**	***34,920***	***31,373***	**-**	**41,307**	**710,173**

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

Main sources of differences between regulatory exposure amounts and carrying values in financial statements as at 31 December 2023 (EU LI2 Reg. 2021/637)

(millions of euro)

		Total	Items subject to					
			Credit risk framework	Securitisation framework	CCR framework (*)	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**780,863**	**670,532**	**37,457**	**58,120**	***25,593***	***32,527***	**40,321**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**81,331**	**-**	**-**	**66,293**	***34,920***	***31,373***	**41,307**
3	**Total net amount under the scope of prudential consolidation**	**862,194**	**670,532**	**37,457**	**93,040**	***60,513***	***32,527***	**81,628**
4	**Off-balance-sheet amounts**	**292,149**	**282,708**	**7,391**	**2,050**	***2,050***	**-**	
5	Differences in valuations	-	-	-	-	-	-	
6	Differences due to different netting rules, other than those already included in row 2	-69,994	-	-	-69,994	*-48,348*	*-21,646*	
7	Differences due to consideration of provisions	7,338	7,338	-	-	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-10,838	-10,810	-	-28	*-28*	-	
9	Differences due to credit conversion factors	-217,905	-217,905	-	-	-	-	
10	Differences due to Securitisation with risk transfer	-2,264	-	-2,264	-	-	-	
11	Other differences	-18,995	-17,000	-1,892	-103	-	*-103*	
12	**Exposure amounts considered for regulatory purposes**	**780,520**	**714,863**	**40,692**	**24,965**	***14,187***	***10,778***	

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

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

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

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

The main differences attributable to counterparty risk that explain the differences between the carrying values in the financial statements and the regulatory values, are mainly attributable to the fact that regulations require the estimation of exposure to default (EAD) not as the present value of the positions, but through measures that take into account its variability over time based on market factors. Specifically, with regard to the majority of the portfolio measured using the internal model approach, the following factors must be considered:

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

Section 3 - Own Funds

Qualitative disclosure

Introduction

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

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

These provisions are supplemented by the European Commission Delegated Regulations and the ECB Decisions on the definition of Own Funds, listed below:
- Commission Delegated Regulation (EU) 342/2014 of 21 January 2014, supplementing Directive 2002/87/EC of the European Parliament and of the Council and Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the application of the calculation methods of capital adequacy requirements for financial conglomerates;
- Commission Delegated Regulation (EU) 241/2014 of 7 January 2014, as amended, supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for own funds and eligible liabilities for institutions;
- Commission Delegated Regulation (EU) 2016/101 of 26 October 2015 supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation;
- Decision No. 2015/656 of the European Central Bank of 4 February 2015 on the conditions under which credit institutions are permitted to include interim or year-end profits in Common Equity Tier 1 capital;
- Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017, amending Regulation (EU) 575/2013, through the addition of the new Article 473a ("Introduction of IFRS 9"), in relation to the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. The above article was amended in turn by Regulation (EU) 2020/873 of 24 June 2020 (so-called "CRR quick fix"), which makes adjustments in response to the COVID-19 pandemic;
- Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) 575/2013 as regards minimum loss coverage for non-performing exposures;
- Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

This regulatory framework requires that Own Funds (or regulatory capital) are made up of the following tiers of capital:
- Tier 1 Capital, in turn composed of:
  - Common Equity Tier 1 Capital (CET1);
  - Additional Tier 1 Capital (AT1);
- Tier 2 Capital (T2).

Tier 1's predominant element is Common Equity, mainly composed of equity instruments (e.g. ordinary shares net of treasury shares), share premium reserves, retained earnings reserves, undistributed income for the period, valuation reserves, eligible minority interests, net of the deducted items.
In order to be eligible for Common Equity, the equity instruments issued must guarantee absorption of losses on going concern, by satisfying the following characteristics:
- maximum level of subordination;
- option for suspending the payment of dividends/coupons at the full discretion of the issuer and in a non-cumulative manner;
- unredeemability;
- absence of redemption incentives.

At present, with reference to the Intesa Sanpaolo Group, no equity instrument other than ordinary shares is eligible for inclusion in Common Equity.
A number of prudential filters are also envisaged with effects on Common Equity:
- filter on profits associated with future margins deriving from securitisations;
- filter on cash flow hedge (CFH) reserves;
- filter on profits or losses on liabilities designated at fair value (derivatives or otherwise) associated with changes in own credit risk (DVA);
- adjustments to fair value assets associated with the "prudent valuation".

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

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

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

With regard to the accounting standard IFRS 9, as already stated in the Introduction of this document, the transitional period (2018-2022) introduced to mitigate its impacts on capital ended on 31 December 2022. However, own funds still take account of the provisions of the 2019 Budget Act, which temporarily called for – up to 2028 – the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the elements to be deducted from own funds, over the same time period.
In addition, since June 2020 the Intesa Sanpaolo Group has not adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category – the first of which is in force until 31 December 2024 while the second ended on 31 December 2022 – both introduced by the European Commission in Regulation 2020/873 of 24 June 2020 (quick fix).

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) added Article 494b "Grandfathering of Own Funds instruments and eligible liabilities instruments" to Regulation (EU) 575/2013 (CRR), establishing a 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 CRR ("Additional Tier 1 instruments"), as amended by Article 1 point 23) of CRR II, and in points n), o) and p) of Article 63 CRR ("Tier 2 instruments"), as amended by Article 1 point 27) of CRR II – to qualify as AT1 and T2 instruments. The Intesa Sanpaolo Group no longer holds any subordinated instruments governed by English law subject to the above-mentioned transitional rules.

Since December 2020, the Intesa Sanpaolo Group has applied Delegated Regulation (EU) 2020/2176 on the deduction of software assets from Common Equity Tier 1 items, which introduced the criterion of prudential amortisation applied to all software assets over a period of three years (regardless of their estimated useful life for accounting purposes). Specifically, the difference, if positive, between the prudential accumulated amortisation and the accounting accumulated amortisation (including impairment losses) is fully deducted from CET1 capital, while the remaining portion (the portion of the net carrying amount of each software asset that is not deducted) is included in the RWAs with a risk weight of 100%.

Also worth noting is the EBA's response to a question submitted to it in 2021 by a "competent authority" (Q&A 2021_6211) in relation to the treatment of goodwill included in the valuation of significant investments in insurance companies for the calculation, set out in Article 37(b) CRR, of the amount of the CET1 deduction. The EBA clarified that the amount of goodwill to deduct from an institution's CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. Starting from 30 June 2023, this goodwill amount, so far included in the deduction from CET1 made by the

ISP Group, has been included in the calculation of the risk-weighted assets (RWA), and therefore comes under the ordinary treatment adopted by the Group for its investments in insurance companies under the Danish Compromise authorisation obtained in 2019.

Finally, with regard to the regulatory provision set out in Article 3 of the CRR ("Application of stricter requirements by institutions"), the voluntary deduction from CET1 relating to the calendar provisioning on exposures included in the Pillar 2 scope is included for the purposes of the calculation of Own funds as at 31 December 2023[7].

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

In terms of significant restrictions, it is noted that the Intesa Sanpaolo Group is subject to the supervisory rules provided for by Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR),amended by Directive 2019/878/EU (CRD V) and Regulation (EU) 876/2019 (CRR II), respectively, and controls financial institutions subject to the same or similar regulations aimed at maintaining an adequate level of regulatory capital in relation to risks taken; therefore, the ability of subsidiary banks or financial institutions to distribute capital or dividends is dependent on the fulfilment of the regulatory thresholds set in those regulations.
In view of the above, with regard to the disclosures to be made in accordance with IFRS 12, the limitations currently set by the Russian regulations essentially impose restrictions on repayments and payments to parties resident in unfriendly countries.
Those limitations specifically affect the subsidiary Banca Intesa Russia, which, again in 2023, was unable to directly route the repayments of past due instalments referring to intragroup exposures to the creditor banks and, therefore, routed the resources allocated for those repayments (for a total of around 24 million euro at the end of 2023) to specific accounts in Russia.
It should also be noted that the current legal restrictions on transferring monetary resources beyond the country's borders do not prejudice in any way the ownership of the amounts (due to the creditor banks), nor do they constitute an obstacle to maintaining control over the Russian subsidiary.
Lastly, within the Group, there are insurance companies subject to the Solvency Capital Requirements of insurance companies established by the Solvency II legislation.

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

As at 31 December 2023, there were no capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to the mandatory capital requirements.

[7] The addendum to ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks "deduce" on their own initiative specific amounts from CET 1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.

Quantitative disclosure

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 31 December 2023 is summarised in the table below.

(millions of euro)

	31.12.2023	31.12.2022
A. Common Equity Tier 1 (CET1) before the application of prudential filters	52,938	52,752
B. CET1 prudential filters (+ / -)	169	149
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	53,107	52,901
D. Items to be deducted from CET1	-11,631	-12,882
E. Transitional period - Impact on CET1 (+/-)	-	753
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	41,476	40,772
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	7,707	7,207
H. Items to be deducted from AT1	-	-
I. Transitional period - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G - H +/- I)	7,707	7,207
M. Total Tier 1 (T1) (F + L)	49,183	47,979
N. Tier 2 (T2) before items to be deducted and effects of transitional period	8,799	8,381
O. Items to be deducted from T2	-	-
P. Transitional period - Impact on T2 (+ / -)	-	-
Q. Total Tier 2 (T2) (N - O +/- P)	8,799	8,381
R. Total own funds (F + L + Q)	57,982	56,360

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

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

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

Reconciliation of net book value and Common Equity Tier 1 Capital

(millions of euro)

Captions	31.12.2023	31.12.2022
Group Shareholders' equity	63,963	61,655
Minority interests	164	166
Shareholders' equity as per the Balance Sheet	**64,127**	**61,821**
Interim dividend [(a)]	2,629	1,400
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,707	-7,207
- Minority interests eligible for inclusion in AT1	-	-
- Minority interests eligible for inclusion in T2	-	-
- Ineligible minority interests on full phase-in	-164	-166
- Ineligible net income for the period [(b)]	-5,787	-3,165
- Own shares included under regulatory adjustments [(c)]	165	169
- Other ineligible components on full phase-in [(d)]	-325	-100
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,938**	**52,752**
Regulatory adjustments (including transitional adjustments) [(e)]	**-11,462**	**-11,980**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**41,476**	**40,772**

(a) As at 31 December 2023 and 31 December 2022 the Shareholders' Equity as per the Balance Sheet does not include the interim dividend, of 2,629 million euro and 1,400 million euro respectively (net of the amount not distributed in respect of own shares held at the record date).

(b) Common Equity Tier 1 capital as at 31 December 2023 includes the net income as at that date, less the related dividend and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects and charity allowance).

(c) The amount includes, in addition to the book value of own shares, the unused portion of the ceiling for which the Bank has received the buyback authorisations.

(d) As at 31 December 2023, the amount includes a deduction of 246 million euro following the authorisation for the repurchase of an AT1 instrument as part of a liability management transaction carried out in August.

(e) Regulatory adjustments as at 31 December 2023 no longer include the impact of the application of the IFRS 9 transitional filter - the applicability of which ended in 2022 - conversely, they include 891 million euro in additional deductions pursuant to Art. 3 of the CRR (relating to the voluntary deduction of calendar provisioning on exposures included in the scope of Pillar 2).

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

Common Equity Tier 1 Capital (CET1)

(millions of euro)

Information	31.12.2023	31.12.2022
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	10,369	10,369
Share premium reserve	28,003	28,053
Reserves (a)	14,638	15,776
Accumulated other comprehensive income (b)	-2,009	-2,635
Net income (loss) for the period	7,724	4,354
Net income (loss) for the period not eligible (c) (d)	-5,787	-3,165
Minority interests	-	-
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,938**	**52,752**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-165	-1,869
Goodwill	-3,706	-4,252
Other intangible assets	-3,690	-3,949
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-2,430	-2,154
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-242	-240
Defined benefit pension funds assets	-	-
Prudential filters	169	149
- of which Cash Flow Hedge Reserve	*317*	*365*
- of which Gains or Losses due to changes in own credit risk (DVA)	*99*	*-15*
- of which Prudent valuation adjustments	*-247*	*-201*
- of which Other prudential filters	-	-
Exposures to securitisations deducted rather than risk weighted at 1250%	-50	-62
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 (e)	-	-
- 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% (e)	-	-
Other CET1 deductions (pursuant to Article 3 CRR) (f)	-891	-
Positive or negative elements - other (g)	-457	-356
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-11,462**	**-12,733**
Total adjustments in the transitional period (CET1) (h)	**-**	**753**
Common Equity Tier 1 (CET1) - Total	**41,476**	**40,772**

(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 2022 income allocated to reserves.

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

(c) Common Equity Tier 1 capital as at 31 December 2023 includes the net income for the period, less the related dividend and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects and charity).

(d) As at 31 December 2022 the figure considers the dividends on 2022 results, the portion of the remuneration of the AT1 instruments issued at that date and the portion of 2022 income allocated to charity, net of the tax effect.

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

(f) The additional Article 3 CRR deduction relates to the calendar provisioning on exposures included in the scope of Pillar 2.

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

(h) The applicability of the IFRS 9 transitional filter ended on 31 December 2022.

Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the elements to be deducted from own funds, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.
Own funds also take into account the applicable amount, object of deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 630/2019 of 17 April 2019.
Moreover, in compliance with Article 3 of the CRR ("Application of stricter requirements by institutions"), for the purpose of calculating Own Funds as at 31 December 2023, the voluntary deduction of calendar provisioning[8] on exposures within the scope of Pillar 2 was included, which entailed the deduction of an impact of around 30 basis points from CET 1.
Since 30 June 2023, the Intesa Sanpaolo Group has been complying with EBA Q&A 2021_6211, which clarifies that the amount of goodwill to deduct from an institution's CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. The latter amount was included in the calculation of risk-weighted assets (RWA), thus falling under the ordinary treatment that the Group reserves for investments in insurance companies.

For the purposes of calculating own funds as at 31 December 2023 the net income for 2023 was considered, less the related dividend and other foreseeable charges[9]; as previously reported, on 22 November 2023 Intesa Sanpaolo distributed 1.4 billion euro of interim dividends on 2023 net income.

As envisaged by Article 36 (1)(k)(ii) of Regulation (EU) 575/2013 which governs this circumstance, in place of the weighting of the positions towards securitisations that meet the requirements to receive a weighting of 1,250%, it was chosen to proceed with the direct deduction of these exposures from the Own Funds.
The amount of such deduction as at 31 December 2023 is equal to 50 million euro.

[8] The addendum to ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks "deduce" on their own initiative specific amounts from CET 1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.

[9] Coupons accrued on Additional Tier 1 issues (341 million euro) and proposed assignment to the Allowance for charitable, social and cultural contributions (22 million euro).

Additional Tier 1 Capital (AT1)

(millions of euro)

Information	31.12.2023	31.12.2022
Additional Tier 1 capital (AT1)		
AT1 instruments	7,707	7,207
Minority interests	-	-
Additional Tier 1 capital (AT1) before regulatory adjustments	**7,707**	**7,207**
Regulatory adjustments to Additional Tier 1 (AT1)	**-**	**-**
Additional Tier 1 (AT1) - Total	**7,707**	**7,207**

Additional Tier 1 (AT1) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfather-ing	Original amount in currency	Contribution to the own funds (millions of euro)
Intesa Sanpaolo	7.70% fixed rate	NO	17-Sep-2015	perpetual	17-Sep-2025	USD	(*)	1,000,000,000	876
Intesa Sanpaolo	7.75% fixed rate	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,238
Intesa Sanpaolo	3.75% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2025	Eur	NO	750,000,000	743
Intesa Sanpaolo	4.125% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2030	Eur	NO	750,000,000	743
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Sep-2031	Eur	NO	750,000,000	740
Intesa Sanpaolo	5.5% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Mar-2028	Eur	NO	750,000,000	743
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	20-Jan-2020	perpetual	20-Jan-2025	Eur	NO	400,000,000	374
Intesa Sanpaolo	6.375% fixed rate (payable semi-annually)	NO	30-Mar-2022	perpetual	30-Mar-2028 - 30-Sep-2028	Eur	NO	1,000,000,000	989
Intesa Sanpaolo	9.125% fixed rate (payable semi-annually)	NO	07-Sep-2023	perpetual	07-Sep-2029 - 07-Mar-2030	Eur	NO	1,250,000,000	1,238
REYL & Cie SA	4.75%	NO	30-Nov-2019	perpetual	30-Nov-2024	CHF	NO	15,000,000	13
REYL & Cie SA	4.75%	NO	30-Nov-2018	perpetual	30-Nov-2023	CHF	NO	12,000,000	10
Total Additional Tier 1 equity instruments									**7,707**

(*) The instrument was issued before 1 January 2016 and is therefore still valid for MREL purposes, because it has the relevant characteristics. For the purposes of eligibility for inclusion in own funds, it is grandfathered pursuant to Article 494b of the CRR and therefore, after 28 June 2025, the security will no longer qualify for inclusion in the Additional Tier 1 instruments in accordance with Article 52 of the CRR.

With regard to AT1, following the authorisation for the repurchase and redemption granted by the ECB in July 2023, with effect from the reporting date of 30 September 2023 the instrument issued in May 2017 with a nominal value of 750 million euro has no longer been included, while the new perpetual bond issued in September with a nominal value of 1.25 billion euro has been included.

Tier 2 Capital (T2)

(millions of euro)

	31.12.2023	31.12.2022
Tier 2 Capital (T2)		
T2 Instruments	7,953	8,308
Minority interests	-	-
Excess of provisions over expected losses eligible (excess reserve)	846	73
Tier 2 capital before regulatory adjustments	**8,799**	**8,381**
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	-	-
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	**-**	**-**
Tier 2 Capital (T2) - Total	**8,799**	**8,381**

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	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	USD	NO	2,000,000,000	174
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	530
Intesa Sanpaolo	2.855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	129
Intesa Sanpaolo	5.71% fixed rate	NO	15-Jan-2016	15-Jan-2026	NO	USD	NO	1,500,000,000	542
Intesa Sanpaolo	3-month Euribor + 1.9%/4	NO	26-Sep-2017	26-Sep-2024	NO	Eur	NO	723,700,000	106
Intesa Sanpaolo	5.875% fixed rate	NO	04-Mar-2019	04-Mar-2029	04-Mar-2024	Eur	NO	500,000,000	535
Intesa Sanpaolo	4.375% fixed rate	NO	12-Jul-2019	12-Jul-2029	12-Jul-2024	Eur	NO	300,000,000	304
Intesa Sanpaolo	1.98% fixed rate	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	160,250,000	86
Intesa Sanpaolo	3-month Euribor + 206 bp/4	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	188,000,000	102
Intesa Sanpaolo	5.148% fixed rate	NO	10-Jun-2020	10-Jun-2030	NO	GBP	NO	350,000,000	330
Intesa Sanpaolo	3.75% fixed rate	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	309,250,000	198
Intesa Sanpaolo	3-month Euribor + 405 bp/4	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	590,500,000	413
Intesa Sanpaolo	2.925% fixed rate	NO	14-Oct-2020	14-Oct-2030	NO	Eur	NO	500,000,000	429
Intesa Sanpaolo	4.198% fixed rate	NO	01-Jun-2021	01-Jun-2032	01-Jun-2031	USD	NO	750,000,000	583
Intesa Sanpaolo	4.95% fixed rate	NO	01-Jun-2021	01-Jun-2042	01-Jun-2041	USD	NO	750,000,000	539
Intesa Sanpaolo	3-month Euribor + 345 bp/4	NO	16-Jun-2022	16-Jun-2032	NO	Eur	NO	861,800,000	782
Intesa Sanpaolo	8.505% fixed rate	NO	20-Sep-2022	20-Sep-2032	NO	GBP	NO	400,000,000	467
Intesa Sanpaolo	3-month Euribor + 415 bp/4	NO	14-Oct-2022	14-Oct-2032	NO	Eur	NO	677,400,000	642
Intesa Sanpaolo	6.184% fixed rate	NO	20-Feb-2023	20-Feb-2034	20-Nov-2028	Eur	NO	1,000,000,000	1,062
Total Tier 2 instruments									**7,953**

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

(millions of euro)

	31.12.2023	31.12.2022
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	4,241	4,004
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	4,241	4,004
C. Threshold of 17.65% for significant investments and DTA not deducted in the threshold described under point B	6,814	6,271

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

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

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

Changes in Own Funds

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

OWN FUNDS	01.01.2023 - 31.12.2023
Common Equity Tier 1 capital (CET1)	
Amount 31.12.2022	**40,772**
Changes of IFRS 9 filter	-753
FTA IFRS17 [a]	-408
Initial amount 01.01.2023	**39,611**
Shares issued during the period and related share premium [a]	-51
Changes in reserves [b]	-1,598
Accumulated other comprehensive income [c]	450
Net income for the period (net of foreseeable dividends) [d]	1,937
Minority interests	-
Regulatory adjustments	
Prudential filters [e]	20
Own CET1 instruments [f]	1,704
Goodwill and other intangible assets [g]	661
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-276
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	-2
Deductions deriving from securitisations	12
Other CET1 deductions (pursuant to Article 3 CRR) [h]	-891
Other deductions [i]	-101
Final amount 31.12.2023	**41,476**
Additional Tier 1 (AT1)	
Initial amount 01.01.2023	**7,207**
Issues/redemptions of AT1 instruments [j]	500
Minority interests	-
Regulatory adjustments	
Own AT1 instruments	-
Non-significant investments in AT1 instruments of the financial sector	-
Significant investments in AT1 instruments of the financial sector	-
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 31.12.2023	**7,707**
Tier 2 (T2)	
Initial amount 01.01.2023	**8,381**
Issues/redemptions of T2 instruments [k]	-355
Minority interests	-
Excess adjustments over expected losses (excess reserve) [l]	773
Regulatory adjustments	
Own T2 instruments	-
Non-significant investments in T2 instruments of the financial sector	-
Significant investments in T2 instruments of the financial sector [l]	-
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 31.12.2023	**8,799**
Total Own Funds at the end of the reporting period	**57,982**

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

Common Equity Tier 1 capital (CET1)

a. The value of the impact of IFRS 17 First Time Adoption is calculated excluding from the overall impact on shareholders' equity of -552 million euro recorded as at 31 December 2022, 144 million euro in effects relating to the intangibles of the Banking Group derecognised, as they were already deducted for prudential purposes;
b. the reduction in reserves was mainly attributable to the use of the extraordinary reserve to support the purchase of own shares for annulment (buyback);[10]
c. the change in accumulated other comprehensive income was due to:
   - the increase in the reserve attributable to insurance companies of 221 million euro, of which -100 million euro resulting from the change attributable to the CFH reserve;
   - the improvement in the reserve for equity and debt securities measured at fair value of 47 million euro;
   - the improvement of 148 million euro in the CFH reserve (excluding insurance companies);
   - the increase in the reserve for property, equipment and investment property of 114 million euro;
   - the deterioration of the financial liabilities designated at fair value through profit or loss valuation reserve (DVA) of 80 million euro;
   - the improvement in the IAS 19 reserve (+52 million euro) and other minor effects (-52 million euro);
d. the consolidated net income for the period ended 31 December 2023, amounting to 7,724 million euro, was recognised in Own Funds for 1,937 million euro, due, as already mentioned above, to the regulatory conditions having been met for its inclusion, net of dividends and other foreseeable costs (5,787 million euro as at 31 December 2023);
e. the variance was mainly due to the change in the Filter on the CFH Reserve (-48 million euro), the change in Group's own credit rating (DVA) (+113 million euro) and the change in the Prudent Valuation (-46 million euro);

[10] Programme approved by the Shareholders' Meeting of Intesa Sanpaolo on 29 April 2022 and authorised by the ECB in a notification received on 24 June 2022 for a maximum total outlay of 3,400 million euro, divided into two tranches. Further information on the buyback programme is provided in the Report on operations in the Group's consolidated financial statements as at 31 December 2023.

f. the variance was mainly due to the elimination of the deduction arising from the 2nd tranche of own shares for annulment (buyback) in the amount of 1,700 million euro, which was completed in the second quarter of 2023;
g. the change was mainly attributable to:
   - the lower deduction of goodwill of insurance companies as per Q&A EBA 2021_6211;
   - the elimination of the IFRS 5 goodwill of Zoam, subject of disposal;
   - the decrease in the IAS 28 goodwill, mainly attributable to Intrum;
h. the change was attributable to the additional Article 3 CRR ("Application of stricter requirements by institutions") deduction related to the calendar provisioning[11] on exposures included in the scope of Pillar 2;
i. the change was mainly attributable to the increase in the deduction for Irrevocable Payment Commitments (IPCs).

Additional Tier 1 (AT1)

j. The increase was attributable to the issuance of a new security for 1,250 million euro, offset by the partial redemption of an instrument in the third quarter (-503 million euro), as well as the prudential deduction of the portion of that instrument not yet redeemed (-247 million euro).

Tier 2 (T2)

k. During the year, a new T2 instrument was issued, which was partially offset by the period amortisation for instruments with a maturity of less than 5 years and other minor changes;
l. The elimination of the IFRS 9 transitional effects from 1 January 2023 resulted in the elimination, at the same time as the elimination of the (positive) filter on CET1 and the reciprocal (negative) filter on T2. Consequently, the excess reserve recorded on the T2 has been included in full.

[11] The addendum to ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks "deduce" on their own initiative specific amounts from CET 1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.

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			**58,924**	
	Assets				
1	70. Investments in associates and companies subject to joint control	2,501	9,546	-491	8, 18, 19
1.1	*of which: implicit goodwill in associated companies IAS 28-31*	*-491*	*-1,043*	*-491*	*8*
2	100. Intangible assets	9,524	8,999	-7,001	8
2.1	*of which: goodwill*	*3,672*	*3,246*	*-3,216*	*8*
2.2	*of which: other intangible assets*	*5,852*	*5,752*	*-3,785*	*8*
3	110. Tax assets	14,533	13,962	-2,430	10, 25
3.1	*of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability*	*2,669*	*2,669*	*-2,669*	*10*
	Liabilities				
4	10. Securities issued	108,428	108,027	7,953	46, 52
4.1	*of which: subordinated instruments subject to transitional arrangements*	-	-	-	*46, 52*
4.2	*of which: subordinated instruments not subject to transitional arrangements*	-	*7,953*	*7,953*	*46, 52*
5	60. Tax liabilities	1,946	1,097	96	8
5.1	a) Current tax liabilities	458	358	N.A.	
5.2	b) Deferred tax liabilities	1,488	739	N.A.	
5.2.1	*of which: tax liabilities related to goodwill and other intangible assets*	-	-	*96*	*8*
6	120. Valuation reserves	-2,009	-2,009	-1,692	3, 11
6.1	*of which: valuation reserves pertaining to insurance companies*	*-298*	-	*-300*	
6.2	*of which: valuation reserves on financial assets measured at fair value through other comprehensive income*	*-1,991*	*-2,292*	*-1,991*	
6.3	*of which: valuation reserves on cash flow hedges*	*-319*	*-316*	-	*11*
6.4	*of which: foreign exchange differences*	*-1,239*	*-1,239*	*-1,239*	*3*
6.5	*of which: legally-required revaluations*	*2,175*	*2,175*	*2,175*	*3*
6.6	*of which: valuation reserves on net actuarial losses*	*-187*	*-187*	*-187*	*3*
6.7	*of which: other*	*-150*	*-150*	*-150*	
7	140 Equity instruments	7,948	7,948	7,707	30
8	150. Reserves	14,697	14,697	17,267	2
8.1	*of which: impact of the adoption of IFRS 9 net of transitional arrangements*		-	-	*27a*
8.2	155. Interim dividend (-)	-2,629	-2,629	-2,629	
9	160. Share premium reserve	28,003	28,003	28,003	1
10	170. Share capital	10,369	10,369	10,369	1
10.1	*of which: ordinary shares*	*10,369*	*10,369*	*10,369*	*1*
11	180. Treasury shares (-)	*-140*	*-140*	*-165*	16
12	190. Minority interests (+/-)	164	137	-	5, 34, 48
12.1	*of which CET1 compliant*		-	-	*5*
12.2	*of which AT1 compliant*		-	-	*34*
12.3	*of which T2 compliant*		-	-	*48*
13	200. Net income (loss) for the period (+/-)	7,724	7,724	1,937	5a
13.1	*of which net income (loss) for the period, net of the dividend in distribution on the net income (loss) for the period*			*1,937*	*5a*
	OTHER COMPONENTS OF OWN FUNDS, OF WHICH:			**-942**	
14	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities			99	14, 27a
15	Value adjustments due to the requirements for prudent valuation			-247	7
16	Exposures to securitisations deducted rather than risk weighted at 1250%			-50	20a, 20c
17	IRB shortfall of credit risk adjustments to expected losses			-242	12
18	IRB Excess of provisions over expected losses eligible			846	50
19	Filter on unrealised capital gains on real properties			-	27a
20	Direct and indirect holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment			-	55
21	Indirect investments and irrevocable payment commitments			-457	25b, 27a
22	Other CET1 deductions (pursuant to Article 3 CRR)			-891	27a
	Total own funds as at 31 December 2023			**57,982**	

Section 4 - Capital Requirements

Qualitative disclosure

Assessment of the adequacy of the Bank's internal capital

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

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

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

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

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

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

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

Absorption of Economic Capital by type of risk and Business Unit

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

The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.
The majority of risk is concentrated in the "IMI Corporate & Investment Banking" Business Unit (38% of the total Economic Capital): this is attributable to the type of customers served (Corporate and Financial Institutions) and Capital Market activities. This Business Unit is assigned a significant share of credit risk and trading book risk. The "Banca dei Territori" Business Unit (18.2% of the total Economic Capital) is a significant source of absorption of Internal Capital, in line with its role as core business of the Group, serving Retail, Private and Small/Middle Corporate customers. It is assigned a sizeable portion of credit risk and operational risk. Most of the insurance risk is assigned to the "Insurance" Business Unit (14.6% of the total Economic Capital). The "International Subsidiary Banks" Business Unit is assigned 7.4% of the total risk, predominantly credit risk. In addition to credit risk, the "Corporate Centre" is attributed with the risks typical of this Business Unit, namely those resulting from investments, the risks pertaining to the exposures in default, the Banking Book interest rate and exchange rate risk, as well as the risks arising from the management of the Parent Company's FVOCI portfolio (17.7% of the overall Economic Capital).
Absorption of Economic Capital by the "Private Banking" and "Asset Management" Business Units is marginal (3% and 1.1%, respectively) due to the nature of their business, which is predominantly aimed at asset management activities.

In accordance with the capital adequacy rules, the Group completed the activities aimed at meeting the Pillar 2 requirements, preparing and sending the ICAAP Reports for the previous year on a consolidated basis to the Supervisory Authority, after approval by the Corporate Bodies. The Group has also substantially completed the ICAAP Report on the figures as at 31 December 2023 and the forecasts over a four-year period, and the final document is due to be sent to the Supervisor by 31 March 2024. The results of the ICAAP process confirm the Group's capital adequacy: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.

Quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's total own funds must amount to at least 12.94% of total risk-weighted assets (total capital ratio, of which 8.78% in terms of Common Equity Tier 1 ratio[12]) arising from the risks typically associated with banking and financial activity (credit, counterparty, market and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risks following insurance coverage. The competent authorities, as part of the Supervisory Review and Evaluation Process (SREP), may require higher capital requirements compared to those resulting from the application of the regulatory provisions.

As already illustrated in the Section on "Own Funds", the total regulatory capital is made up of the algebraic sum of the elements specified below:
- Tier 1 Capital (capable of absorbing losses under going concern conditions). This capital is divided into Common Equity Tier 1 Capital and Additional Tier 1 Capital;
- Tier 2 Capital (capable of absorbing losses in the event of a crisis).

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

Following the Supervisory Review and Evaluation Process (SREP), the ECB annually makes a final decision on the capital requirement that Intesa Sanpaolo must comply with at consolidated level.
On 15 December 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2023.
The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.83%.
This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.50% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.50%[13], of which 0.84% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[14];
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - A Capital Conservation Buffer of 2.5%;
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%;
  - a Countercyclical Capital Buffer of 0.24%[15].

On 30 November 2023, 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 2024.
The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is currently 9.33%. This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.50% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.50%[16], of which 0.84% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[17];
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - A Capital Conservation Buffer of 2.5%;
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 1.25%[18];
  - a Countercyclical Capital Buffer of 0.24%[19].

Compared to 31 December 2022, with regard to credit risks, the ECB authorisations to use the new Corporate (from March 2023) and Specialised Lending models (from December 2023) for regulatory purposes have been implemented.
With regard to counterparty risk, compared to 31 December 2022, monitoring was introduced from the fourth quarter of 2023, for counterparties with margin contracts, of the impact of the potential non-payments that could occur before the closure of the positions in the event of default. To mitigate these impacts, a process has been introduced for detecting and managing high-risk counterparties with a low credit rating and subject to settlement risk.
With regard to operational risks, there were no changes with respect to 31 December 2022.

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[12] This requirement is determined by: the minimum Pillar 1 capital requirement of 8% (of which 4.5% is CET1), the additional Pillar 2 capital requirement of 1.50% (of which 0.84% is CET1) and the Combined Buffer of 3.44% (the institution-specific countercyclical capital buffer was 0.19% in the fourth quarter of 2023).

[13] Following the additional Article 3 CRR deduction made to Own funds in June 2023 (for the calendar provisioning on exposures included in the scope of Pillar 2), the Supervisor updated the Pillar 2 Requirement (P2R) applicable in 2023 (SREP 2022). As a result, from the second half of 2023, the P2R on Total Capital is 1.50% (compared to 1.72% previously).

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

[15] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2023 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 2025, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2023 and for the first quarter of 2024).

[16] See footnote 12.

[17] See footnote 13.

[18] Bank of Italy press release of 24 November 2023, effective from 1 January 2024.

[19] See footnote 15.

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

(millions of euro)

		Total risk exposure amounts (TREA)		Total own funds requirements
		31.12.2023	30.09.2023	31.12.2023
1	**Credit risk (excluding CCR)**	**245,269**	**243,224**	**19,622**
2	*Of which the standardised approach*	*74,365*	*75,776*	*5,949*
3	*Of which the Foundation IRB (F-IRB) approach*	*728*	*751*	*58*
4	*Of which slotting approach*	*1,072*	*1,071*	*86*
EU 4a	*Of which equities under the simple riskweighted approach*	*27,598*	*26,057*	*2,208*
5	*Of which the Advanced IRB (A-IRB) approach*	*135,777*	*134,743*	*10,862*
6	**Counterparty credit risk - CCR**	**5,386**	**5,171**	**430**
7	*Of which the standardised approach*	*327*	*373*	*26*
8	*Of which internal model method (IMM)*	*3,203*	*2,868*	*256*
EU 8a	*Of which exposures to a CCP*	*439*	*427*	*35*
EU 8b	*Of which credit valuation adjustment - CVA*	*917*	*934*	*73*
9	*Of which other CCR*	*500*	*569*	*40*
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap) (*)**	**10,363**	**9,784**	**829**
17	*Of which SEC-IRBA approach*	*5,405*	*5,052*	*432*
18	*Of which SEC-ERBA (including IAA)*	*99*	*111*	*8*
19	*Of which SEC-SA approach*	*4,106*	*4,061*	*329*
EU 19a	*Of which 1250%*	*-*	*-*	*-*
(**)	*Of which specific treatment for Senior tranches of qualifying NPE securitisations*	*753*	*560*	*60*
20	**Position, foreign exchange and commodities risks (Market risk)**	**12,621**	**13,613**	**1,010**
21	*Of which the standardised approach*	*3,432*	*2,621*	*275*
22	*Of which IMA*	*9,189*	*10,992*	*735*
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**28,471**	**26,490**	**2,278**
EU 23a	*Of which basic indicator approach*	*801*	*862*	*64*
EU 23b	*Of which standardised approach*	*3,153*	*2,593*	*252*
EU 23c	*Of which advanced measurement approach*	*24,517*	*23,035*	*1,962*
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (***)	9,478	9,918	758
29	**TOTAL**	**302,110**	**298,282**	**24,169**

(*) Memo item: deducted securitisations equivalent to 600 million euro of RWEAs and 48 million euro of requirement.

(**) Caption added to include the specific treatment for senior tranches of qualifying NPE securitisations envisaged by Reg. EU 2022/1944 starting from 30 June 2023.

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

The total amount of risk-weighted exposures recorded as at 31 December 2023 was 302.1 billion euro, an increase of around 3.8 billion euro compared to September 2023. In particular, please note the following:

- credit risk, excluding counterparty risk (+2 billion euro compared to the previous quarter): the increase in RWAs was mainly attributable to the implementation of the ECB authorisation relating to Specialised Lending model change and the ratings upgrade on existing models for the Corporate and Large Corporate segments, partially offset by actions for recovery of the eligibility of guarantees, the improvement of several risk parameters, and the completion of new synthetic securitisations (mentioned below);
- counterparty risk (+0.2 billion euro compared to the previous quarter): attributable to the increase in default risk, relating to SFTs due to portfolio changes;
- securitisation exposures in the non-trading book (+0.6 billion euro compared to the previous quarter): the change was attributable to the finalisation of new synthetic securitisations, partially offset by the movements in the other outstanding transactions;
- market risk (-1 billion euro compared to the previous quarter): the decrease was attributable to the movements in the VaR and Stressed VaR measures as a result of the decrease in interest rate exposures, partly offset by the impact on structural foreign exchange risk and the change in treatment of certain tax credits;
- operational risk (+2 billion euro compared to the previous quarter): the increase was attributable to the update of the time series of the internal models and the increase in the relevant indicator for the components measured using the standard approach.

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

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

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

(millions of euro)

	Available own funds (amounts)	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
1	Common Equity Tier 1 (CET1) capital	41,476	40,496	40,615	40,434	40,772
2	Tier 1 capital	49,183	48,203	47,822	47,641	47,979
3	Total capital	57,982	57,129	57,159	57,465	56,360
	Risk-weighted exposure amounts					
4	Total risk exposure amount	302,110	298,282	295,786	295,075	295,443
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.73%	13.58%	13.73%	13.70%	13.80%
6	Tier 1 ratio (%)	16.28%	16.16%	16.17%	16.15%	16.24%
7	Total capital ratio (%)	19.19%	19.15%	19.32%	19.47%	19.08%
	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%	1.50%	1.72%	1.72%	1.79%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*0.84%*	*0.84%*	*0.97%*	*0.97%*	*1.01%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.13%*	*1.13%*	*1.29%*	*1.29%*	*1.34%*
EU 7d	Total SREP own funds requirements (%)	9.50%	9.50%	9.72%	9.72%	9.79%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.19%	0.17%	0.14%	0.11%	0.08%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.75%	0.75%	0.75%	0.75%	0.75%
11	Combined buffer requirement (%)	3.44%	3.42%	3.39%	3.36%	3.33%
EU 11a	Overall capital requirements (%)	12.94%	12.92%	13.11%	13.08%	13.12%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.38%	8.23%	8.26%	8.24%	8.29%
	Leverage ratio					
13	Total exposure measure	850,718	838,681	838,509	834,572	855,282
14	Leverage ratio (%)	5.78%	5.75%	5.70%	5.71%	5.61%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	141,856	145,017	149,684	156,725	165,790
EU 16a	Cash outflows - Total weighted value	107,261	108,611	111,564	114,093	116,767
EU 16b	Cash inflows - Total weighted value	22,794	22,976	24,041	24,916	25,608
16	Total net cash outflows (adjusted value)	84,467	85,635	87,523	89,177	91,159
17	Liquidity coverage ratio (%)	168.1%	169.3%	171.1%	175.6%	181.9%
	Net Stable Funding Ratio					
18	Total available stable funding	511,953	509,459	520,655	519,058	544,274
19	Total required stable funding	422,906	420,999	414,734	416,746	431,802
20	NSFR ratio (%)	121.1%	121.0%	125.5%	124.6%	126.0%

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

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

(millions of euro)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at 30 September 2023**	**167,447**
2	Asset size (+/-)	1,888
3	Asset quality (+/-)	272
4	Model updates (+/-)	2,208
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	-605
8	Other (+/-)	-1,228
9	**Risk weighted exposure amount as at 31 December 2023**	**169,982**

As at 31 December 2023, the RWEA amount relating to IRB models was 169,982 million euro and was attributable to the Foundation IRB approach for 728 million euro (Row 3 EU OV1), to the slotting criteria approach for 1,072 million euro (Row 4 EU OV1), to the Advanced IRB approach for 135,777 million euro (Row 5 EU OV1), to equity instruments measured using the simple risk weight approach for 27,598 million euro (Row 4a EU OV1), to amounts below the thresholds for deduction for 1,039 million euro (Row 24 EU OV1), and to capital instruments measured at PD/LGD for 3,768 million euro.

As at December 2023, the aggregate of the RWAs relating to the exposures subject to credit risk measured using advanced approaches[20] amounted to 169,982 million euro, a net increase of 2,535 million euro on September 2023, when the aggregate amounted to 167,447 million euro. The change during the quarter was attributable to the following:

- +1,888 million euro, resulting from the increase in the volume of credit exposure recorded mainly on the Corporate and Banks portfolio;
- +272 million euro deriving from the reassignment of the ratings to the counterparties in the Corporate portfolio assessed on the basis of the updated models, together with a marginal remodulation of the risk profiles of the exposures of the Equity and Banks portfolios;
- +2,208 million euro attributable to the updating of the PD/LGD/EAD parameters in implementation of the ECB's authorisation for the Specialised Lending Model Change;
- -605 million euro due to changes in foreign currency exposures, reflecting exchange rate fluctuations;
- -1,228 million euro attributable to the caption "Other", impacted by the net negative change (-2,820 million euro) in the securitised portfolio with the completion and early termination of several synthetic securitisations in the period, offset by other increases mainly related to the valuation of the equity investments in the insurance business.

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

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

(millions of euro)

		RWEA amounts
1	**RWEAs as at 30 September 2023**	**2,868**
2	Asset size	279
3	Credit quality of counterparties	-18
4	Model updates (IMM only)	81
5	Methodology and policy (IMM only)	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	-7
8	Other	-
9	**RWEAs as at 31 December 2023**	**3,203**

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

With regard to the changes in RWEAs related to CCR exposures (derivatives and SFTs, determined based on the 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: 2,868 million euro at the end of September 2023 and 3,203 million euro at the end of December 2023. The increase of +335 million was mainly attributable to the following components:

- +279 million euro due to the increase in exposures, mainly in the Banks and Public Entities portfolio;
- -18 million euro due to a recomposition of the Banks and Public Entities portfolio;
- +81 million euro due to the updating of the PD/LGD Models to implement the ECB's authorisation for the Specialised Lending Model Change;
- -7 million euro due to foreign currency exposures, as a result of exchange rate fluctuations.

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

(millions of euro)

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1	**RWEAs as at 30 September 2023**	**4,293**	**4,408**	**2,262**	**-**	**29**	**10,992**	**879**
1a	*Regulatory adjustment*	*3,105*	*2,889*	*316*	*-*	*15*	*6,325*	*506*
1b	*RWEAs at the previous quarter-end (end of the day)*	*1,188*	*1,519*	*1,946*	*-*	*14*	*4,667*	*373*
2	Movement in risk levels	-529	-555	122	-	-3	-965	-77
3	Model updates/changes	-	-	-	-	-	-	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWEAs at the end of the disclosure period (end of the day)*	*659*	*964*	*2,068*	*-*	*11*	*3,702*	*296*
8b	*Regulatory adjustment*	*2,535*	*2,791*	*159*	*-*	*2*	*5,487*	*439*
8	**RWEAs as at 31 December 2023**	**3,194**	**3,755**	**2,227**	**-**	**13**	**9,189**	**735**

The RWEAs as at 31 December 2023 were down from the previous quarter.
The reduction was driven by a lower exposure to the interest rate risk factor, which benefited the VaR and Stressed VaR measures. The IRC measure was essentially stable.

Institution-specific Countercyclical Capital Buffer

Below is the information relating to the "Countercyclical capital buffer", prepared based on the ratios applicable as at 31 December 2023 and Implementing Regulation (EU) 2021/637 of the Commission of 15 March 2021 (repealing Delegated Regulation (EU) 2015/1555) which supplements regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440 of the same CRR. As established by Article 140, paragraph 1, of directive 2013/36/EU (so-called CRD IV), the institution-specific countercyclical capital buffer is the weighted average of the countercyclical ratios which are applied in the countries where the relevant credit exposures of the institutions are located.
CRD IV established the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer (CCyB) starting from 1 January 2016.
The ratio is subject to review on a quarterly basis. The European regulation was implemented in Italy with Bank of Italy circular 285, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the Bank of Italy decided to set the countercyclical buffer rate (for exposures towards Italian counterparties) at 0% also for the first quarter of 2024.
The relevant credit exposures include all the classes of exposure other than those under Article 112, letters from a) to f), of regulation (EU) 575/2013. The following portfolios are excluded: exposures to central administrations or central banks; exposures to regional administrations or local authorities; exposures to public-sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

In reference to 31 December 2023:

- countercyclical capital ratios at country level have been generally set, as outlined above, at 0%, except for the following countries: Australia (1.00%), Bulgaria (2.00% from 1.50% in the previous quarter), Cyprus (0.50%, introduced on 31 December 2023), Croatia (1.00% from 0.50% in the previous quarter), Denmark (2.50%), Estonia (1.50% from 1.00% in the previous quarter), France (0.50%), Germany (0.75%), Hong Kong (1.00%), Ireland (1.00% from 0.50% in the previous quarter) Iceland (2.00%), Lithuania (1.00%, introduced on 31 December 2023), Luxembourg (0.50%), Norway (2.50%), Netherlands (1.00%), United Kingdom (2.00%), Czech Republic (2.00% from 2.25% in the previous quarter), Romania (1.00% from 0.50% in the previous quarter), Slovakia (1.50%), Slovenia (0.50%, introduced on 31 December 2023), and Sweden (2.00%);
- at consolidated level, Intesa Sanpaolo's specific countercyclical ratio amounts to 0.19%.

Amount of the institution-specific countercyclical capital buffer as at 31 December 2023 (EU CCyB2 Reg. 2021/637)

(millions of euro)

Total risk exposure amount	302,110
Institution specific countercyclical capital buffer rate	0.19%
Institution specific countercyclical capital buffer requirement	574

The table below shows the geographic distribution of the relevant credit exposures for the purpose of calculating the institution-specific countercyclical capital buffer as at 31 December 2023.

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	33,769	304,816	352	90	39,401	378,428	11,368	31	762	12,161	151,891	68.80	-
ALBANIA	601	8	-	-	-	609	48	-	-	48	605	0.27	-
ANDORRA	2	-	-	-	-	2	-	-	-	-	2	0.00	-
SAUDI ARABIA	1	473	-	4	-	478	9	-	-	9	115	0.05	-
ARGENTINA	2	3	-	-	-	5	-	-	-	-	3	0.00	-
AUSTRALIA	116	1,418	-	4	-	1,538	58	-	-	58	735	0.33	1.00
AUSTRIA	144	327	-	2	-	473	20	-	-	20	246	0.11	-
AZERBAIJAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
BAILIWICK OF GUERNSEY	19	70	-	-	-	89	5	-	-	5	62	0.03	-
BAILIWICK OF JERSEY	13	18	-	-	-	31	2	-	-	2	30	0.01	-
BAHAMAS ISLANDS	-	205	-	-	-	205	3	-	-	3	32	0.01	-
BAHREIN	1	1	-	-	-	2	-	-	-	-	1	0.00	-
BANGLADESH	-	2	-	-	-	2	-	-	-	-	-	0.00	-
BELGIUM	159	1,937	-	4	-	2,100	83	-	-	83	1,044	0.47	-
BELIZE	2	-	-	-	-	2	-	-	-	-	2	0.00	-
BERMUDA	-	73	-	-	-	73	3	-	-	3	37	0.02	-
BELARUS	-	1	-	-	-	1	-	-	-	-	-	0.00	-
BOSNIA AND HERZEGOVINA	932	10	-	-	-	942	75	-	-	75	937	0.42	-
BRAZIL	472	991	-	1	-	1,464	88	-	-	88	1,105	0.50	-
BULGARIA	4	7	-	-	-	11	1	-	-	1	9	0.00	2.00
BURUNDI	2	-	-	-	-	2	-	-	-	-	2	0.00	-
CURACAO	1	-	-	-	-	1	-	-	-	-	1	0.00	-
CANADA	783	99	-	3	-	885	19	-	-	19	236	0.11	-
CAYMAN ISLANDS	144	375	-	-	15	534	16	-	-	16	210	0.09	-
CZECH REPUBLIC	222	1,573	-	9	-	1,804	103	-	-	103	1,294	0.59	2.00
CHILE	-	419	-	-	-	419	19	-	-	19	232	0.11	-
CHINA	300	623	-	-	-	923	121	-	-	121	1,509	0.68	-
CYPRUS	4	19	-	-	-	23	1	-	-	1	15	0.01	0.50
COLOMBIA	-	2	-	-	-	2	-	-	-	-	1	0.00	-
CONGO	1	-	-	-	-	1	-	-	-	-	1	0.00	-
SOUTH KOREA	69	45	-	-	-	114	3	-	-	3	35	0.02	-
IVORY COAST	1	-	-	-	-	1	-	-	-	-	1	0.00	-
COSTARICA	2	-	-	-	-	2	-	-	-	-	2	0.00	-
CROATIA	9,361	36	-	-	-	9,397	479	-	-	479	5,988	2.71	1.00
DENMARK	60	188	-	1	-	249	15	-	-	15	188	0.09	2.50
ECUADOR	-	1	-	-	-	1	-	-	-	-	-	0.00	-
EGYPT	1,643	83	-	-	-	1,726	107	-	-	107	1,331	0.60	-
UNITED ARAB EMIRATES	80	1,565	-	-	-	1,645	42	-	-	42	525	0.24	-
ESTONIA	27	2	-	-	-	29	-	-	-	-	3	0.00	1.50
ETHIOPIA	-	114	-	-	-	114	-	-	-	-	-	0.00	-
PHILIPPINES	-	5	-	-	-	5	-	-	-	-	5	0.00	-
FINLAND	20	235	-	10	-	265	9	-	-	9	118	0.05	-
FRANCE	1,410	3,265	121	9	779	5,584	217	13	10	240	3,003	1.36	0.50
GEORGIA	-	1	-	-	-	1	-	-	-	-	1	0.00	-
GERMANY	411	3,370	27	4	205	4,017	204	10	3	217	2,708	1.23	0.75
GHANA	34	2	-	-	-	36	1	-	-	1	14	0.01	-
JAPAN	114	499	-	12	-	625	19	1	-	20	252	0.11	-
JORDAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
GREECE	-	89	-	-	-	89	4	-	-	4	52	0.02	-
HONG KONG	16	428	-	-	-	444	18	-	-	18	221	0.10	1.00

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

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER - CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
INDIA	-	1,243	-	-	-	1,243	61	-	-	61	763	0.35	-
INDONESIA	-	116	-	-	-	116	5	-	-	5	65	0.03	-
IRELAND	192	382	186	6	1,135	1,901	29	6	16	51	635	0.29	1.00
ICELAND	-	13	-	-	-	13	-	-	-	-	6	0.00	2.00
ISLE OF MAN	18	-	-	-	-	18	1	-	-	1	19	0.01	-
BRITISH VIRGIN ISLANDS	20	38	-	-	-	58	2	-	-	2	30	0.01	-
ISRAEL	2	33	-	14	-	49	3	1	-	4	52	0.02	-
KAZAKHSTAN	-	1	-	-	-	1	-	-	-	-	1	0.00	-
KENYA	99	2	-	-	-	101	-	-	-	-	2	0.00	-
KOSOVO	1	-	-	-	-	1	-	-	-	-	-	0.00	-
KUWAIT	-	28	-	-	-	28	-	-	-	-	4	0.00	-
LIECHTENSTEIN	1	2	-	-	-	3	-	-	-	-	2	0.00	-
LITHUANIA	-	2	-	-	-	2	-	-	-	-	2	0.00	1.00
LUXEMBOURG	1,064	3,888	-	26	30	5,008	273	1	-	274	3,435	1.56	0.50
MACEDONIA	2	1	-	-	-	3	-	-	-	-	1	0.00	-
MALAYSIA	-	6	-	-	-	6	1	-	-	1	8	0.00	-
MALTA	10	33	-	-	-	43	1	-	-	1	13	0.01	-
MOROCCO	3	-	-	-	-	3	-	-	-	-	2	0.00	-
MARSHALL ISLANDS	16	78	-	-	-	94	8	-	-	8	101	0.05	-
MAURITIUS ISLANDS	2	148	-	-	-	150	7	-	-	7	82	0.04	-
MEXICO	10	515	-	50	-	575	24	-	-	24	304	0.14	-
MOLDOVA	130	2	-	-	-	132	5	-	-	5	68	0.03	-
MONGOLIA	-	1	-	-	-	1	-	-	-	-	-	0.00	-
MONTENEGRO	6	-	-	-	-	6	-	-	-	-	6	0.00	-
NIGERIA	-	34	-	-	-	34	2	-	-	2	24	0.01	-
NORWAY	246	282	-	1	-	529	25	-	-	25	315	0.14	2.50
NEW ZELAND	1	7	-	-	-	8	1	-	-	1	10	0.00	-
OMAN	-	46	-	-	-	46	1	-	-	1	16	0.01	-
NETHERLANDS	525	3,381	47	28	349	4,330	237	5	4	246	3,073	1.39	1.00
PAKISTAN	-	1	-	-	-	1	-	-	-	-	1	0.00	-
PANAMA	9	154	-	-	-	163	4	-	-	4	47	0.02	-
PERU	-	73	-	-	-	73	2	-	-	2	29	0.01	-
POLAND	79	1,451	-	-	-	1,530	64	-	-	64	800	0.36	-
PUERTO RICO	-	127	-	-	-	127	7	-	-	7	93	0.04	-
PORTUGAL	89	156	27	13	8	293	9	-	1	10	133	0.06	-
PRINCIPALITY OF MONACO	27	16	-	-	-	43	2	-	-	2	30	0.01	-
QATAR	-	87	-	-	-	87	3	-	-	3	35	0.02	-
UNITED KINGDOM	548	5,461	34	226	372	6,641	350	6	3	359	4,491	2.03	2.00
ROMANIA	938	49	-	-	-	987	48	-	-	48	599	0.27	1.00
RUSSIA	285	1,552	-	-	-	1,837	197	-	-	197	2,462	1.11	-
SALVADOR	-	-	-	-	-	-	-	-	-	-	1	0.00	-
SAN MARINO	2	82	-	-	-	84	5	-	-	5	64	0.03	-
SERBIA	5,116	169	-	-	-	5,285	312	-	-	312	3,894	1.76	-
SINGAPORE	7	902	-	-	-	909	32	-	-	32	403	0.18	-
SLOVAKIA	1,693	15,952	-	-	-	17,645	557	-	-	557	6,957	3.15	1.50
SLOVENIA	1,384	1,195	-	-	-	2,579	127	-	-	127	1,590	0.72	0.50
SPAIN	544	4,025	9	10	438	5,026	232	4	24	260	3,245	1.47	-
UNITED STATES OF AMERICA	573	10,937	30	115	384	12,039	517	4	6	527	6,593	2.98	-
SOUTH AFRICAN REPUBLIC	-	96	-	-	-	96	8	-	-	8	102	0.05	-

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

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER - CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
SWEDEN	241	530	-	20	-	791	50	-	-	50	622	0.28	2.00
SWITZERLAND	474	1,242	-	57	-	1,773	77	1	-	78	970	0.44	-
THAILAND	-	9	-	-	-	9	1	-	-	1	6	0.00	-
TANZANIA	-	1	-	-	-	1	-	-	-	-	-	0.00	-
TUNISIA	-	3	-	-	-	3	-	-	-	-	1	0.00	-
TURKEY	15	562	-	-	-	577	65	-	-	65	806	0.37	-
UKRAINE	19	132	-	-	-	151	7	-	-	7	91	0.04	-
HUNGARY	4,555	315	-	-	-	4,870	234	-	-	234	2,930	1.33	-
URUGUAY	1	164	-	-	-	165	5	-	-	5	64	0.03	-
UZBEKISTAN	-	148	-	-	-	148	-	-	-	-	5	0.00	-
VENEZUELA	-	3	-	-	-	3	-	-	-	-	3	0.00	-
VIETNAM	-	3	-	-	-	3	-	-	-	-	3	0.00	-
ZAMBIA	2	-	-	-	-	2	-	-	-	-	-	0.00	-
ZIMBABWE	-	1	-	-	-	1	-	-	-	-	-	0.00	-
TOTAL	**69,891**	**379,280**	**833**	**719**	**43,116**	**493,839**	**16,761**	**83**	**829**	**17,673**	**220,913**	**100.00**	-

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

The Group's countercyclical buffer rate of 0.19% is calculated only for exposures to countries that adopt a non-zero buffer rate.

Insurance participations (EU INS1 Reg. 2021/637)

(millions of euro)

	Exposure value	Risk exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	6,327	23,410

As a "financial conglomerate" with a Parent Company of a banking group, Intesa Sanpaolo S.p.A., which controls the Intesa Sanpaolo Vita Insurance Group, on 9 September 2019 the Intesa Sanpaolo Group received permission from the ECB to calculate the Group's consolidated capital ratios, from the report as at 30 September 2019, using the Danish Compromise set out in Article 49 of Regulation (EU) 575/2013 (CRR), which allows banks that hold own funds instruments in insurance companies, subject to authorisation from their competent authorities, not to deduct those significant investments from Common Equity Tier 1 Capital (CET1) and weight them at 370% among RWA.
Between June and December 2023, there was an increase of 2.1 billion euro in terms of RWAs, due to the rise in the value of insurance equity investments during the half year (amounting to around 0.6 billion euro), mainly as a result of profits and valuation reserves.
In addition, based on specific instructions received from the ECB, the subordinated instruments issued by the Group's insurance companies and held by the Parent Company (272 million euro as at 31 December 2023) have been weighted, resulting in additional RWAs of around 1 billion euro. These latter figures are not included in the EU INS1 table figures.

THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

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

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

In compliance with Article 438(g) of the CRR, the disclosure is provided below of the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate, calculated in accordance with the current provisions[21].

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

(millions of euro)

	31.12.2023
Supplementary own fund requirements of the financial conglomerate (amount)	40,057
Capital adequacy ratio of the financial conglomerate (%)	149.57%

As at 31 December 2023, the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by 19,885 million euro. For the purpose of calculating the capital requirements of the banks, a Total Capital Ratio of 12.99% was considered, as taken from the outcomes of the Supervisory Review and Evaluation Process (SREP) for 2023.

For 2023, the Group's insurance companies implemented all the new obligations required in that regard by the calendar for sending data reports to the Supervisory Authority (IVASS). The main data included in these reports concerned Eligible Own Funds, the Solvency Capital Requirement (SCR) and the Solvency Ratio. Intesa Sanpaolo Vita calculates the aggregate Solvency Ratio for the insurance companies as the parent company of the insurance group within the Intesa Sanpaolo Banking Group.
In accordance with Article 96 of Legislative Decree 209/2005 (the Insurers' Code), Intesa Sanpaolo Vita is also required to prepare the "consolidated aggregate" financial statements of the Insurance Group that includes Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute, Intesa Sanpaolo Insurance Agency, as 100% controlled companies, and InSalute Servizi, as a 65% controlled company, in addition to Fideuram Vita, as it is subject to unitary management in accordance with the insurers' code.

To streamline the scope of the insurance group of companies operating in the life insurance classes, the merger by incorporation of Intesa Sanpaolo Life D.A.C. into Intesa Sanpaolo Vita was implemented on 1 December 2023.

As at 31 December 2023, the Intesa Sanpaolo Vita Group had a regulatory Solvency Ratio of 256%, understood as the ratio of Group eligible own funds to the solvency capital requirement, both calculated according to Solvency II.

In addition, in 2023 the Ordinary Shareholders' Meeting of Intesa Sanpaolo Vita approved two distributions of part of the other shareholders' equity reserves to the Parent Company for a total of 504.5 million euro on 28 March 2023.

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

Section 5 - Liquidity Risk

LIQUIDITY RISK

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

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

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

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

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

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

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

subsidiaries, whose liquidity management is carried out by the Treasury/ALM functions of each subsidiary, under the guidance and monitoring of the competent structures of the Parent Company.

The corporate functions of the Parent Company responsible for ensuring the correct application of the Guidelines and the adequacy of the Group's liquidity position are the Group Treasury and Finance Head Office Department and the Planning and Control 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 Group's liquidity is managed by the aforesaid structures of the CFO area through thorough monitoring of cash flows and continuous liaison with the Business Units, within the framework of the relevant business plans drawn up in accordance with the following guidelines:

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

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

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

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

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

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

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

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

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

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

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

Group liquidity position
The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained within the risk limits set out in the current Group Liquidity Policy for all of 2023.
Both regulatory indicators, LCR and NSFR, were above the regulatory requirements. In 2023, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[22] of 168.1% (181.9% in 2022). The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, in addition to adequate wholesale medium/long-term securities funding. The remaining component of TLTRO funding no longer contributes to the support of the indicator, as it is now almost entirely maturing by 28 June 2024. As at 31 December 2023, the Intesa Sanpaolo Group’s NSFR, measured in accordance with regulatory instructions, was 121.1% (126% at the end of 2022).

The surpluses of both regulatory indicators, LCR and NSFR, are mainly originated within the Eurozone sub-consolidation scope. For the purposes of the LCR indicator, individual surpluses recorded at some international subsidiaries are also sterilised on consolidation due to constraints on the circulation of liquidity at those subsidiaries.
At the end of December 2023, the value of the total unencumbered HQLA reserves, at the various Treasury Departments of the Group, amounted to 160.3 billion euro (172.5 billion euro at the end of 2022). These reserves consisted of around 54% cash as a result of the temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Adding the other marketable reserves and/or eligible reserves for Central Banks, including retained self-securitisations, the Group’s total unencumbered liquidity reserves amounted to 202.2 billion euro (177.7 billion euro at the end of 2022), of which 85% held at the Parent Company’s Central Treasury and 15% at decentralised treasuries, based on the local needs of the Group’s various subsidiaries.
The Group’s total reserves increased in relation to the ECB’s return of the collateral underlying the TLTROs repaid during the year, a change only partially offset by the decrease in available cash among HQLAs, thanks to the new medium and long-term (MLT) funding volumes in the financial markets and liquidity surplus resulting from the commercial operations of the Networks.

(millions of euro)

	Unencumbered (net of haircut)	
	31.12.2023	31.12.2022
HQLA Liquidity Reserves	**160,309**	**172,528**
Cash and Deposits held with Central Banks (HQLA)	80,461	109,792
Highly liquid securities (HQLA)	68,522	55,931
Other HQLA securities not included in LCR	11,326	6,805
Other eligible and/or marketable reserves	**41,877**	**5,222**
Total Group's Liquidity Buffer	**202,186**	**177,750**

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

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

Intesa Sanpaolo’s funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo’s main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) medium/long-term funding, mainly composed of own issues (senior debt securities in the euro and US markets, in addition to subordinated securities and covered bonds/ABSs), (iii) short-term funding on wholesale markets, largely consisting of repurchase agreements and CD/CP funding; and (iv) repurchase agreements on eligible retained assets. The Eurosystem refinancing operations (TLTROs) mature within the year.

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

The Group Liquidity Risk Management Guidelines require the regular monitoring of the concentration analyses for the funding (by counterparty/product) and for the liquidity reserves (by issuer/counterparty).

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

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

Impacts of the Russia-Ukraine conflict

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

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

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

(millions of euro)

SCOPE OF CONSOLIDATION		TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
EU1a	Quarter ending on	31-dec-23	30-sep-23	30-jun-23	31-mar-23	31-dec-23	30-sep-23	30-jun-23	31-mar-23
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)**					**141,856**	**145,017**	**149,684**	**156,725**
CASH-OUTFLOWS									
2	**Retail deposits and deposits from small business customers, of which:**	**281,248**	**287,661**	**293,239**	**296,627**	**20,066**	**20,631**	**21,132**	**21,404**
3	*Stable deposits*	*203,714*	*206,639*	*208,766*	*209,886*	*10,186*	*10,332*	*10,438*	*10,494*
4	*Less stable deposits*	*77,534*	*81,022*	*84,473*	*86,741*	*9,880*	*10,299*	*10,694*	*10,910*
5	**Unsecured wholesale funding**	**123,560**	**127,901**	**135,747**	**143,145**	**53,339**	**54,878**	**57,958**	**61,007**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*41,167*	*43,204*	*46,650*	*49,696*	*10,241*	*10,764*	*11,639*	*12,413*
7	*Non operational deposits (all counterparties)*	*79,526*	*81,749*	*86,231*	*90,537*	*40,231*	*41,166*	*43,453*	*45,682*
8	*Unsecured debt*	*2,867*	*2,948*	*2,866*	*2,912*	*2,867*	*2,948*	*2,866*	*2,912*
9	**Secured wholesale funding**					**1,888**	**2,025**	**2,227**	**2,141**
10	**Additional requirements**	**85,182**	**84,269**	**83,452**	**81,584**	**21,815**	**21,390**	**21,050**	**20,153**
11	*Outflows related to derivative exposure and other collateral requirements*	*5,955*	*5,934*	*5,814*	*5,027*	*5,955*	*5,934*	*5,814*	*5,027*
12	*Outflos related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*79,227*	*78,335*	*77,638*	*76,557*	*15,860*	*15,456*	*15,236*	*15,126*
14	**Other contractual funding obligations**	**7,783**	**7,411**	**7,653**	**7,503**	**4,752**	**4,177**	**3,534**	**3,642**
15	**Other contingent funding obligations**	**110,774**	**113,237**	**116,291**	**118,065**	**5,401**	**5,510**	**5,663**	**5,746**
16	**TOTAL CASH OUTFLOWS**					**107,261**	**108,611**	**111,564**	**114,093**
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	10,836	12,384	16,062	19,385	230	225	258	325
18	Inflows from fully performing exposures	18,230	18,685	20,409	21,490	11,831	12,045	13,088	13,764
19	Other cash inflows	28,001	28,397	28,465	28,381	10,733	10,706	10,695	10,827
EU19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**57,067**	**59,466**	**64,936**	**69,256**	**22,794**	**22,976**	**24,041**	**24,916**
EU20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU20c	*Inflows subject to 75% cap*	*57,067*	*59,466*	*64,936*	*69,256*	*22,794*	*22,976*	*24,041*	*24,916*
TOTAL ADJUSTED VALUE									
EU21	**LIQUIDITY BUFFER**					**141,856**	**145,017**	**149,684**	**156,725**
22	**TOTAL NET CASH OUTFLOWS**					**84,467**	**85,635**	**87,523**	**89,177**
23	**LIQUIDITY COVERAGE RATIO**					**168.1%**	**169.3%**	**171.1%**	**175.6%**

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

The table below provides the quantitative information relating to the Net Stable Funding Ratio, in accordance with Regulation (EU) 2021/637, for the quarters ending 31 December 2023, 30 September 2023, 30 June 2023 and 31 March 2023.

Net Stable Funding Ratio (NSFR) as at 31 December 2023 (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**	**60,480**	**-**	**-**	**7,953**	**68,433**
2	Own funds	60,480	-	-	7,953	68,433
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**279,963**	**4,067**	**29,539**	**295,251**
5	Stable deposits		201,416	273	260	191,865
6	Less stable deposits		78,547	3,794	29,279	103,386
7	**Wholesale funding:**		**229,445**	**11,435**	**80,350**	**143,727**
8	Operational deposits		43,043	-	-	21,522
9	Other wholesale funding		186,402	11,435	80,350	122,205
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**2,227**	**30,321**	**1,097**	**3,993**	**4,541**
12	NSFR derivative liabilities	2,227				
13	All other liabilities and capital instruments not included in the above categories		30,321	1,097	3,993	4,541
14	**Total available stable funding (ASF)**					**511,952**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**6,780**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**373**	**327**	**17,083**	**15,116**
16	**Deposits held at other financial institutions for operational purposes**		**877**	**-**	**-**	**438**
17	**Performing loans and securities:**		**108,185**	**29,202**	**304,378**	**303,733**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		8,542	54	9,066	9,101
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		13,628	3,596	14,749	17,770
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		61,467	20,626	146,539	165,626
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*521*	*366*	*4,074*	*3,103*
22	Performing residential mortgages, of which:		3,918	2,809	101,290	75,644
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,469*	*2,594*	*91,715*	*67,058*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		20,630	2,117	32,734	35,592
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**29,057**	**1,544**	**77,377**	**85,310**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4,386	25	4,162	7,287
29	NSFR derivative assets		691	-	-	691
30	NSFR derivative liabilities before deduction of variation margin posted		15,338	-	-	767
31	All other assets not included in the above categories		8,642	1,519	73,215	76,565
32	**Off-balance sheet items**		**2,751**	**-**	**190,780**	**11,529**
33	**Total RSF**					**422,906**
34	**Net Stable Funding Ratio (%)**					**121.1%**

Net Stable Funding Ratio (NSFR) as at 30 September 2023 (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**	**59,663**	**-**	**-**	**8,088**	**67,751**
2	Own funds	59,663	-	-	8,088	67,751
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**284,393**	**1,421**	**25,927**	**293,347**
5	Stable deposits		203,317	417	255	193,803
6	Less stable deposits		81,076	1,004	25,672	99,544
7	**Wholesale funding:**		**204,673**	**21,773**	**77,296**	**143,021**
8	Operational deposits		41,552	-	-	20,776
9	Other wholesale funding		163,121	21,773	77,296	122,245
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**4,328**	**19,704**	**1,181**	**4,749**	**5,340**
12	NSFR derivative liabilities	4,328				
13	All other liabilities and capital instruments not included in the above categories		19,704	1,181	4,749	5,340
14	**Total available stable funding (ASF)**					**509,459**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**7,628**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**333**	**339**	**17,377**	**15,342**
16	**Deposits held at other financial institutions for operational purposes**		**783**	**25**	**-**	**404**
17	**Performing loans and securities:**		**98,673**	**33,222**	**307,001**	**304,311**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		6,408	29	9,098	9,123
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		14,260	4,023	15,258	18,605
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		57,753	21,599	151,307	168,530
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*477*	*433*	*3,659*	*2,847*
22	Performing residential mortgages, of which:		3,529	3,445	100,881	74,390
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,116*	*3,085*	*91,449*	*65,868*
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		16,723	4,126	30,457	33,663
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**36,095**	**5,676**	**70,628**	**81,850**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4,132	41	4,312	7,212
29	NSFR derivative assets		47	-	-	47
30	NSFR derivative liabilities before deduction of variation margin posted		19,916	-	-	996
31	All other assets not included in the above categories		12,000	5,635	66,316	73,595
32	**Off-balance sheet items**		**2,690**	**-**	**189,619**	**11,464**
33	**Total RSF**					**420,999**
34	**Net Stable Funding Ratio (%)**					**121.0%**

Net Stable Funding Ratio (NSFR) as at 30 June 2023 (EU LIQ2 Reg. 2021/637)

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**58,990**	**-**	**-**	**8,498**	**67,488**
2	Own funds	58,990	-	-	8,498	67,488
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**283,643**	**1,406**	**22,441**	**289,176**
5	Stable deposits		203,389	425	216	193,840
6	Less stable deposits		80,254	981	22,225	95,336
7	**Wholesale funding:**		**168,338**	**59,527**	**74,306**	**158,686**
8	Operational deposits		38,525	-	-	19,262
9	Other wholesale funding		129,813	59,527	74,306	139,424
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**3,653**	**28,237**	**1,041**	**4,784**	**5,305**
12	NSFR derivative liabilities	3,653				
13	All other liabilities and capital instruments not included in the above categories		28,237	1,041	4,784	5,305
14	**Total available stable funding (ASF)**					**520,655**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**6,196**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**359**	**367**	**16,259**	**14,437**
16	**Deposits held at other financial institutions for operational purposes**		**801**	**25**	**-**	**413**
17	**Performing loans and securities:**		**102,171**	**33,650**	**309,211**	**306,041**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		7,098	28	9,179	9,284
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		15,139	2,789	15,421	18,226
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		57,291	24,178	152,874	170,956
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*426*	*546*	*3,557*	*2,810*
22	Performing residential mortgages, of which:		3,369	3,551	102,567	75,242
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,014*	*3,160*	*92,989*	*66,618*
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		19,274	3,104	29,170	32,333
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**28,646**	**23,715**	**59,791**	**76,190**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		154	17	5,236	4,596
29	NSFR derivative assets		46	-	-	46
30	NSFR derivative liabilities before deduction of variation margin posted		17,642	-	-	882
31	All other assets not included in the above categories		10,804	23,698	54,555	70,666
32	**Off-balance sheet items**		**2,599**	**-**	**190,150**	**11,457**
33	**Total RSF**					**414,734**
34	**Net Stable Funding Ratio (%)**					**125.5%**

Net Stable Funding Ratio (NSFR) as at 31 March 2023 (EU LIQ2 Reg. 2021/637)

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**58,221**	**-**	**-**	**8,975**	**67,196**
2	Own funds	58,221	-	-	8,975	67,196
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**289,288**	**2,574**	**24,182**	**297,236**
5	Stable deposits		206,994	558	202	197,376
6	Less stable deposits		82,294	2,016	23,980	99,860
7	**Wholesale funding:**		**184,706**	**47,098**	**70,203**	**148,769**
8	Operational deposits		41,213	-	-	20,606
9	Other wholesale funding		143,493	47,098	70,203	128,163
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**34**	**22,001**	**1,064**	**5,326**	**5,858**
12	NSFR derivative liabilities	34				
13	All other liabilities and capital instruments not included in the above categories		22,001	1,064	5,326	5,858
14	**Total available stable funding (ASF)**					**519,059**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**6,378**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**349**	**358**	**15,957**	**14,164**
16	**Deposits held at other financial institutions for operational purposes**		**961**	**13**	**-**	**487**
17	**Performing loans and securities:**		**108,155**	**36,783**	**313,014**	**311,636**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		15,340	17	7,622	7,714
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		12,768	3,014	15,129	17,823
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		58,286	25,069	158,283	178,852
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*295*	*654*	*3,569*	*2,804*
22	Performing residential mortgages, of which:		3,572	3,659	103,212	74,774
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,124*	*3,202*	*93,763*	*66,220*
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		18,189	5,024	28,768	32,473
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**26,970**	**20,187**	**58,588**	**73,042**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		5	1	5,593	4,758
29	NSFR derivative assets		60	-	-	60
30	NSFR derivative liabilities before deduction of variation margin posted		14,982	-	-	749
31	All other assets not included in the above categories		11,923	20,186	52,995	67,475
32	**Off-balance sheet items**		**2,432**	**-**	**182,311**	**11,039**
33	**Total RSF**					**416,746**
34	**Net Stable Funding Ratio (%)**					**124.6%**

Group liquidity management model and interaction between affiliates

Integrated management is a key factor in the successful governance of liquidity risk. The existence of integrated liquidity management models is also recognised by the current European legislation, which provides the possibility of being exempted from individual compliance with the LCR requirement.
In this context, and in view of the centralised liquidity management models adopted by the Intesa Sanpaolo Group, the ECB has accepted the application for exemption from the individual compliance with the LCR requirement and the related reporting obligations (see Part 6, CRR) for the Group's main Italian subsidiaries.
All the international subsidiary banks of the Group comply with the individual LCR requirements, as they were well above the minimum regulatory amounts required throughout 2023. To this end, and based on the particular characteristics of each international jurisdiction, adequate liquid reserves are maintained that are readily available at local level. For affiliates resident in a third country subject to restrictions on the free transferability of funds, the calculation of the Group LCR can only include the reserves held there to meet liquidity outflows in that third country (accordingly, all surplus amounts are excluded from the consolidation).

Currency mismatch in the Liquidity Coverage Ratio

The Intesa Sanpaolo Group operates primarily in euro. The EU regulations require the monitoring and reporting of the "LCR in foreign currency" when the aggregate liabilities held in a foreign currency are "material", i.e. equal to or greater than 5% of the total liabilities held by the institution.
As at 31 December 2023, the US dollar (USD) was confirmed as material currency at consolidated level for the Group. Intesa Sanpaolo has an LCR position in USD of over 100% and has ample reserves of extremely high quality liquid assets (EHQLA) in US dollars, mainly consisting of unrestricted deposits held at the Federal Reserve.

Concentration of funding

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo's main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) medium/long-term funding, mainly composed of own issues (senior debt securities in the euro and US markets, in addition to subordinated securities and covered bonds/ABSs), (iii) short-term funding on wholesale markets, largely consisting of repurchase agreements and funding from Certificates of deposit/Commercial paper; and (iv) repurchase agreements on eligible retained assets. The Eurosystem refinancing operations (TLTROs) mature within 2024. 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 – HLBA), and by using advanced internal counterparty risk models. These figures are calculated from the potential outflows of the various liquidity indicators, contributing to the determination of the minimum Liquidity Buffer to be held to cover the estimated outflows.

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

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

Section 6 - Credit risk: general disclosure

Qualitative disclosure

Risk management strategies and processes

The Group’s strategies, Risk Appetite Framework, and Powers and Rules for credit granting and management are aimed at:

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

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

It should also be noted that the 2022-2025 Business Plan includes specific initiatives aimed at massive NPL stock reduction and continuous pre-emption through a modular strategy.
As a result of the massive de-risking carried out in previous years, in 2023 a number of extraordinary disposals were carried out on portfolios amounting to 1.2 billion euro in Gross Book Value (GBV), in addition to around 0.4 billion euro of GBV from sales of single name loans. The following transactions were also carried out: i) in March 2023, the transaction was completed for the sale of a portfolio for a GBV of 0.8 billion euro, which had already been reclassified to assets held for sale at the end of last year; and ii) in December, a portfolio with a GBV of around 0.2 billion euro was classified under assets held for sale, for which the sale is envisaged in 2024.
For more details, see the paragraph “The 2022-2025 Business Plan” of the Report on operations of the 2023 Consolidated financial statements.

Structure and organisation of the associated risk management function

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

- Chief Lending Officer Governance Area;
- Chief Risk Officer Governance Area;
- Chief Financial Officer Governance Area.

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

The Chief Lending Officer Governance Area, with the aid of its structures (BdT Underwriting Head Office Department, CIB Underwriting Head Office Department, ISB Credit Head Office Department, Credit Governance Head Office Department, Credit Value Preservation Head Office Department and NPE Head Office Department):

- makes material credit decisions, directly or submitting them to the relevant bodies, in relation to the assumption and management of the Group’s credit risks, authorising them directly if falling within its prerogatives, including by way of advisory opinions;
- ensures the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- ensures the proactive management of credit and guarantees the management and the monitoring of the Group’s non-performing loans, within its area of responsibility;
- manages the stocks and flows of bad loans managed within the Group;
- designs and manages transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performs monitoring and control on outsourced activities, including the monitoring of the performance KPIs of outsourcers, directly making decisions, or submitting them to the Competent Bodies, regarding proposals exceeding the powers delegated to the outsourcers;

- contributes to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and to their definition in relation to the relevant credit management variables, without prejudice to the Chief Financial Officer Governance Area's ultimate responsibility for their finalisation;
- contributes to establishing and evaluating the Group's Sector Framework, coordinating and supporting the Sector Working Group in defining sector performance indicators;
- analyses the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;
- assigns and validates the ratings to the relevant positions, also providing support in the definition of the rating assignment processes and tools;
- defines the relevant regulations on credit matters, the requirements for the development of credit tools and contributes to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the Chief Risk Officer Governance Area's ultimate responsibility for their finalisation;
- promotes initiatives aimed at disseminating and developing a credit culture;
- ensures, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Management Guidance, the first level systematic supervision of the relevant loan portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

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

The activities are performed directly by the Chief Risk Officer Governance Area for both the Parent Company and the main subsidiaries, using the centralised model.

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

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

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

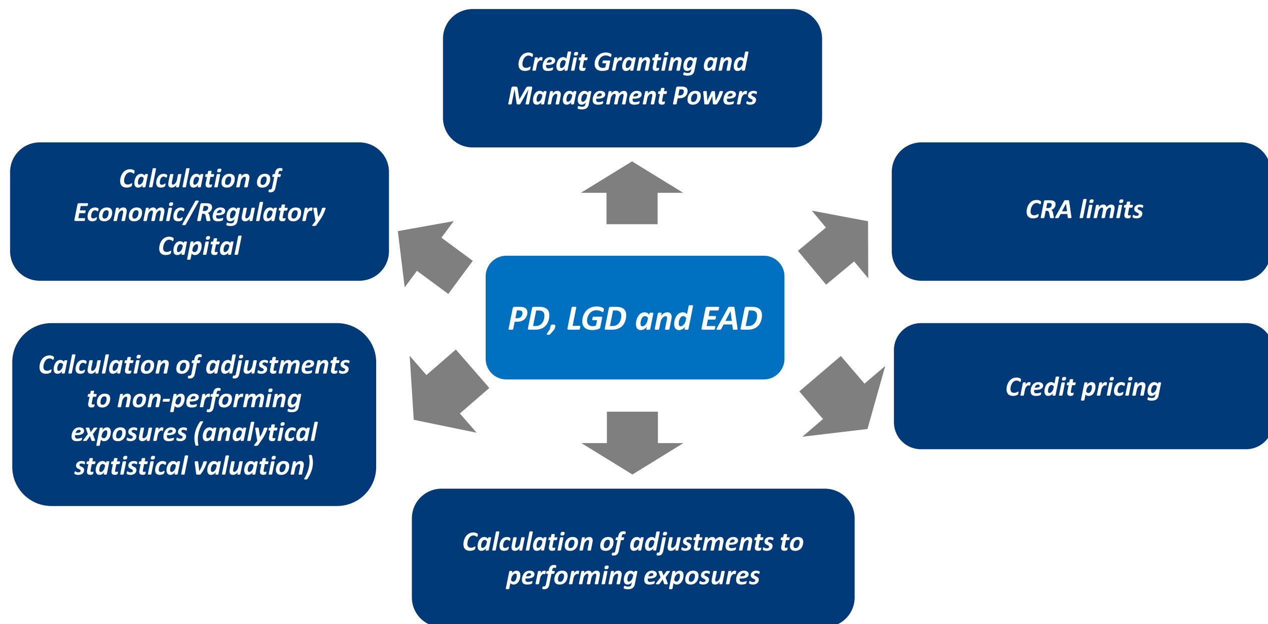
Scope of application and characteristics of the risk measurement and reporting system

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

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

The components that contribute to the determination of the Risk Weighted Assets are the key elements for the determination of the levels of the Credit Granting Powers, the limits of the Credit Risk Appetite (CRA), the credit pricing, the calculation of

the adjustments on performing exposures and the analytical-statistical adjustments on non-performing exposures, as well as the calculation of the economic and regulatory capital.



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

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

The credit risk management processes also envisage the periodic review of the credit positions by the competent centralised or decentralised units and the assessment of customers not only at origination, but also on a continuous basis, through a periodic monitoring process that interacts with the credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. An Early Warning System (EWS) for detection and classification is being applied to the Corporate, Retail SME, Retail and Institutions portfolios. In this framework, the Corporate model have been updated in 2023. The models were also developed using the indicators identified in the Asset Quality Review and consist of a statistical part, a qualitative part and additional manual event triggers. The indicators are updated on a daily basis and, when they confirm a potential anomaly positions are detected and reported in specific management processes. The EWS models, as mentioned above, have been undergoing further development since the second half of 2021 for progressive integration into the credit processes (starting from 2023 with the update of the Corporate model). More generally, the Group continued to develop its own managerial models to support the credit granting, monitoring and management processes (e.g. affordability, automatic granting engines, and forecasting). More specifically, in the retail segment, in 2023 the deployment of the affordability model was completed to support both Intesa Sanpaolo's and Isybank's personal loan products and Intesa Sanpaolo's mortgage loans. In the corporate area, an update was made to the automatic granting engines for the "*sold" factoring* product for both Retail SME and Corporate, and a new automatic granting model was introduced for the *current account opening, POS advance* and *18-1* products for the Retail SME segment. The

sector-specific forecasting models support several processes including RAF, credit strategies, and credit granting and monitoring activities/instruments, as well as management overlays for the IFRS 9 models.

The valuation of the adjustments to the performing and non-performing exposures is based on methods consistent with IFRS 9, described in detail in the following Section 7 – Credit risk: credit quality of this document, in particular in the paragraph "*Description of the methods adopted to calculate the adjustments*". The following paragraph "*Methods for measuring expected losses*" details the main application profile as at 31 December 2023.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a particular country.
The country risk component is used in the granting of credit to non-resident entities in order to obtain a preliminary evaluation of the absorption of the country risk limits set on an *ex-ante* basis. These limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, set on an annual basis in the Group Risk Appetite Framework. It should also be noted that, as a result of the exceptional situation caused by the outbreak of the Russia/Ukraine conflict, the estimated transfer risk of the Russian Federation was taken as a reference for the establishment of the management overlay of the LGD of the cross-border counterparties as described in paragraph "1.1 The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine" of the 2023 Consolidated financial statements.

Counterparty risk is a particular kind of credit risk associated with derivatives and SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing), that refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
With regard to counterparty risk, the Banking Group has an internal model for measuring this risk both for regulatory (only for the Parent Company) and managerial purposes.
Potential Future Exposure (mean effective PFE 95%) has been adopted by the entire Banking Group for the measurement of the utilisation rate of credit limits for derivatives and SFTs exposures. The Market, Financial and C&IB Risks Coordination Area produces daily risk measurement estimates for counterparty risk, for the measurement of the utilisation rate of credit lines for derivatives and SFTs for the Parent Company and Fideuram - Intesa Sanpaolo Private Banking. The other Banks of the Group also use an internal model measurement approach, in simplified form, through internally estimated add-ons.
In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:

- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives and SFTs with margining agreements (CSA, GMRA and similar);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk;
- definition and periodic calculation of back-testing analyses to monitor the predictive performance over time of the model with respect to the movements of the risk factors underlying the transactions in the portfolio.

The concentration risk arises from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:

- aimed at defining exposure limits for specific geographical areas and sets of counterparties (e.g.: the top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large exposures" and to credit lines subject to country risk;
- aimed at ex-post correction of the risk profile, through the secondary loan market, through specific judgement metrics based on the maximisation of overall portfolio value.

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

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

Methods for measuring expected losses

The expected loss is the product of exposure at default, probability of default and Loss Given Default.
In Intesa Sanpaolo, probability of default is measured by means of different rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a measure, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle.
A number of rating models are used for the Corporate segment, which use all available information sources and incorporate the opinions of credit analysts and relationship managers. In particular:

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

The Corporate model is also used to calculate the resulting RWAs for the Equity portfolio of the Banking Book.
The models applied to the Retail portfolio are as follows:

- for the Retail SME segment, since May 2021, a new automated rating model has been in use that enables the real time calculation of the rating; this model was updated in October 2022 with effects for reporting purposes from June 2023, following receipt of the authorisation letter;
- for the Retail segment, the counterparty rating model in use since September 2018 was updated in August 2022, following the receipt of the authorisation letter, with effects for reporting purposes from September 2022. In May 2023, the Group received approval for the *ex-ante* UBI Retail notification sent in October 2022.

With regard to the Institutions portfolio:

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

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

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

Some of these models are used for reporting purposes and others only for management purposes.

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

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

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

For the banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models, and a recalibration of the observed LGD levels on the bank's internal defaults.
Sovereign LGD is estimated by analysing historical recovery rates on sovereign defaults, split into five categories according to income levels and other specific characteristics the individual countries.
The LGD Sovereign model is used solely for management purposes.

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

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

The methodology for the estimation of the Expected Credit Loss (ECL), adopted for the determination of the impairment on the credit exposures in accordance with IFRS 9, is implemented at individual transaction or securities tranche level, based on the IRB modelling of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate adjustments are made to ensure compliance with the requirements of the standard. A detailed description of the methods adopted by the Group is provided in Section 7 – Credit risk: credit quality of this document, in particular in the paragraph "*Description of the methods adopted to calculate the adjustments*".
More specifically, the measurement of the financial assets reflects the best estimate of the effects of future conditions and in particular the economic conditions that affect the forward-looking PDs and LGDs. IFRS 9, also based on the guidance from the international regulators, gives particular importance to information on future macroeconomic scenarios in which the Bank may find itself and which clearly influence the situation of the debtors, with regard both to the "risk" of migration of exposures to lower quality classes (and therefore concerning the staging) and to the recoverable amounts (and therefore concerning the determination of the expected loss on the exposures). In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the "Most likely scenario+Add-on" approach. According to this approach, the macroeconomic conditioning of PD and LGD is carried out through a baseline scenario ("Most Likely", in line with the approach used for other business purposes such as, for example, the budget and business plans) and then corrected with an Add-On, calculated based on the distance between the baseline scenario and the alternative scenarios. If the overall impact of the Add-On on the risk parameters is positive, the decision has been made to neutralise the effect for both staging and ECL calculation purposes. As at 31 December 2023, the usual update was made to the time series for the satellite models adopted in the Core scope, and, following the update, the most significant variables and the methodological framework adopted in previous years for those models were confirmed.
The effectiveness of the IFRS 9 models is monitored by the Validation function once a year through specific backtesting of the risk parameters (staging criteria, PD, LGD and EAD models, and haircuts). In addition, in the event of significant updates, the Validation function performs prior checks also in terms of model design. The results of the checks by the Validation function are submitted to the competent managerial committees and model owner functions and are presented in the annual report on the internal models used for management purposes, which is also sent to the Supervisor.

Macroeconomic scenario for forward-looking conditioning

For the purposes of forward-looking conditioning of the parameters for estimating the ECL – in accordance with the approach described in the paragraph "*Description of the methods adopted to calculate the adjustments*" of Section 7 – Credit risk: credit quality – Intesa Sanpaolo's policy involves the use of the macroeconomic scenario defined and updated by the Research Department.
The table shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the "Most-Likely scenario + Add-on" model described above.

		Baseline				Mild				Severe			
		2023	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
Euro Area	Real GDP EUR (annual change)	0.4%	0.4%	1.5%	1.6%	0.4%	1.1%	1.7%	1.9%	0.4%	-0.0%	0.6%	1.1%
	CPI EUR (annual change)	5.4%	2.3%	2.0%	1.9%	5.4%	2.4%	2.3%	2.0%	5.4%	2.2%	1.5%	1.7%
	Euribor 3M	3.43	3.75	2.96	2.53	3.43	3.84	3.54	3.28	3.43	3.03	2.19	1.59
	EurIRS 10Y	3.08	3.12	3.41	3.72	3.08	3.22	3.73	4.15	3.08	2.74	2.87	3.13
	EUR/USD	1.08	1.11	1.13	1.15	1.08	1.10	1.13	1.15	1.08	1.11	1.15	1.15
Italy	Real GDP Italy (annual change)	0.7%	0.7%	1.2%	1.0%	0.7%	1.1%	1.6%	1.4%	0.7%	-0.3%	0.3%	0.6%
	CPI Italy (annual change)	5.6%	1.9%	1.9%	1.9%	5.6%	2.0%	2.3%	2.1%	5.6%	1.7%	1.3%	1.5%
	Residential Property Italy (annual change)	1.1%	0.6%	1.4%	2.1%	1.1%	1.5%	2.0%	2.6%	1.1%	-2.6%	-1.8%	-0.5%
	6-month BOT yield	3.45	3.46	2.78	2.48	3.45	3.54	3.33	3.21	3.45	2.77	2.03	1.58
	10Y BTP yield	4.19	4.09	4.49	5.16	4.19	4.03	4.67	5.43	4.19	3.92	4.22	4.96
	BTP-Bund Spread 10Y (basis points)	171	159	159	169	171	143	145	153	171	181	186	209
	Italian Unemployment (%)	7.6	7.9	7.8	8.0	7.6	7.8	7.6	7.7	7.6	8.3	8.6	8.9
Commodities	Natural gas price (€/MWh)	43	35	30	26	43	35	31	26	43	35	28	25
	Oil price (BRENT)	82	80	78	76	82	81	83	79	82	79	72	70
USA	Real GDP US (annual change)	2.5%	1.5%	1.7%	1.9%	2.5%	2.1%	1.8%	2.3%	2.5%	0.5%	0.7%	1.9%
	US Unemployment (%)	3.7	3.8	3.8	3.7	3.7	3.7	3.6	3.5	3.7	4.2	4.5	4.3

Scenarios produced in December 2023 by the Research Department. Forecast data for the fourth quarter of 2023 (GDP, unemployment and real estate prices) or December 2023 (interest rates, inflation, exchange rates, stock market indices, and spreads) and for the years 2024, 2025 and 2026.

The updated scenario incorporates a downward revision of the forecasts for Italy and the Eurozone for the second half of 2023 and is based on an assumption of global growth in 2024 similar to that of 2023 but subject to much geopolitical uncertainty.
The inflation forecasts have been revised downwards, confirming the scenario of rapidly declining inflation – increasingly supported by the trend in the official price data. The recent data, which was lower than forecasted, explains much of the revision of the 2024 annual average.
The December scenario incorporates a more rapid path of decline in ECB rates in 2024-25 compared to the June scenario, but is more conservative than the market expectations, reflecting the reduction in risks on the inflation front and the lowering of the growth estimates in the meantime. However, the risk of missing the inflation target again in 2025 will keep monetary policies restrictive for longer than expected.
The conflict in the Middle East in the most likely scenarios, which assume that it will remain within limited geographical boundaries, is not expected to have particularly heavy impacts on the global economy. Only in the event of the conflict spreading to other Middle Eastern countries would there be strong impacts on the Eurozone economies, with uncertain implications for monetary policy.
There are still risks in the scenario. While the endogenous risks associated with monetary policy transmission and disinflation are receding, other factors remain, such as the risk of lower-than-expected growth in China, or the risk stemming from the international situation marked by military conflicts that indirectly involve the West and may affect the market for commodities, particularly energy commodities. Other risks of the emergence of recessionary episodes in the Eurozone may derive from the rebalancing of the labour market (which should take place at a limited cost in terms of redundancies, without jeopardising the recovery in real household incomes). Problems of a structural, non-cyclical nature are emerging more clearly: many Western governments appear to be struggling to manage the consequences of ageing populations, climate change and energy transition, after having failed to manage globalisation and immigration and their social consequences. And the scope for action is being limited by the high level of public debt.
In Italy, a phase of substantial stagnation began at the end of 2022, which, according to the Research Department's forecasts, may also continue in 2024, leaving the annual growth in line with that of 2023 at 0.7% (the June forecast for 2024 was 1.3%). This has been due to the energy and inflationary shock since the end of 2022, compounded by monetary tightening and less generous construction bonuses. However, two significant recovery factors could materialise in the course of 2024, namely the recovery of household real disposable income and the acceleration of expenditure flows funded by the NRRP. These should overcome the obstacles posed by the increase in interest rates and the reduction in construction bonuses from the second half of 2024, laying the foundations for an acceleration in GDP only from 2025 (at 1.2% in line with the June forecast). The employment situation continues to be an important supporting element of the scenario. On the consumption side, spending on services will be affected by the absence of the boost from the use of surplus savings and the post-pandemic normalisation of lifestyles, while spending on durable goods will be impacted by the increase in interest rates. Investment slowed down sharply already in 2023, due to the rise in interest rates and the squeeze on construction bonuses, and these factors may continue to weigh on the first half of 2024, causing an additional year-on-year deceleration of 0.2%. A recovery is expected in 2025, mainly driven by the acceleration of infrastructure work funded by the NRRP. The construction sector is particularly affected not only by the increase in interest rates and less generous construction bonuses, but also by the fact that costs of materials are still at historically high levels.

In 2024-25, the impact of the NRRP will be crucial to sustaining GDP growth. The revision of the NRRP approved last November will result in a shift to 2025-26 of the number of conditions to be fulfilled, as well as the amount of the expected instalments to be paid to Italy by the EU.
In relation to inflation, the Research Department assumes that the low point may have been reached at the end of 2023 and inflation may subsequently rise again due to the absence of the base effects on energy and the ending of the measures taken by the authorities to combat high prices. Compared to the June forecast, inflation stands at 1.9% against 2.3% for 2024 and 1.9% against 2.1% in the previous forecast.
The slowdown in growth may lead to a rise in unemployment, to 7.9% on average in 2024 (7.8% in June) after 7.6% in 2023 (8.0% in June).
Despite the prospect of high levels of issuances during monetary tightening, the scenario incorporates a lower risk premium on BTP than previously estimated, at 159 basis points in 2024 compared to 165 in the previous forecast. This reflects the improved outlook from Moody's and the more concrete prospect of a reversal in the monetary policy cycle (which could favour the market's absorption of supply, counteracting the effects of the reduction of the ECB portfolios). The yield on BTPs is in any case expected to rise prospectively, in view of the gradual reduction by the ECB of the stocks of government securities of EU countries in its portfolio, purchased as part of the quantitative easing programme initiated in 2015, with the consequent repositioning of the rate curve on steeper inclines, also with reference to Bunds, more in line with the trends observed historically.
As described in the following Section 7 – Credit risk: credit quality, in particular in the paragraph "Description of the methods adopted to calculate the adjustments, the methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).
With regard to the favourable scenario, the assumptions adopted yield a scenario with higher real growth rates, higher inflation, and lower unemployment rates. The performance of the stock indices and real estate prices is more robust than in the baseline scenario, but with a narrower gap due to the stronger performance of interest rates. Interest rates are higher across all maturities: in 2024, short-term ECB rates are around 9 basis points higher than in the baseline scenario, whereas at the end of the three-year period the differential is 75 basis points. As in June, this is a characteristic feature of the scenario, which describes a situation in which central banks ease monetary policy more slowly in response to cyclical signals indicating a smaller than expected slowdown, and more pressure on core inflation, compared to what is needed to restore price stability.
The "adverse" scenario was formulated using the lowest forecasts for GDP growth in the Consensus Economics survey, published in December 2023, for the main advanced countries. The performance of Italian GDP is expected to be weak, with a moderate recession in 2024, followed by a modest recovery in 2025-26, while the Eurozone's GDP performance is assumed to be only slightly stronger, with GDP stagnant on an annual basis, with modest contractions on a quarterly basis.
This will result in a faster and deeper fall in inflation, allowing the ECB to ease monetary policy to the point of becoming expansionary, rather than neutral as in the baseline scenario. At the end of the three-year period, the level of short-term rates is 94 basis points lower than in the baseline scenario, while the ten-year IRSs are 59 basis points lower.
A negative shock has been applied to the performance of stock market indices and real estate prices (Italy and the US). The adverse scenario also includes significantly higher levels of the BTP-BUND spread (+22 basis points in 2024 widening to 40 basis points in 2026), assuming that the global demand shock is compounded by a moderate domestic idiosyncratic shock, e.g. due to difficulties in implementing the NRRP or the significant pressure from the offering of government securities on domestic financial flows in 2024.
At the end of the year, the banks of the International Subsidiary Banks Division also updated their estimates on the basis of the forecast scenarios for their geographical scope.

ECL sensitivity analysis

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios in accordance with the ESMA recommendations.
That analysis was conducted on a portfolio of performing loans (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the banks and companies in Italy, Intesa Sanpaolo Lux and Intesa Sanpaolo Ireland, which represent around 90% of the Group's total exposure).
As noted in the paragraphs above, the approach adopted by the Group to estimate the ECL for the macroeconomic conditioning of PD and LGD involves the use of a ("Most Likely") baseline scenario which is then adjusted with an Add-On calculated based on the distance between the baseline scenario and the best-case/worst-case scenarios. These are largely determined from the selection of the most optimistic/pessimistic assumptions of the Consensus Economics macroeconomic variables and therefore incorporate the forecasts made.
The sensitivity analysis is the difference between the ECL determined using the assumptions adopted for the alternative scenarios (best-case and worst-case) and the ECL derived from the model referred to above, which therefore already includes the alternative forecasts factored by means of their distance from the baseline scenario.
Based on the above, and the fact that the distance between the worst-case and best-case scenarios compared to the baseline scenario is small and broadly symmetrical, the application of the worst-case scenario would result in 1 billion euro of exposure sliding into Stage 2, an increase of around 47 million euro in the ECL, and a slight increase in the coverage ratio. On the other hand, the sensitivity of the portfolio to the best-case scenario would see a decrease of 76 million euro in the ECL, with a return to Stage 1 of 1.6 billion euro of exposures. The coverage ratio for performing exposures would decrease by 2 basis points.
To take account of the forecast risk identified by both the Research Department and the other forecasters, as well as the greater uncertainty inherent in the forward-looking scenarios, the Group has included an adjustment (described in more detail in the paragraph below) included within the ECL of the performing loans recognised as at 31 December 2023 Financial Statements. The aim of this adjustment is to capture these elements of uncertainty by considering more extreme alternative scenarios that incorporate assumptions of significant deviations from the forecasts regarding the evolution of the macroeconomic situation. The adjustment for the extreme alternative scenarios, which resulted in a worsening of the ECL of around 250 million euro, is not incorporated in the sensitivity analysis described above. A further intervention, also described below, is aimed at capturing vulnerabilities that affect the individual economic sectors asymmetrically, which are not captured

by the models being used and, therefore, cannot be directly linked to the forward-looking components subject to sensitivity analysis.

Managerial adjustments to the results of the models

With regard to the methodologies for estimating impairment losses on performing credit exposures, in certain circumstances adjustments may need to be applied to the valuations, related to particularly complex and volatile macroeconomic situations, compared to the results of the models adopted. This may arise as a result of new events or risks of an unexpected nature that were not observed in the time series used for the models and cannot be reliably projected for the purposes of the forward-looking component required by IFRS 9.

These adjustments were applied by the Intesa Sanpaolo Group with the emergence of the Covid 19 pandemic starting from 2020 and maintained in subsequent years, although with different sizes, in relation to the Russian-Ukrainian conflict, the subsequent effects on energy and commodity prices and the resulting rising inflation and monetary policy scenario.

For the 2023, given the high level of uncertainty and volatility in the geopolitical situation and the macroeconomic forecasts, the Intesa Sanpaolo Group has continued to apply these adjustments.

In view of the continued presence of these elements of uncertainty, during the year the Group significantly strengthened the methodological framework supporting the adoption and implementation of the managerial adjustments applied to the statistical valuation of the performing loans.

The new framework consists of two complementary elements, which together maintain the levels of the adjustments already present in the third quarter:

- the first intervention, defined under the responsibility of the CRO Area, is aimed at identifying an estimated adjustment to possible risk scenarios currently not captured by the IFRS 9 framework, namely, in the presence of specific economic circumstances of high volatility and/or with risks of significant deviation from the expected scenarios; essentially, in those circumstances, there is a higher risk that the forward-looking scenario may diverge from the range represented by the baseline, best-case and worst-case scenarios underlying the "most likely+add on" model described above, and the aim of the adjustment is to capture this wider "cone" of volatility and consequently the greater uncertainty about the forward-looking trajectory of the macroeconomic dynamics;
- the second intervention, defined by the CLO Area, strengthens the methodological framework for identifying vulnerabilities of specific portfolios (across sectors, geographies and rating classes) most exposed to impacts from structural and/or emerging risk factors or a combination of those factors. The current economic environment is characterised by crises that affect individual product sectors asymmetrically. In such cases, the current modelling, statistically based on macro-sectors, often fails to capture these differences. The valuation results derived from the models are therefore supplemented with industry, sector and management assessments derived from credit monitoring activities.

In addition to providing a better focus on the sectors that are most subject to emerging risks and are most vulnerable, the new framework enables the identification, in line with the Regulator's expectations, of a sub-scope potentially subject to classification to Stage 2.

With regard to the first intervention, with the aim to capture emerging risks not already incorporated in the usual scenarios and to determine an adjustment, the Bank has decided to use alternative scenarios that are more extreme than those already used for the calculation of the add-on incorporated in the models and generally unrelated to the time within the cycle. The management adjustment is therefore equivalent to the additional impact of using those extreme scenarios defined starting on a long-term scenario (unrelated to the specific economic circumstances). This intervention, which also met with the approval from the internal validation function, has no impact in terms of staging: the identification of extreme scenarios – unrelated both to a defined forecast time horizon and to a verified or presumed increase in the credit risk of the positions in the portfolio – is not apt to constituting a contribution to indicators of significantly increased credit risk and, therefore, a staging trigger for IFRS 9 purposes.

Alongside the above methodological development, which maintains a consistent approach with the models already in use, the methodological framework for identifying specific vulnerabilities of certain portfolios (across sectors, geographies and rating classes) was also strengthened. To this end, the aim was to use the information obtained from the credit quality monitoring processes, to develop a framework based on granular data capable of combining the risk profile assessment derived from traditional modelling with the assessment of industrial, sectoral, operational and managerial credit metrics derived from the management, monitoring, rating assignment and customer relationship management at local level. The framework identifies 3 vulnerability bands (high, medium and low). An estimated adjustment is applied to the ECL of exposures belonging to the "medium" and "high" categories, assuming a worsening of the prospective probability of default of the exposures (under stress). For the "high" risk exposures belonging to sectors with negative default rates in the last year, these are given a Stage 2 classification, if not already present.

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

Overall, the adjustment allowances for performing exposures as at 31 December included prudential elements of 0.9 billion euro relating to both on-balance sheet and off-balance sheet exposures. This figure does not include the additional provisions made on exposures to Russian and Ukrainian counterparties, relating to cross-border positions, and those of Banca Intesa Russia and Pravex.

Policies for hedging and mitigating risk

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

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

The guidelines for the management of collateral and guarantees are the same for the entire Group. The management of collateral and guarantees received for the Parent Company and the Italian subsidiaries is carried out on a single platform, which is integrated with the register of assets and the portal that manages the immovable property valuations.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the valuation of the asset, the acquisition of the collateral and the control of its value. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, focused mainly on the borrower's ability to meet the obligations assumed, irrespective of the associated collateral.
Within the granting process, the assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed on a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral. For real-estate collateral, on the other hand, the prudential market value is considered, and for properties under construction, the construction cost is considered, net of prudential haircuts differentiated according to the intended use of the property.
Assets are appraised by internal and external appraisers. The external appraisers are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialised companies. The work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks carried out centrally.
The appraisers are required to produce estimates on the basis of standardised appraisal reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the "Rules on immovable property valuations for credit purposes" drawn up by the Bank. The internal rules are consistent with the main supervisory regulations on property valuations, including, to name but a few, the "Guidelines for the valuation of real estate properties securing credit exposures" promoted by the Italian Banking Association, the EBA "Guidelines on Loan Origination and Monitoring", the RICS "Global Valuation Standards" and the TEGoVA "European Valuation Standards".
Property valuations are managed through a specific integrated platform covering the entire appraisal phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
The market value of the immovable property collateral is periodically recalculated through various statistical valuation methods, that make use of prices/coefficients provided by an external supplier with proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
Asset value is constantly monitored. The appraisers carry out inspections and verify the work progress for properties under construction. The valuation is duly updated in the event of restriction or splitting mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, according to the due dates established for significant exposures, or when there are immovable properties securing non-performing loans.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for immovable property collateral, the obligation of insurance cover against fire damage and the presence of adequate monitoring of the property's value. There is also an "umbrella" insurance policy that, with limited exceptions, covers damages on the entire portfolio of properties mortgaged as collateral for the loans granted. Collateral and guarantees are subject to accurate, regular control using a specific system, the CRM engine, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.
The support system verifies whether the collateral and guarantees received are eligible with regard to the methods permitted by the regulations in relation to the various categories of collateral and guarantees for calculating capital requirements (Standardised and Internal Rating Based). Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.
The Bank uses two integrated platforms and guarantee management systems (PGA – Active Guarantees Portal and ABS – System Assets Archive) in order to improve the efficiency of collateral management. This has been accompanied by the development of a specific system for managing bad loans, to track the main legal actions and particularly those relating to the enforcement of real estate collateral (EPC - Ex Parte Creditoris).

In order to mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing), the Group uses bilateral netting arrangements that allow the netting of claims and obligations if a counterparty defaults.

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

In 2023, the Parent Company continued its activities relating to the "GARC" (Active Credit Risk Management) Project, involving a platform for monitoring credit risk of performing portfolios. The initiative involves the systematic acquisition of both personal guarantees and collateral to support lending to companies.
The guarantees obtained provide hedging of default risk (past due, unlikely to pay and bad loan) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (including Regulation (EU) 575/2013 and Bank of Italy Circular 285/2013).
For details of the transactions carried out in 2023 under the GARC Project, see the description provided in Section 12 - Securitisations of this document.
In order to optimise capital absorption, transactions to hedge the risk of expropriation of the compulsory and unrestricted reserves of some of the Group banks operating in Egypt and Albania were also renewed.

Impacts of the military conflict between Russia and Ukraine

With reference to the impacts of the military conflict between Russia and Ukraine, reference is made to that described below Table EU CQ4 (Section 7 of this document), which details the exposures outstanding as at 31 December 2023 to counterparties resident in Russia and Ukraine. Moreover, in Part A of the 2023 Consolidated financial statements (Section 5: Other aspects) the Group's general approach to the risks, uncertainties and impacts associated with the conflict between Russia and Ukraine is described. In Part E (Section 2 "Risks of the prudential consolidation" - paragraph 1.1 Credit risk), details are provided of the qualitative and quantitative aspects relating to credit exposures to counterparties resident in the countries in conflict, held in the portfolio of the two subsidiaries resident in Russia and Ukraine, Banca Intesa Russia and Pravex Bank (Ukrainian bank), or credit disbursed by other entities of the Group (cross-border exposures), with particular regard to their valuation.

Section 7 - Credit risk: credit quality

Qualitative disclosure

Definitions of “non-performing” loans

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

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

The type “exposures subject to concessions – forbearance” has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures).
Non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are a sub-set of the above categories of non-performing assets.
Non-performing assets are subject to an assessment process resulting in the calculation of the expected loss for uniform categories (identified based on the risk status, duration of risk status and significance of the underlying exposure) and the allocation of the impairment adjustment for each position.
Non-performing loans are measured using two methods:
- analytical-statistical measurement: for exposures equal to or lower than certain thresholds, and for all non-performing past-due exposures, based on the use of specific LGD grids;
- specific analytical measurement: for exposures above certain thresholds based on write-down estimates defined by the relationship manager, following analyses and valuations based on pre-established criteria.

In addition to the assessment component determined through statistical valuation models or through individual expert evaluation, a component is calculated to take into account the evolution of the current operational variables, the future macroeconomic scenarios, the incremental risk of the counterparty as long as it remains in the specific risk status for unlikely-to-pay exposures (vintage), as well as the sales prospects if present.
The assessment of non-performing positions classified as assets held for sale is carried out based on the expected sales prices, less their costs to sell, supported by fairness opinions.
The assessment methods for non-performing loans are described in detail below in this Section and in particular in the paragraph “Impairment of non-performing financial assets”.

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

Forborne exposures

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

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

– Early Warning System (EWS) result, associated with a rating in the highest risk band.

A state of financial difficulty is always assumed in the case where the borrower is classified as non-performing.
The definition of forborne exposure applies transversally to the classification macro-categories (performing and non-performing). Forborne assets may be included in stage 2 (performing) or stage 3 (non-performing – forborne non-performing).
The forbearance measures granted are monitored for minimum predefined periods, differentiated based on the administrative status of the risk assigned to the counterparty. In detail:
– 24 months for performing positions (probation period);
– 36 months for positions classified as non-performing, represented by a cure period of 12 months and a probation period of an additional 24 months.

When a forbearance measure is granted to a performing counterparty, quantitative assessments (diminished financial obligation indicator set at 1%) and/or qualitative assessments are performed, as envisaged in the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) 575/2013, which could result in the possible classification to non-performing.
According to Intesa Sanpaolo Group's interpretations, the identification of an exposure as forborne necessarily implies the existence of a "significant increase" in risk since the origination of the loan (and, therefore, implies also a classification in Stages 2 or 3 at the time of assignment of the forborne status).
Unlike the forbearance measures, which relate to loans to borrowers in financial difficulty, renegotiations for commercial reasons involve borrowers that are not in financial difficulty and include all transactions aimed at adjusting the cost of the debt to market conditions.
Transactions involving commercial renegotiations result in a change in the original conditions of the contract, usually requested by the borrower, which normally relate to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.
These operations, under certain conditions, are treated for accounting purposes as an early repayment of the original debt and the opening of a new loan.

Description of the methods adopted to calculate the adjustments

Impairment of financial assets
At each reporting date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment aimed at verifying whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for loan commitments and for guarantees given that must be tested for impairment under IFRS 9.
In preparation for the determination of the impairment losses, at each reporting date the financial instruments must be assigned to the following categories (Stage Assignment or Staging):
- Stage 1: comprising financial instruments for which, from their initial recognition up to the reporting date, there is no evidence of a significant increase in credit risk;
- Stage 2: it comprises financial assets that have had a significant increase in credit risk since initial recognition;
- Stage 3: if there is evidence of impairment, these financial assets – in line with any other assets pertaining to the same counterparty – are considered impaired and are therefore included in Stage 3.

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

Impairment of performing financial assets
For financial assets for which there is no evidence of impairment (unimpaired financial instruments), it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:
- where these indicators exist, the financial asset is included in stage 2. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of value adjustments equal to the lifetime expected credit losses of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account – if the indicators of "significantly increased" credit risk are no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where these indicators do not exist, the financial asset is included in stage 1. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of the 12-month expected credit losses for the specific financial instrument. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account – if there are indicators that the credit risk has "significantly increased" – the change in the forecast period for the calculation of the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured as stage 2), the following factors constitute the key elements to be taken into account, in accordance with the standard and its operational implementation by the Intesa Sanpaolo Group:
- the variation (beyond set thresholds) of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a "relative" basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have

"significantly increased" and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition. Activating a forbearance measure implies a minimum probation period of 24 months in stage 2;
- finally, some of the indicators from the credit monitoring systems specifically used within the Group are considered for the purposes of the transfer between "stages". Specifically, reference is made to the following:
  - with respect to the centralised perimeter (main Italian companies and foreign corporate banks), to early warning systems. Where signals of high risk ("traffic light" results) are identified for at least three consecutive months by such systems, a perimeter of potentially riskier counterparties is defined, to be classified in stage 2.
  - with respect to the banks belonging to the international perimeter (International Subsidiary Banks Division), to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

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

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

To complement the above methodology, a "relative" threshold also exists (tripling of lifetime PD at the observation date compared to the lifetime PD at the initial recognition date), which acts on a residual basis compared to the main methodology. Therefore, if this threshold is exceeded, the position is automatically classified to stage 2. In order to avoid the "sliding" into stage 2 of particularly high credit quality positions, the threshold is only triggered for non-investment grade loans and securities.

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

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

As mentioned above, in order to comply with IFRS 9, specific adjustments had to be made to these factors, including in particular:
- adoption of a Point in Time (PIT) PD compared to the Through the Cycle (TTC) PD used for Basel purposes;
- removal of some additional components from the TTC LGD, such as indirect costs (non-recurring costs) and an additional margin of conservatism specifically introduced for the regulatory models, as well as the component linked to the economic downturn;

- the introduction of specific treatment in relation to the regulatory provisions, in order to estimate the accounting LGD, to include in the modelling (in line with the indications of IFRS 9 on using entity-specific information) the estimates of internal recoveries exceeding the regulatory threshold of the Maximum Recovery Period, i.e., the maximum time limit beyond which the Supervisory Authority assumes that nothing will be recovered;
- the use of PDs and, where necessary, multi-period LGDs, to determine the lifetime expected loss of the financial instrument (stages 2 and 3);
- the use of the effective interest rate of the individual transaction in the discounting of the expected future cash flows, unlike in the regulatory models, where the individual cash flows are discounted using the discounting rates determined in compliance with the prudential regulations.

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

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

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

In particular, the most likely scenario and alternative scenarios are determined using a set of analytical and stand-alone forecasting instruments that determine the forecast path for several blocks of variables, namely:

- national accounts and inflation of the top 6 Eurozone countries, the United States and Japan;
- official rates (ECB, Fed, BoJ), EUR and USD swap rate curves, and several points of the government curves;
- exchange rates for EUR, USD, JPY and GBP;
- stock market indices (DJ Eurostoxx 50 and S&P 500);
- Brent price;
- some specific data for the Italian economy (industrial production, real estate prices, employment, public finance balances).

These forecasts are then processed using the Oxford Economics multi-country structural Global Economic Model, where they replace the forecast paths of the baseline scenario provided by the company with the periodic updating of the database. The model is then solved to derive a consistent global forecasting framework, including variables for which no specific models have been developed, and to obtain a simulation environment that can be used to generate alternative scenarios. This step may require some iterations, particularly if the forecasting framework generated internally is significantly different from the one provided by Oxford Economics. If this is the case, further fine-tuning may be needed for specific secondary variables that the analysts consider to be inconsistent with the forecast scenario or that have an unexplainable quarterly volatility.

The alternative paths are selected using external information. In particular:

- average annual GDP growth rates of several countries: this is the key driver for the simulation and the deviations are determined to replicate the dispersion of the growth estimates published by Consensus Economics in the most recent report available at the date of the simulation, considering the minimum and maximum forecasts (after applying a filter to identify and eliminate possible outliers). If there are outliers, these are discarded and the remaining maximum and minimum values are considered. Since consensus estimates are only available for the first two years of the simulation period, an extrapolation of the deviations identified for the first two years is used for the third year;
- stock market indices (DJ Eurostoxx 50, S&P 500) and US residential real estate prices: the minimum and maximum forecasts of the Thomson Reuters panel are used as a reference;
- Italian residential real estate prices: since no consensus estimates are currently available, the alternative paths are based on the distribution of the historical quarterly changes available from 1980 to the current quarter.

The percentile value identified is used, for the Most Likely scenario, to determine the variations corresponding to a probability gap, calculated through statistical analysis of the historical distribution of the observations. The two (positive and negative) changes with respect to the most-likely scenario are then used to calculate the level of the individual identified indices, reconstructing the two alternative paths (one positive and one negative) for each of them that represent the input for the determination of the Add-On. The probability gap used is identified based on the variability characteristics of the series, to obtain a significant deviation from the most-likely scenario.

In addition to defining the alternative paths, a map of possible additional factors is maintained, i.e., adverse idiosyncratic events or scenarios, not explicitly incorporated in the time series used for the construction of the most-likely scenario or in the alternative paths, which can generate further significant effects on expected losses.

The following is assessed for these events/scenarios:

- the possible time frame;
- the degree of inclusion in the most-likely scenario or the alternative paths;
- the potential impact, assessed in qualitative terms.

The map of additional factors also draws on the list of risk factors contained in the forecast reports of the IMF (World Economic Outlook) and the European Commission and may change over time.
Within the assessment of the time frame for the additional factors, note is made if the factor cannot be placed within a specific time period, which makes its incorporation into the most-likely scenario or alternative paths unfeasible.
The assessments made take account of the fact that the consensus estimates may include forecasts that already incorporate the total or partial realisation of one or more risk factors in their estimates, which means that the alternative paths may already incorporate these additional factors to some extent.
Where there is considerable uncertainty in the national and international macroeconomic forecasts, as well as significant deviations in terms of best-case forecasts with respect to the TTC scenario, prudential factors may be introduced in relation to the deviations in the minimum and maximum values of the variables based on the above-mentioned consensus or historical figures.
The above macroeconomic scenarios (Most Likely and alternative scenarios) are used in internal models to determine the point-in-time (PIT) parameters.
Specifically, the time series of default rates acquired from the Bank of Italy are differentiated over the main economic macro-sectors (e.g. consumer households, family businesses, construction) and, for each of these, specific satellite models establish the relationships with the macroeconomic variables in order to obtain the forecast default rates. In turn, these impact the TTC transition matrices between rating classes and thus provide the PIT transition matrices for each scenario (Most Likely and alternative scenarios). These give rise to the lifetime conditional PD.
In particular, the TTC matrices are calculated using internal default rates for the Corporate, Retail SME and Retail segments, whereas the Bank of Italy system rates are used for the Low Default segments, because the internal time series data for those segments is less extensive. The forward-looking point-in-time matrices, on the other hand, are calculated using the system default rates for all the segments.
A similar process is used to determine the PIT LGD grids.

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

With reference to the estimation methodologies of impairment of performing financial assets, in certain circumstances, the need may arise to make temporary adjustments (valuation increases) to the results of the models adopted, as a precaution. That need may indicatively arise as a result of external events that are unexpected, which the bank cannot control and have potential consequences, also on a large scale, on the measurement of the ECL of the portfolios as a result of elements that are not adequately captured by the IFRS 9 models used. It must be noted that the IFRS 9 estimation methodologies are founded on experience-based assumptions, and are strongly anchored to historical observations, which are considered over a congruous time horizon and in a sufficiently stable backdrop. Therefore, in order to fully understand the effects of particular conditions of volatility or of possible significant economic deviations from the expected macroeconomic scenarios, also in relation to “emerging risks”, a specific reference framework was identified to take action - duly approved by the competent management bodies - to factor into ECL calculation further elements that are not yet and/or insufficiently covered by the models in use.
Specifically, the measurement of ECL in such situations is adjusted (increasing) via the following two elements:

- a first additional impact on the performing positions as a whole, in the case of specific economic times characterised by risks of significant deviation from the expected scenarios, estimated as part of the output of the model with an impact on the individual risk parameters (PD and LGD), connected with the identification of "extreme" scenarios, characterised by a probability of occurrence considerably contained and typical only of extreme events (therefore outside the consensus ranges) with respect to the long-term macroeconomic scenario;
- an additional impact related to the effects - on ”vulnerable” customers and at the same time belonging to subsectors of the loan portfolio, particularly exposed to the consequences of ”emerging” risk factors - of the combination of evolving structural risks and new risks. This enhances the information from credit quality monitoring processes. This latter valuation burden is determined for vulnerable customers belonging to higher-risk subsectors, by assigning to Stage 2 the positions not already classified as such, and increasing ECL in relation to the estimated greater risk.

Impairment of non-performing financial assets
Non-performing loans are represented by bad loans, unlikely to pay and past due positions by more than 90 days.
Non-performing loans classified as bad loans are subject to the following measurement methods:

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

The measurement of unlikely-to-pay loans (UTPs) is also performed based on different approaches:

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

current conditions, plus an Add-On to take account, also in this case, of the impacts of future macroeconomic scenarios and of continuation in the risk status.

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

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

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

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

A brief description is provided below of the methods used for the analytical-specific and analytical-statistical measurement:

- the analytical-specific measurement of bad loans and unlikely-to-pay loans above 2 million euro is a measurement performed by the managers of the individual positions based on a qualitative and quantitative analysis of the borrower's financial position, the riskiness of the credit relationship, the targets and strategies for reduction of the non-performing loans, and any mitigating factors (collateral), taking into account the financial impact of the estimated recovery time.
  For bad loans in particular, a series of elements are relevant, which differ according to the characteristics of the positions, and must be thoroughly and prudently assessed, including the following, listed merely as examples:
  - nature of the credit, whether preferential or unsecured;
  - net asset value of the borrowers/third party collateral providers;
  - complexity of existing or potential litigation and/or the underlying legal issues;
  - exposure of the borrowers to the banking system and other creditors;
  - last available financial statements;
  - legal status of the borrowers and any pending insolvency and/or individual proceedings.

  In order to determine the estimated realisable value of loans secured by real estate, and to take into account both the time series of recoveries and the forward-looking information in accordance with IFRS 9, an approach is applied focused on the valuation of real estate based on the expected average auction price and the related reduction in the observed price, with the calculation of average haircuts that differ according to the type of real estate collateral (residential, commercial, industrial and land). Accordingly, to avoid duplications, a macroeconomic Add-On is not used in the analytical-specific measurement for bad mortgage loans, because the forward-looking component is already taken into account through the haircut.
  For real-estate bad loans arising from lease contracts, in view of the particular nature of the product (lack of auctions), the haircut is estimated as the depreciation of the asset with respect to the appraised value observed at the time of classification as non-performing and the actual price of sale.

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

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

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

  For unlikely-to-pay loans, the measurement is performed using statistical LGD grids estimated specifically for positions classified as unlikely-to-pay loans, in line with the estimated LGD grids for bad loans. The estimation model for the LGD grid for unlikely-to-pay loans is similar to the one described above for bad loans and calculates the expected loss rate of the relationship being valued according to its characteristics. The LGD for unlikely-to-pay loans is obtained by recalibrating the bad loan LGD using the Danger Rate module. The Danger Rate is a multiplying correction factor to apply to the bad loan LGD, in order to take into account the loss rates that can be recorded in the various default statuses (Unlikely-to-Pay and/or past due). The Danger Rate is estimated using the probability of migration to bad loans for positions already in default, the loss rates observed in the pre-bad loans phase for positions migrating to bad loans, and the loss rates observed in the pre-bad loans phase for positions that return to performing status or are extinguished.
  In addition, for the two subclasses of the "Unlikely-to-Pay Loans" risk status ("Non-Forborne Unlikely-to-Pay Loans" and "Forborne Unlikely-to-Pay Loans"), differentiated grids are estimated to take into account the characteristics of the Forborne loans, which, in addition to having lower average loss levels due to the effect of the Forbearance Measures, are also affected by the regulatory constraints that prevent their return to performing loan status before 12 months from the date of the renegotiation.
  For past-due loans, the methods used to determine the grids are the same as those described for the unlikely-to-pay loans (Framework Danger Rate). In this case, the vintage factor is captured by the introduction of a differentiation based on the duration of the past-due period (Past Due at 90 days/180 days) which produces a significant variation in the loss rates of the grids, which are also differentiated according to regulatory segment and additional analysis axes (e.g. product type, type of guarantee, geographical area, exposure band, etc.) common to the other non-performing loan categories.

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

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

With regard to the alternative recovery scenarios, the Intesa Sanpaolo Group, in relation to the objectives of reducing the stock of outstanding non-performing loans, included in its business plans, and the commitments made to the Supervisory Authorities, with specific regard to the NPL Strategy, considers the sale of particular portfolios as the strategy that, in certain conditions, can maximise the cash flow recovery, also considering the recovery times.
Consequently, the "ordinary" scenario, which assumes a recovery strategy based on the collection of credit, typically through legal actions, mandates to credit recovery companies and the realisation of mortgage collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.
Where company plans and Group strategies identify disposal objectives and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.
In particular, where a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives is identified, the book value of said portfolio is determined by weighting the recoverable amount through operating activities with the amount recoverable through sale.

More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that reflects the probability of sale of the portfolios whose disposal is considered highly probable. The "collection amount" was determined according to the ordinary methods adopted by the Group for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.
However, where the positions to be sold are specifically identified, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.

As already mentioned, the purchased or originated credit-impaired (POCI) financial assets have specific features in terms of impairment. As a result, value adjustments equal to the lifetime ECL must be recognised on these instruments from their initial recognition date and for their entire lifetime. At each subsequent reporting date, the amount of the lifetime ECL must therefore be adjusted, with the recognition through profit or loss of the amount of any change in lifetime expected credit losses as a gain or an impairment loss. In view of the above, POCI financial assets are initially recognised in stage 3, subject to the possibility of being subsequently transferred to the performing loans stage, even if an expected loss equal to the lifetime ECL will continue to be recognised.

Lastly, with regard to non-performing loans, it is highlighted that the Intesa Sanpaolo Group uses the – full or partial – write-off/derecognition of unrecoverable accounting positions and, in the following cases, the consequent allocation to loss of the remainder that has not yet been adjusted:

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

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

Quantitative disclosure

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

Performing and non-performing exposures and related provisions as at 31 December 2023 (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**	**92,360**	***91,617***	***743***	**-**	**-**	**-**
10	**Loans and advances**	**448,067**	***407,821***	***39,362***	**10,000**	**-**	***9,706***
20	Central banks	3,231	*1,556*	*1,675*	-	-	-
30	General governments	16,046	*14,217*	*1,829*	403	-	*402*
40	Credit institutions	20,295	*20,098*	*155*	112	-	*112*
50	Other financial corporations	54,474	*48,283*	*6,043*	320	-	*318*
60	Non-financial corporations	179,186	*158,855*	*20,012*	6,104	-	*5,878*
70	*Of which: SMEs*	*65,918*	*56,249*	*9,509*	*4,087*	-	*3,914*
80	Households	174,835	*164,812*	*9,648*	3,061	-	*2,996*
90	**Debt securities**	**130,308**	***120,448***	***9,152***	**108**	**-**	***108***
100	Central banks	836	*808*	*28*	-	-	-
110	General governments	87,101	*82,881*	*4,218*	13	-	*13*
120	Credit institutions	12,648	*12,464*	*184*	-	-	-
130	Other financial corporations	23,252	*18,114*	*4,435*	62	-	*62*
140	Non-financial corporations	6,471	*6,181*	*287*	33	-	*33*
150	**Off-balance-sheet exposures**	**293,268**	***271,890***	***21,376***	**1,594**	**-**	***1,593***
160	Central banks	1,190	*1,170*	*20*	-	-	-
170	General governments	12,239	*11,246*	*993*	10	-	*10*
180	Credit institutions	35,820	*35,159*	*661*	6	-	*6*
190	Other financial corporations	31,487	*23,001*	*8,486*	14	-	*14*
200	Non-financial corporations	197,231	*186,883*	*10,347*	1,519	-	*1,518*
210	Households	15,301	*14,431*	*869*	45	-	*45*
220	**TOTAL**	**964,003**	***891,776***	***70,633***	**11,702**	**-**	***11,407***

Performing and non-performing exposures and related provisions as at 31 December 2023 (EU CR1 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS						ACCUMULATED PARTIAL WRITE-OFF	COLLATERALS AND FINANCIAL GUARANTEES RECEIVED	
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Total	*Of which stage 1*	*Of which stage 2*	Total	*Of which stage 2*	*Of which stage 3*		On performing exposures	On non-performing exposures
5	**Cash balances at central banks and other demand deposits**	**-1**	***-1***	***-***	**-**	***-***	***-***	**-**	**5**	**-**
10	**Loans and advances**	**-2,467**	***-727***	***-1,732***	**-4,960**	***-***	***-4,839***	**1,795**	**278,728**	**3,731**
20	Central banks	-9	*-1*	*-8*	-	*-*	*-*	-	1,362	-
30	General governments	-60	*-25*	*-34*	-182	*-*	*-181*	11	3,276	127
40	Credit institutions	-10	*-4*	*-6*	-20	*-*	*-20*	1	8,570	69
50	Other financial corporations	-98	*-48*	*-50*	-166	*-*	*-164*	13	23,662	119
60	Non-financial corporations	-1,465	*-449*	*-1,013*	-3,128	*-*	*-3,038*	1,613	93,221	2,250
70	*Of which: SMEs*	*-729*	*-228*	*-498*	*-2,073*	*-*	*-2,004*	*1,015*	*51,459*	*1,797*
80	Households	-825	*-200*	*-621*	-1,464	*-*	*-1,436*	157	148,637	1,166
90	**Debt securities**	**-203**	***-53***	***-150***	**-88**	***-***	***-88***	**-**	**1,946**	**-**
100	Central banks	-6	*-*	*-6*	-	*-*	*-*	-	-	-
110	General governments	-107	*-39*	*-68*	-4	*-*	*-4*	-	-	-
120	Credit institutions	-3	*-2*	*-1*	-	*-*	*-*	-	7	-
130	Other financial corporations	-62	*-4*	*-58*	-62	*-*	*-62*	-	1,930	-
140	Non-financial corporations	-25	*-8*	*-17*	-22	*-*	*-22*	-	9	-
150	**Off-balance-sheet exposures**	**-247**	***-135***	***-112***	**-278**	***-***	***-278***		**45,052**	**309**
160	Central banks	-	*-*	*-*	-	*-*	*-*		-	-
170	General governments	-11	*-3*	*-8*	-1	*-*	*-1*		565	7
180	Credit institutions	-49	*-49*	*-*	-	*-*	*-*		1,566	-
190	Other financial corporations	-21	*-16*	*-5*	-	*-*	*-*		4,646	7
200	Non-financial corporations	-152	*-60*	*-92*	-266	*-*	*-266*		32,743	287
210	Households	-14	*-7*	*-7*	-11	*-*	*-11*		5,532	8
220	**TOTAL**	**-2,918**	***-916***	***-1,994***	**-5,326**	***-***	***-5,205***	**1,795**	**325,731**	**4,040**

The exposures relating to "Loans and advances" and "Debt securities" also include exposures not subject to impairment, as well as purchased or originated credit impaired assets (POCIs).
With regard to the caption "Loans and advances", there was a decrease totalling 8.2 billion euro in the gross value of the performing exposures compared to June 2023, substantially attributable to exposures to Non-financial companies and households, which decreased by 5.7 billion euro and 2.7 billion euro respectively. This decrease, mainly driven by the reduction in mortgages to private individuals and companies, primarily involved Stage 1, which decreased by around 8.6 billion euro.
The total coverage of performing exposures was 0.55%, in line with 30 June 2023 (0.54%), of which 4.4% for Stage 2 loans (4.29% as at 30 June 2023) and 0.18% for Stage 1 loans (0.19% as at 30 June 2023).
For the Non-performing loans and advances, in the second half of 2023 there was a decrease of around 0.5 billion euro in the gross values, mainly due to disposals and reclassifications to the portfolio of assets held for sale. The coverage of non-performing positions was at 57.3% (taking into account partial write-offs, reported in the table above), down slightly on June 2023, when it was at 57.6%.
For Loans and advances, the amount of guarantees received also decreased slightly due to the reduction in performing exposures.
For the caption "Debt securities", there was an increase of 8 billion euro in the total amount compared to June 2023. The main components of this increase were 5.5 billion euro in Government Bonds and 2.1 billion euro in securities issued by Credit Institutions.
Compared to June 2023, off-balance sheet exposures decreased by 14.1 billion euro, mainly attributable to the decrease in exposures to Credit Institutions of 6.9 billion euro and to Other Financial Companies of 5.6 billion euro, partially offset by the increase for the General Government counterparty of 2.3 billion euro.

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

(millions of euro)

		Net exposure value					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	Loans and advances	21,942	106,163	116,519	206,016	-	**450,640**
2	Debt securities	-	15,166	31,366	83,593	-	**130,125**
3	**Total**	**21,942**	**121,329**	**147,885**	**289,609**	**-**	**580,765**

This table reports the exposures as at 31 December 2023 for loans and advances and debt securities by maturity. It does not include assets held for trading, loans and advances classified as held for sale and cash balances at central banks and other on-demand deposits. As in June 2023, these exposures were mainly concentrated in the band with a maturity of more than 5 years.

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

(millions of euro)

		Gross carrying amount
1	**Initial stock of non-performing loans and advances as at 31 December 2022**	**11,032**
2	Inflows to non-performing portfolios	3,887
3	Outflows from non-performing portfolios	-4,919
4	*Outflows due to write-offs*	*-440*
5	*Outflow due to other situations*	*-4,479*
6	**Final stock of non-performing loans and advances as at 31 December 2023**	**10,000**

The table above relates solely to loans and advances and does not include loans and advances classified as held for sale and debt securities.
Inflows to non-performing portfolios included new entries to non-performing status in the year totalling around 3.2 billion euro. Outflows due to other situations included: (i) the disposal of gross non-performing loans for around 1.8 billion euro, mainly attributable to the de-risking carried out; (ii) returns to performing status during the year of around 0.7 billion euro; (iii) outflows due to partial or total redemption of 1.5 billion euro; and (iv) reclassifications to exposures held for sale of 0.2 billion euro.

Credit quality of performing and non-performing exposures by past-due days as at 31 December 2023 (EU CQ3 Reg. 2021/637)

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

(millions of euro)

		GROSS CARRYING VALUES											
		PERFORMING EXPOSURES			NON-PERFORMING EXPOSURES								
		Total	Not past due or Past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	*Of which defaulted / impaired*
5	**Cash balances at central banks and other demand deposits**	**92,360**	**92,359**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***-***
10	**Loans and advances**	**448,067**	**446,814**	**1,253**	**10,000**	**3,329**	**579**	**1,368**	**1,705**	**1,644**	**353**	**1,022**	***10,000***
20	Central banks	3,231	3,231	-	-	-	-	-	-	-	-	-	*-*
30	General governments	16,046	15,894	152	403	176	2	1	3	5	1	215	*403*
40	Credit institutions	20,295	20,295	-	112	33	-	75	-	-	-	4	*112*
50	Other financial corporations	54,474	54,376	98	320	124	5	16	7	159	3	6	*320*
60	Non-financial corporations	179,186	178,740	446	6,104	2,146	371	881	1,177	846	177	506	*6,104*
70	*Of which: SMEs*	*65,918*	*65,593*	*325*	*4,087*	*1,168*	*287*	*656*	*923*	*584*	*78*	*391*	*4,087*
80	Households	174,835	174,278	557	3,061	850	201	395	518	634	172	291	*3,061*
90	**Debt securities**	**130,308**	**130,308**	**-**	**108**	**57**	**-**	**-**	**-**	**36**	**-**	**15**	***108***
100	Central banks	836	836	-	-	-	-	-	-	-	-	-	*-*
110	General governments	87,101	87,101	-	13	6	-	-	-	-	-	7	*13*
120	Credit institutions	12,648	12,648	-	-	-	-	-	-	-	-	-	*-*
130	Other financial corporations	23,252	23,252	-	62	48	-	-	-	14	-	-	*62*
140	Non-financial corporations	6,471	6,471	-	33	3	-	-	-	22	-	8	*33*
150	**Off-balance-sheet exposures**	**293,268**			**1,594**								***1,594***
160	Central banks	1,190			-								*-*
170	General governments	12,239			10								*10*
180	Credit institutions	35,820			6								*6*
190	Other financial corporations	31,487			14								*14*
200	Non-financial corporations	197,231			1,519								*1,519*
210	Households	15,301			45								*45*
220	**TOTAL**	**964,003**	**669,481**	**1,254**	**11,702**	**3,386**	**579**	**1,368**	**1,705**	**1,680**	**353**	**1,037**	***11,702***

With regard to the on-balance sheet non-performing exposures, compared to June 2023, the table mainly shows an increase in the band past due between 180 days and one year (+3.15%), a reduction in the band past due between 90 and 180 days (-2.76%), and a reduction in the bands above two years.

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

The gross NPE ratio as at 31 December 2023 was 2.18%, down slightly from 30 June 2023 (2.25%). This ratio is calculated, in accordance with Regulation (EU) 2021/637, as the ratio of the gross value of non-performing loans and advances to the gross value of total loans and advances.

Quality of non-performing exposures by geography as at 31 December 2023 (EU CQ4 Reg. 2021/637)

(millions of euro)

		GROSS CARRYING VALUE				ACCUMULATED IMPAIRMENT	PROVISIONS ON OFF-BALANCE-SHEET COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
		Total	*Of which non-performing*		*Of which subject to impairment*			
				Of which defaulted				
1	**ON-BALANCE-SHEET EXPOSURES**	**588,483**	***10,108***	***10,108***	***586,913***	**-7,688**		**-30**
2	Italy	373,466	*7,941*	*7,941*	*372,354*	-5,351		-30
3	U.S.A.	27,699	*43*	*43*	*27,651*	-49		-
4	France	18,663	*85*	*85*	*18,663*	-64		-
5	Spain	21,201	-	-	*21,201*	-13		-
6	United Kingdom	16,311	*10*	*10*	*16,274*	-22		-
7	Slovakia	16,517	*338*	*338*	*16,517*	-342		-
8	Ireland	6,396	-	-	*6,396*	-34		-
9	Luxembourg	7,206	-	-	*7,165*	-11		-
10	Germany	7,253	*2*	*2*	*7,253*	-9		-
11	Croatia	9,756	*343*	*343*	*9,756*	-323		-
12	Netherlands	4,749	*34*	*34*	*4,735*	-44		-
13	Belgium	6,604	-	-	*6,604*	-1		-
14	Hungary	6,648	*81*	*81*	*6,334*	-140		-
15	Serbia	6,393	*150*	*150*	*6,393*	-211		-
16	Egypt	4,768	*115*	*115*	*4,768*	-161		-
17	Brazil	1,464	*72*	*72*	*1,464*	-62		-
18	Other Countries	53,389	*894*	*894*	*53,385*	-851		-
19	**OFF-BALANCE-SHEET EXPOSURES**	**294,862**	***1,594***	***1,594***			**-525**	
20	Italy	163,355	*1,469*	*1,469*			-390	
21	U.S.A.	20,704	-	-			-6	
22	France	12,356	*6*	*6*			-3	
23	Spain	7,024	*1*	*1*			-2	
24	United Kingdom	6,053	-	-			-6	
25	Slovakia	3,427	*16*	*16*			-16	
26	Ireland	8,497	-	-			-16	
27	Luxembourg	7,482	-	-			-2	
28	Germany	7,265	*1*	*1*			-2	
29	Croatia	2,575	*27*	*27*			-19	
30	Netherlands	6,610	-	-			-1	
31	Belgium	2,269	-	-			-	
32	Hungary	1,701	*1*	*1*			-5	
33	Serbia	1,743	*5*	*5*			-5	
34	Egypt	1,384	*3*	*3*			-6	
35	Brazil	4,266	-	-			-6	
36	Other Countries	38,151	*65*	*65*			-40	
37	**TOTAL**	**883,345**	***11,702***	***11,702***	***586,913***	**-7,688**	**-525**	**-30**

This table shows, in descending order of overall exposure, only the countries towards which the Group has on- and off-balance sheet exposures equal to or above the threshold of 6 billion euro (so that the countries represent around 90% of the total exposure).

The total on-balance sheet exposures amounting to 588,483 million euro include 1,570 million euro of exposures not subject to impairment and debt securities amounting to 130,416 million euro (of which 108 million euro non-performing). In line with June 2023, the amount of the exposures to Russian counterparties was below the materiality threshold indicated and, therefore, Russia is no longer included in the table.

For a comprehensive picture of the Group's risk profile, following the military conflict between Russia and Ukraine that broke out on 24 February 2022, see the detailed description in the 2023 Consolidated financial statements of the Group, with particular reference to the Group's presence in the two countries mentioned above, through its two subsidiaries Joint-Stock Company Banca Intesa (Banca Intesa Russia) and Pravex Bank Joint-Stock Company.

The gross exposures referring to those two subsidiaries and those to counterparties resident in Russia and Ukraine as at 31 December 2023 amounted to 1.9 billion euro in on-balance sheet exposures (net of ECA guarantees of around 0.7 billion euro), down slightly on 2.1 billion euro in June 2023, and 0.2 billion euro in off-balance sheet exposures (net of ECA guarantees of around 0.3 billion euro).
Specifically, as at 31 December 2023, on-balance sheet exposures to customers amounted, in terms of gross values, to 0.2 billion euro with reference to Banca Intesa Russia and 0.7 billion euro with reference to cross-border exposures to customers resident in Russia (net of ECA guarantees of around 0.7 billion euro). These were accompanied by exposures to banks and in securities totalling 0.7 billion euro. Exposures to customers resident in Ukraine amounted to 0.2 billion euro, of which 0.1 billion euro related to the subsidiary Pravex Bank. These were accompanied by exposures to banks and in securities totalling 0.1 billion euro. Off-balance sheet exposures to customers included: 0.05 billion euro of Banca Intesa Russia and 0.03 billion euro to customers of Pravex, in addition to 0.02 billion euro in cross-border exposures to customers resident in Russia (net of ECA guarantees of around 0.3 billion euro) and 0.03 billion euro to customers resident in Ukraine; in addition, there were 0.07 billion euro in cross-border exposures to banks resident in Russia and 0.01 billion euro in cross-border exposures to banks resident in Ukraine.

The most significant countries that are not specifically identified were:
1) Europe: Switzerland, Czech Republic, Slovenia, and Austria;
2) Americas: Canada;
3) Asia: China, Qatar, United Arab Emirates, and Japan;
4) Oceania: Australia.

Credit quality of loans and advances to non-financial companies by industry as at 31 December 2023 (EU CQ5 Reg. 2021/637)

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

(millions of euro)

		GROSS CARRYING VALUE				ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
		Total	*Of which non-performing*		*Of which loans and advances subject to impairment*		
				Of which defaulted			
1	Agriculture, forestry and fishing	3,989	*169*	*169*	*3,988*	-141	-
2	Mining and quarrying	2,530	*158*	*158*	*2,530*	-267	-
3	Manufacturing	49,722	*1,407*	*1,407*	*49,471*	-960	-13
4	Electricity, gas, steam and air conditioning supply	10,368	*123*	*123*	*10,366*	-135	-
5	Water supply	2,261	*40*	*40*	*2,261*	-29	-
6	Construction	13,185	*1,102*	*1,102*	*13,157*	-703	-12
7	Wholesale and retail trade	31,116	*1,070*	*1,070*	*31,090*	-779	-4
8	Transport and storage	12,427	*211*	*211*	*12,427*	-153	-
9	Accommodation and food service activities	6,068	*373*	*373*	*6,065*	-252	-
10	Information and communication	8,267	*199*	*199*	*8,261*	-118	-1
11	Financial and Insurance activities	8,033	*16*	*16*	*8,033*	-40	-
12	Real estate activities	12,993	*652*	*652*	*12,980*	-518	-
13	Professional, scientific and technical activities	14,114	*246*	*246*	*14,091*	-176	-
14	Administrative and support service activities	4,832	*147*	*147*	*4,832*	-99	-
15	Public administration and defence, compulsory social security	2	*-*	*-*	*2*	-	-
16	Education	286	*11*	*11*	*286*	-8	-
17	Human health services and social work activities	2,516	*77*	*77*	*2,515*	-83	-
18	Arts, entertainment and recreation	809	*73*	*73*	*809*	-63	-
19	Other services	1,772	*30*	*30*	*1,772*	-39	-
20	**TOTAL**	**185,290**	***6,104***	***6,104***	***184,936***	**-4,563**	**-30**

The total exposures, amounting to 185,290 million euro, include 354 million euro of exposures not subject to impairment.
There were no significant changes in the breakdown by industry of loans and advances to non-financial companies compared to June 2023.

Credit quality of forborne exposures as at 31 December 2023 (EU CQ1 Reg. 2021/637)

(millions of euro)

		GROSS CARRYING VALUE OF FORBORNE EXPOSURES				ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS		COLLATERALS RECEIVED AND FINANCIAL GUARANTEES RECEIVED ON FORBORNE EXPOSURES	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	Total	*Of which collateral and financial guarantees received on non-performing exposures with forbearance measures*
			Total	*Of which defaulted*	*Of which impaired*				
5	**Cash balances at central banks and other demand deposits**	**-**	**-**	***-***	***-***	**-**	**-**	**-**	***-***
10	**Loans and advances**	**5,105**	**3,323**	***3,323***	***3,284***	**-337**	**-1,432**	**4,809**	***1,428***
20	Central banks	-	-	*-*	*-*	-	-	-	*-*
30	General governments	125	24	*24*	*24*	-13	-4	9	*1*
40	Credit institutions	-	107	*107*	*107*	-	-15	69	*69*
50	Other financial corporations	251	119	*119*	*119*	-7	-58	174	*39*
60	Non-financial corporations	3,271	2,268	*2,268*	*2,230*	-211	-1,082	2,953	*877*
70	Households	1,458	805	*805*	*804*	-106	-273	1,604	*442*
80	**Debt Securities**	**-**	**1**	***1***	***1***	**-**	**-**	**-**	***-***
90	**Loan commitments given**	**139**	**81**	***81***	***81***	**-1**	**-4**	**69**	***21***
100	**Total**	**5,244**	**3,405**	***3,405***	***3,366***	**-338**	**-1,436**	**4,878**	***1,449***

The gross values relating to Loans and advances subject to forbearance measures as at 31 December 2023 were down overall (-1.1 billion euro) compared to 30 June 2023, and this change was mainly concentrated in the performing exposures to non-financial companies (-0.8 billion euro).
There were no significant changes in the exposures to Debt securities and Loan commitments given compared to 30 June 2023.

Collateral obtained by taking possession and execution processes as at 31 December 2023 (EU CQ7 Reg. 2021/637)

(millions of euro)

		COLLATERAL OBTAINED BY TAKING POSSESSION	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	2	-
2	Other than PP&E	793	-301
3	*Residential immovable property*	*3*	*-*
4	*Commercial immovable property*	*323*	*-62*
5	*Movable property (auto, shipping, etc.)*	*1*	*-1*
6	*Equity and debt instruments*	*466*	*-238*
7	*Other collateral*	*-*	*-*
8	**TOTAL**	**795**	**-301**

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.
Compared to June 2023, there was a slight decrease in the value of the commercial immovable property, an increase in the value of the equity and debt instruments, mainly as a result of the conversion of loans and receivables into equity instruments, and an increase in the amount of accumulated negative changes.

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

Qualitative disclosure

External agencies used

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

List of the external Rating Agencies

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

(*) Ratings characteristics: solicited/unsolicited.

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

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

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

Quantitative disclosure

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

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

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

Standardised approach - Credit risk exposure and CRM effects as at 31 December 2023 (EU CR4 Reg. 2021/637)

(millions of euro)

	EXPOSURE CLASSES	EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAs AND RWAs DENSITY	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (*) (%)
1	Central governments or central banks	215,496	10,765	267,368	5,901	20,201	7.39
2	Regional government or local authorities	1,469	198	1,602	129	435	25.16
3	Public sector entities	1,476	192	840	16	360	42.12
4	Multilateral development banks	1,291	40	1,657	204	-	-
5	International organisations	3,055	37	3,055	-	-	-
6	Institutions	11,557	9,895	10,509	3,380	4,861	35.00
7	Corporates	25,376	13,114	17,210	3,244	17,965	87.83
8	Retail	16,145	6,579	11,550	605	7,846	64.55
9	Secured by mortgages on immovable property	6,727	67	6,397	36	2,304	35.82
10	Exposures in default	765	79	502	15	566	109.41
11	Exposures associated with particularly high risk	208	101	126	60	279	149.86
12	Covered bonds	3,748	-	3,748	-	540	14.40
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	2,578	1,333	2,578	734	4,602	138.94
15	Equity	736	-	736	-	1,225	166.30
16	Other items	18,306	-	18,309	-	13,181	71.99
17	**TOTAL**	**308,933**	**42,400**	**346,187**	**14,324**	**74,365**	**20.63**
	TOTAL ON- AND OFF-BALANCE SHEET AMOUNTS	**351,333**		**360,511**			

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

The value of the consolidated balance sheet aggregate as at December 2023 was 351 billion euro, before taking into account Credit Risk Mitigation (CRM) factors and the application of the Credit Conversion Factors (CCF) required by the prudential regulations. These calculation criteria led to an increase in the value of the on-balance-sheet items in the prudential presentation (+37.3 billion euro) and a decrease in the value of the off-balance sheet items (-28.1 billion euro), with a differential of 9.2 billion euro at the end of the period. As at December, the total value of the prudential aggregate was consequently identified as 361 billion euro, corresponding to a weighted value of 74 billion euro RWAs, down on June 2023 (-1 billion euro RWAs). In relation to the specific impact of the CCF/CRM factors, shown by technical form and by exposure class, the prudential calculation of the balance sheet aggregates, in contrast with the trend recorded in the previous year, resulted in a sharply positive change in the "Central Governments or Central Banks" portfolio (+13.1 billion euro), along with a significant increase in the "International organisations" portfolio (+2.3 billion euro). The increase in "Central Governments and Central Banks" was due to the increase in the aggregate of the Securities portfolio, mainly European bonds, and the deposits held at Central Banks, mainly the increase in liquidity held at the Bank of Italy. The increase in the exposure for the "International organisations" portfolio was due to new securities transactions with the European Union, with zero capital absorption. The increase in the values of the aggregates "Central Governments and Central Banks" and "International organisations" was offset by the reductions, mainly in the "Institutions" portfolio (-2.1 billion euro). On the whole, the

reconfiguration during the half year resulted in a slight decrease in the Group's risk profile, reflected in the change in RWA density, which came to 20.63% as at December 2023 compared to 21.81% as at June 2023.

Standardised approach – Exposures post CCF and CRM as at 31 December 2023 (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	255,208	-	76	467	2,245	-	1,449	-	-
2	Regional government or local authorities	113	-	-	-	1,478	-	-	-	-
3	Public sector entities	110	-	-	-	437	-	71	-	-
4	Multilateral development banks	1,861	-	-	-	-	-	-	-	-
5	International organisations	3,055	-	-	-	-	-	-	-	-
6	Institutions	-	46	-	-	10,676	-	902	-	-
7	Corporates	-	-	-	-	1,133	-	1,561	46	-
8	Retail exposures	-	-	-	-	-	2,368	-	-	9,787
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	5,724	709	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	2,892	591	-	265	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	135	-	-	-	-	-	1	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	4,759	-	-	-	529	-	-	-	-
17	**Total**	**265,241**	**46**	**76**	**3,359**	**17,089**	**8,092**	**4,958**	**46**	**9,787**

Standardised approach – Exposures post CCF and CRM as at 31 December 2023 (EU CR5 Reg. 2021/637)
(Table 2 of 2)

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT						TOTAL	OF WHICH UNRATED
		100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	9,610	1,164	3,050	-	-	-	273,269	5,520
2	Regional government or local authorities	140	-	-	-	-	-	1,731	1,131
3	Public sector entities	238	-	-	-	-	-	856	376
4	Multilateral development banks	-	-	-	-	-	-	1,861	15
5	International organisations	-	-	-	-	-	-	3,055	9
6	Institutions	2,233	32	-	-	-	-	13,889	9,279
7	Corporates	17,463	251	-	-	-	-	20,454	16,388
8	Retail exposures	-	-	-	-	-	-	12,155	12,155
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	6,433	6,418
10	Exposures in default	420	97	-	-	-	-	517	514
11	Exposures associated with particularly high risk	-	186	-	-	-	-	186	186
12	Covered bonds	-	-	-	-	-	-	3,748	574
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	1,756	63	-	12	21	1,324	3,312	3,286
15	Equity exposures	411	-	325	-	-	-	736	736
16	Other items	12,914	107	-	-	-	-	18,309	18,309
17	**Total**	**45,185**	**1,900**	**3,375**	**12**	**21**	**1,324**	**360,511**	**74,896**

The value of the aggregate of the exposures included in the calculation using the standardised approach amounts to 361 billion euro, after the application of Credit Conversion Factors (CCFs) and prudential Credit Risk Mitigation (CRM) treatments. The breakdown of exposures by class and risk weight shows a favourable decrease in the average RWA density (-1.18%), which came to 20.63% during the half year, compared to the previous 21.81%, confirming the polarisation of exposures towards the zero-weighted classes (73.6% of the aggregate), within a trend of expansion of the “Central Governments or Central Banks” class, shown in Table CR4, to which reference is made.

Standardised approach - Exposures before CCF and CRM as at 31 December 2023 (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	206,455	-	76	501	2,125	-	1,225	-	-
2	Regional government or local authorities	109	-	-	-	1,412	-	-	-	-
3	Public sector entities	130	-	-	-	437	-	73	-	-
4	Multilateral development banks	1,331	-	-	-	-	-	-	-	-
5	International organisations	3,092	-	-	-	-	-	-	-	-
6	Institutions	-	46	-	-	14,619	-	1,572	-	-
7	Corporates	-	-	-	-	1,001	-	1,402	-	-
8	Retail exposures	-	-	-	-	-	2,381	-	-	20,343
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	6,062	732	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	2,892	591	-	265	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	156	-	-	-	-	-	2	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	4,756	-	-	-	529	-	-	-	-
17	**Total**	**216,029**	**46**	**76**	**3,393**	**20,714**	**8,443**	**5,271**	**-**	**20,343**

Standardised approach - Exposures before CCF and CRM as at 31 December 2023 (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	11,465	1,364	3,050	-	-	-	226,261	6,713
2	Regional government or local authorities	146	-	-	-	-	-	1,667	1,175
3	Public sector entities	1,028	-	-	-	-	-	1,668	1,187
4	Multilateral development banks	-	-	-	-	-	-	1,331	3
5	International organisations	-	-	-	-	-	-	3,092	9
6	Institutions	5,183	32	-	-	-	-	21,452	15,218
7	Corporates	35,788	299	-	-	-	-	38,490	33,233
8	Retail exposures	-	-	-	-	-	-	22,724	22,724
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	6,794	6,778
10	Exposures in default	672	172	-	-	-	-	844	706
11	Exposures associated with particularly high risk	-	309	-	-	-	-	309	235
12	Covered bonds	-	-	-	-	-	-	3,748	574
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	1,819	63	-	24	21	1,826	3,911	3,885
15	Equity exposures	411	-	325	-	-	-	736	736
16	Other items	12,914	107	-	-	-	-	18,306	18,306
17	**Total**	**69,426**	**2,346**	**3,375**	**24**	**21**	**1,826**	**351,333**	**111,482**

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

Qualitative disclosure

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

The rollout plan for the internal models

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

As already stated in the first Section of this document (paragraph “The Basel 3 regulations”), the ECB authorisations to use the new Corporate (from March 2023) and Specialised Lending models (from December 2023) for regulatory purposes have been implemented.

The activities planned in the previous years continued, essentially aimed at achieving the objectives of the “IRB regulatory roadmap”, focused on updating and re-estimating the models to periodically update the time series data, adopt the most recent regulatory provisions (e.g. EBA Guidelines and Guide for the Targeted Review of Internal Models – TRIM) and implement the corrective measures imposed within the permissions given as well as the strategic Return to Compliance Plan following the acquisition of the UBI Banca Group.
With regard to the International Subsidiaries, the commitments in the plan for the coming years mainly envisage: i) the implementation of the corrective measures imposed in the authorised measures obtained in the two-year period 2022/2023 and those expected in 2024 relating to Intesa Sanpaolo Bank and Všeobecná Úverová Banka; and ii) initial adoption of the internal models for credit risk for the Banks included in the Roll-Out Plan.

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

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

Structure of the internal rating systems (PD)

The main features of the rating systems used are as follows:

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

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

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

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

Correspondence between internal rating classes and ratings by the major agencies

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

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

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

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

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

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

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

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

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

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

Reporting
For the management reporting, the Credit Risk Management Department prepares the Group Loan Portfolio report on a quarterly basis, which provides an overall representation of the evolution of the Group's loan portfolio (performing and non-performing) and its main components and variables in terms of composition and riskiness, such as movements of the exposures, level of concentration (top 20), the expected loss, default rates, cost of credit, and the amount of the hedges. The main analyses and views concern the economic sectors, also in relation to their prospective performance, the business units, the commercial segments, the geographic areas, the credit risk appetite classes, the re-rating processes, and the stocks and flows of non-performing loans, as well as the movements of the exposures classified as leveraged transactions. This information is completed, also on a quarterly basis, by the Risk Tableau de Bord produced by the Enterprise Risk Management Head Office Department, which provides an overall view of the Group's risk position at the end of the respective quarter with reference to the combination of all the risk factors, according to the layout established by Basel 3 (Pillar 1 and Pillar 2). The main items analysed in the Risk Tableau de Bord are absorbed capital (regulatory vs. economic) and specific measurement criteria for each individual risk (e.g. sensitivity and expected loss) and the monitoring of the limits set within the Risk Appetite Framework.

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

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

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

forwarding of the information, with the support of the validation function and, where necessary, of the other development functions;
- forwarding the proposal for the adoption of the Internal System to the Risks and Sustainability Committee and for approval to the Board of Directors. The forwarding is carried out by the competent model development function.

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

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

Control and auditing of the rating systems

A prerequisite for the adoption of internal risk measurement systems for the calculation of the regulatory capital is an internal validation and auditing process for the rating systems, both during their establishment, aimed at obtaining the authorisation from the Supervisory Authorities, and during their ongoing operation/maintenance once the authorisation has been given.
The function responsible for the internal validation process for the Intesa Sanpaolo Group is the Internal Validation & Controls Coordination Area, which operates independently from the functions that manage the development activities and from the internal auditing function. Specifically, this sub-department is responsible for continuously and interactively validating risk measurement and management systems in order to assess their compliance with regulatory provisions, operational company demands and the reference market.
Therefore, with regard to the macro processes of development, adoption, monitoring and modification of the internal credit risk measurement systems, the following activities are assigned exclusively to the Internal Validation & Controls Coordination Area:
- preparation of the annual validation report to be presented to the Board of Directors to accompany the resolution for the certification of ongoing compliance of the internal system with the regulatory requirements, detailing any issues/areas for improvement;
- preparation of the Supplementary Validation Report (Annex 2) on the performance of the models authorised to use the advanced approach, as required by the Supervisory Authority framework;
- preparation of the validation reports verifying the substantial or *ex-ante* changes to internal systems to be submitted to the competent bodies for their approval;
- periodical analyses of the consistency of the corrective measures in case of critical issues/areas for the improvement of the system identified by the Supervisory Authority in the Remediation Plans during the on-site inspections, by the Internal Auditing function, as well as by the Internal Validation function during its periodic activities, based on the progress report provided by the Credit Risk Management Head Office Department;
- initial and ongoing validation of the internal models for Italian and international subsidiaries that do not have a local validation function;
- supervision and coordination of the local validation activities carried out by the corresponding functions of the Group companies;
- monitoring of the performance of the IRB system and annual reporting to the Eurosystem Credit Assessment Framework - ECAF (Static Pool).

The Internal Auditing function for the Intesa Sanpaolo Group is assigned to the Chief Audit Officer. This department conducts assessments of the entire process of adoption, extension, management and control of the internal measurement systems for credit risk in accordance with the procedures and the areas of responsibility established by the company regulations and on the basis of a specific work plan.
Specifically, this department is responsible for assessing the effectiveness of the control system overseeing the process of measurement, management and control of the Group's exposure to credit risk also through the regular audit of the internal validation process for the related models developed in accordance with the Basel 3 and Prudential Supervisory regulations.
The Chief Audit Officer is therefore responsible for the:
- internal audit aimed at verifying the compliance of the risk measurement systems with the requirements established by the internal/external regulations;
- assessment of the effectiveness of the overall structure of internal controls:
  - audit of the internal validation process (assessment of the completeness, adequacy, functionality and reliability of the analyses conducted and the consistency of the results);
  - audit of the first and second level controls;
- assessments of the effective operational use of the internal risk measurement systems;
- assessments of the adequacy, overall reliability and security of the information system;
- preparation of his/her report accompanying the application for authorisation to the Supervisor in relation to material model changes and/or "*ex-ante*" notifications;
- self-assessment of the Group's ICAAP process;
- periodic review of the disclosure process pursuant to Pillar 3;
- drafting of the annual internal auditing report with presentation to the competent Corporate Bodies, also in relation to the corrective action plan in case of critical issues/areas of improvement highlighted by the Internal Auditing function, as well as the Internal Validation function and the Supervisory Authority, based on the progress report periodically provided by the Credit Risk Management Head Office Department;
- steering and practical coordination of the internal auditing functions in the subsidiaries, to guarantee control consistency with the actions of the Parent Company.

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

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

The Corporate Groups model

The Corporate Groups rating model applies to domestic or foreign counterparties with a turnover of less than 500 million euro or belonging to groups whose turnover (consolidated figure of the consolidating parent company) is below this threshold.
The model consists of the following modules:
- statistical module: deriving from the integration of the assessment based on financial statement data (in turn specialised by sector of activity and residence to best capture the specific characteristics of each type of counterparty), performance data (based on the analysis of the system data of the Central Credit Register to capture the company's performance with respect to the financial system as a whole) and company information/success factor data (aimed at capturing certain "structural" characteristic features of the individual counterparties or their sector of operations);
- qualitative module: this component is made up of the "purely" qualitative component, derived from the analysis of historical information (responses) gathered during the completion of the qualitative questionnaires, plus a competitive positioning module, based on financial statement data but which compares the situation of the individual borrower counterparty against its industry sector, and a new module, defined as "catastrophic risks", aimed at summarising the risk, based on geographical location, that catastrophic events (e.g. floods, earthquakes) may generate for the counterparty's credit standing.

Further factors act downstream of these components aimed at completing the assessment of the counterparty:
- notch module: a module derived from the analysis of the responses given to the qualitative questionnaire, but which, compared to the previous modules, refer to rare events that, therefore, cannot be modelled statistically;
- industry segment module: aimed at capturing the benefit derived from belonging to an industry segment;
- Economic Groups module: it links the assessments of the parent company and of the subsidiary (subject of assessment), differentiating their effect based on the level of intensity of the connection;
- Country Risk module: it determines a prudential adjustment of the assessment of the counterparty based on the risk associated with the country where the business is predominantly conducted/operated.

The Large Corporate Groups model

The Large Corporate Groups model applies to domestic or foreign counterparties with a turnover of more than 500 million euro or belonging to groups whose turnover (consolidated figure of the consolidating parent company) is above this threshold.
The model consists of the following modules:
- financial statements module: specialised according to whether the counterparty to be assessed is a parent company or a subsidiary with a high degree of connection;
- performance component: based on a NEWS module (based on market information) and the Distance to Default (DTD) indicator aimed respectively at assessing the presence – over the 12 months preceding the rating assignment date – of certain categories of significant and emerging news related to credit risk, and the distance to default derived from the analysis of market data (market capitalisation) with respect to the financial statement data (debt) of the counterparty;

- qualitative component: based on the statistical analysis of the responses historically provided when the questionnaires were completed by analysts during the rating assignment process, and a new module, called ESG, implemented to strengthen the inclusion of Environmental, Social and Governance aspects in the credit risk framework;
- company information module: aimed at assessing more structural/specific characteristics across all types of counterparties.

The integrated score (derived from the integrations of the previous components) is supplemented by additional relevant assessment aspects (additional questions with a notch impact, Economic Groups and Country Risk modules) to obtain the rating from the model.

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

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

Specialised Lending models
The Specialised Lending segment is covered by various models for the different exposure categories.

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

b) The Project Finance Low model
This model is used to assess the exposures of vehicle companies whose sole purpose is to implement and manage specific small-scale projects. This model consists of a quantitative module based on the forward-looking economic and financial information regarding the project. The model also includes a qualitative questionnaire used to analyse the main project risks. The model's outputs are the PD and LGD parameters, used for reporting purposes.

c) Real Estate High
The Real Estate High model applies to counterparties engaged in non-continuous real estate initiatives aimed at the sale or lease of mortgage-backed assets, with exposure to the Bank and the banking system above a set threshold. The model consists of a quantitative module based on a Monte Carlo simulation on the main risk drivers in these types of transactions, where cash flows mainly originating from rent and/or sales are impacted by the trends in historical market data. The model also includes a qualitative questionnaire used to complete the analysis of the main project risks. The model's outputs are the PD and LGD parameters, used for reporting purposes.

d) The Real Estate Low model
The Real Estate Low rating model applies to counterparties engaged in non-continuous real estate initiatives aimed at the sale or lease of mortgage-backed assets, with exposure to the Bank and the banking system below a set threshold.
The rating system was estimated through a default model approach, using traditional statistical modelling techniques. The rating system consists of the integration of five modules developed using statistical methods, plus information from the qualitative questionnaires, which has a notch impact on the statistical rating generated by the model.

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

f) Leverage & Acquisition Finance
The Leverage & Acquisition Finance model is used to assess extraordinary finance transactions aimed at corporate acquisitions carried out predominantly with debt capital (high financial leverage); although it does not fall under the regulatory categories of Specialised Lending, it shares the key characteristics of these models. This model consists of a quantitative module, which takes into account both historical and forward looking financial statement data, and a qualitative module, aimed at analysing the main risk areas of the transaction concerned. The model's outputs are the PD and LGD parameters, used for reporting purposes.

The Corporate models used by Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Luxembourg
The banks use the Corporate Groups, Large Corporate Groups and Specialised Lending models of the Parent Company described above.

The Corporate models used by VUB
For the counterparties with a turnover at a consolidated level of more than 500 million euro, VUB uses the Parent Company's Large Corporate Groups model.

The Bank then uses the following locally developed models:

a) The Corporate model
For counterparties with a turnover at a consolidated level of between 2 million euro and 500 million euro, VUB's corporate model, estimated internally by the Slovak subsidiary with the support of the relevant Parent Company structures, consists of the following modules:
- financial statement module: it uses financial information from the counterparty;
- qualitative module: based on responses to a questionnaire regarding specific characteristics of the counterparty;
- performance module: based on the behaviour of the counterparty in relation to credit obligations to the Bank;
- competitive positioning module: it assesses the counterparty's financial indicators against those of its economic sector.

The integrated score (derived from the integrations of the previous components) is supplemented by additional relevant assessment aspects (additional questions with a notch impact, Economic Groups and Country Risk) to obtain the rating from the model.

b) The Small and Medium Enterprises (SME) model
For counterparties with a turnover at a consolidated level of less than 2 million euro, VUB's SME model, internally estimated by the Slovak subsidiary, is divided into two modules. The first module is statistical in nature and consists of a component relating to the characteristics of the counterparty, such as geographical location, number of employees, age and legal nature, as well as a financial component, differentiated according to the accounting structure (ordinary or simplified accounting schemes). The second model, which considers performance variables, is statistically integrated with the first.

c) The Specialised Lending models
For Specialised Lending, models are adopted, which are developed internally by the Slovak subsidiary with the support of the competent Parent Company structures, whose output is a slotting class.

The Corporate models used by Banka Intesa Sanpaolo d.d.
For the counterparties with a turnover at a consolidated level of more than 500 million euro, Banka Intesa Sanpaolo d.d. uses the Parent Company's Large Corporate Groups model.

For counterparties with a turnover at a consolidated level of between 2 million euro and 500 million euro, Banka Intesa Sanpaolo d.d.'s corporate model, estimated internally by the Slovenian subsidiary with the support of the relevant Parent Company structures, consists of the following modules:
- financial statement module: it uses financial information from the counterparty;
- qualitative module: based on responses to a questionnaire regarding specific characteristics of the counterparty;
- performance module: based on the behaviour of the counterparty in relation to credit obligations to the Bank.

The integrated score (derived from the integrations of the previous components) is supplemented by additional relevant assessment aspects (additional questions with a notch impact, Economic Groups and competitive positioning) to obtain the rating from the model.

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

The modules that make up the model are statistically integrated, obtaining an integrated score which is calibrated to define the rating classes.
Subsequently, the rating may be notched downwards if there are other significant critical factors.

VUB Retail PD Model

Developed with the support of the competent structures of the Parent Company, the model adopts a per counterparty approach, and is composed of numerous modules that consider performance information inside and outside the Bank, differentiating customers also based on the type of products entered into with the Bank.
Those modules were subsequently statistically integrated to obtain the final rating of the customer.

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

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

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

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

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

Within the Specialised Lending segment, counterparties related to the Real Estate Low portfolio have a specific model developed entirely on internal default data. For all the other segments (Real Estate High, Leverage Acquisition Finance, Asset Finance, and Project Finance) *ad hoc* approaches are used, which are designed to address these types of portfolios, but they are all subject to a final calibration based on the Bank’s internal defaults.

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

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

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

For the Large Corporate LGD, the Parent Company’s model is adopted with adaptations to the local circumstances, whereas the Bank uses locally developed models for the Corporate and Retail SME portfolios.
The Retail LGD models, developed with the support of the competent structures of the Parent Company, were developed according to a workout approach, based on the recovery rates achieved during the default period, taking into consideration direct and indirect costs and recovery times. The models are differentiated based on the product type: mortgage loans, credit cards, consumer credit and current account overdrafts.

Description of the EAD models

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

The EAD model for the Retail segment of VUB

VUB's Retail EAD model, developed with the support of the competent Parent Company structures, is differentiated by product type.

Quantitative disclosure

The table below shows the scopes of companies for which the Group, as at 31 December 2023, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the Institutions, Corporate and Retail portfolios, and for Banking Book Equity (IRB) exposures.

Scope of companies for application of the IRB approaches

Portfolio	PD - Model Type	LGD - Model Type	EAD - Model Type	Status
Institutions	Default model (Banks) (4)	Market model (Banks)	Regulatory parameters (Banks)	AIRB authorised since June 2017
	Default model (Municipalities and Provinces) Shadow model (Regions) (4)	Workout model (Municipalities, Provinces, Regions)	Regulatory parameters (Municipalities, Provinces, Regions)	AIRB authorised since June 2017
Corporate	Default model (Corporate)	Workout model (Bank products; Leasing and Factoring)	CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 (1)
	Simulation models (Specialised Lending)	Simulation models/ Workout models (Specialised Lending)	CCF/ K factor model (Specialised Lending)	AIRB authorised since June 2012 EAD authorised since October 2023
Retail	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	IRB Other Retail since September 2018 and IRB Mortgage since December 2010 (2)
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	IRB PD/LGD authorised since December 2012, EAD authorised since June 2021 (3)

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

Scope of the use of IRB and SA approaches as at 31 December 2023 (EU CR6-A Reg. 2021/637)

(millions of euro)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
1	Central governments or central banks	-	225,113	100.00	-	-
1.1	*Of which Regional governments or local authorities*		*101*	*100.00*	-	-
1.2	*Of which Public sector entities*		*1,095*	*100.00*	-	-
2	Institutions	23,685	49,700	13.27	55.33	31.40
3	Corporates	196,376	240,266	8.64	87.02	4.34
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		*14,090*	*1.07*	*98.93*	-
3.2	*Of which Corporates - Specialised lending under slotting approach*		*916*	-	*100.00*	-
4	Retail	168,873	186,344	6.60	87.37	6.03
4.1	*of which Retail – Secured by real estate SMEs*		*5,064*	*1.00*	*95.07*	*3.93*
4.2	*of which Retail – Secured by real estate non-SMEs*		*127,929*	*1.21*	*95.45*	*3.34*
4.3	*of which Retail – Qualifying revolving*		*598*	-	*22.05*	*77.95*
4.4	*of which Retail – Other SMEs*		*20,974*	*5.92*	*87.54*	*6.54*
4.5	*of which Retail – Other non-SMEs*		*31,779*	*29.77*	*54.75*	*15.48*
5	Equity	9,816	10,596	7.33	92.53	0.14
6	Other non-credit obligation assets	-	18,491	100.00	-	-
7	**Total**	**398,750**	**730,510**	**38.88**	**56.01**	**5.11**

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

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

The value of exposures subject to the IRB approach showed a decrease of 10.6 billion euro during the year, mainly as a result of the decrease in volumes of operations on the Corporate and Retail portfolios, as part of activities by the Bank to reduce risk-weighted assets, optimising the profitability to absorbed capital ratio.

The EAD values of exposures as at 31 December 2023 for the various IRB approaches (IRB, Foundation IRB and Advanced IRB) are shown in the tables below.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2023	31.12.2022
Exposures to or secured by corporates:		
- Specialised lending	-	-
- SMEs (Small and Medium Enterprises)	199	452
- Other corporates	864	1,318
Total credit risk (IRB)	**1,063**	**1,770**

Exposure values by regulatory portfolio (Advanced IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2023	31.12.2022
Exposures to or secured by corporates:		
- Specialised lending	13,830	12,161
- SMEs (Small and Medium Enterprises)	28,595	37,155
- Other corporates	119,480	120,994
Exposures to or secured by Supervised Intermediaries, Public sector and local entities and Other entities	30,720	30,311
Total credit risk (Advanced IRB approach)	**192,625**	**200,621**

Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2023	31.12.2022
Retail exposures:		
- Exposures secured by residential property: SMEs	4,341	5,475
- Exposures secured by residential property: private individuals	116,149	117,900
- Other retail exposures: SMEs	9,729	12,394
- Other retail exposures: private individuals	28,739	22,401
- Qualifying revolving exposures	93	107
Total credit risk (IRB)	**159,051**	**158,277**

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2023	31.12.2022
Exposures in equity instruments subject to the PD/LGD approach	1,418	1,452
Total credit risk (IRB)	**1,418**	**1,452**

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 risk weights applied to said exposure.

IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques as at 31 December 2023 (EU CR7 Reg. 2021/637)

(millions of euro)

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
1	**Exposures under F-IRB**	**728**	**728**
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates	728	728
4.1	*of which Corporates - SMEs*	*97*	*97*
4.2	*of which Corporates - specialised lending*	*-*	*-*
5	**Exposures under A-IRB**	**137,015**	**136,849**
6	Central governments and central banks	-	-
7	Institutions	11,361	11,412
8	Corporates	95,934	95,717
8.1	*of which Corporates - SMEs*	*15,088*	*15,088*
8.2	*of which Corporates - specialised lending*	*9,130*	*9,130*
9	Retail	29,720	29,720
9.1	*of which Retail – SMEs, secured by immovable property collateral*	*1,084*	*1,084*
9.2	*of which Retail – non SMEs, secured by immovable property collateral*	*19,149*	*19,149*
9.3	*of which Retail – qualifying revolving*	*19*	*19*
9.4	*of which Retail – SMEs, other*	*2,113*	*2,113*
9.5	*of which Retail – non SMEs, other*	*7,355*	*7,355*
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**137,743**	**137,577**

The use of credit derivatives as a credit risk mitigation tool is marginal and the effects as at 31 December were small: in relation to the reduction of -217 million RWA in the Corporates portfolio, there was an increase of +51 million euro in RWAs in the Institutions portfolio, with a net change of -166 million euro in RWAs.

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2023 (EU CR6 Regulation 2021/637) (*Table 1 of 4*)

(millions of euro)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjustments and provisions
Exposures to Institutions	0.00 to < 0.15	8,272	17,477	2.30%	8,808	0.07	864	41.59	2.82	2,811	31.91%	3	-7
	0.00 to < 0.10	6,806	14,006	2.06%	7,225	0.06	560	42.82	2.80	2,216	30.67%	2	-7
	0.10 to < 0.15	1,466	3,471	3.25%	1,583	0.11	304	35.98	2.88	595	37.57%	1	-
	0.15 to < 0.25	3,399	9,018	11.40%	4,462	0.19	738	31.54	2.60	1,895	42.48%	3	-2
	0.25 to < 0.50	5,039	5,916	9.61%	5,611	0.42	813	30.20	3.58	3,448	61.45%	7	-3
	0.50 to < 0.75	415	501	11.56%	417	0.61	233	23.03	3.03	185	44.24%	-	-
	0.75 to < 2.50	2,856	10,529	3.21%	3,188	1.28	1,224	19.32	3.39	1,591	49.90%	8	-8
	0.75 to < 1.75	2,559	8,725	3.51%	2,880	1.18	1,033	18.91	3.33	1,362	47.31%	6	-6
	1.75 to < 2.5	297	1,804	1.76%	308	2.23	191	23.15	3.91	229	74.11%	2	-2
	2.50 to < 10.00	706	3,135	4.37%	813	5.49	646	30.99	2.30	907	111.46%	14	-12
	2.5 to < 5	333	1,052	4.24%	355	3.73	379	28.43	2.49	325	91.22%	4	-3
	5 to < 10	373	2,083	4.43%	458	6.86	267	32.98	2.14	582	127.17%	10	-9
	10.00 to < 100.00	99	430	3.83%	90	14.70	364	37.02	2.25	176	195.88%	5	-3
	10 to < 20	92	417	2.69%	78	12.43	199	38.86	2.25	159	203.92%	4	-3
	20 to < 30	7	-	46.92%	7	26.19	22	20.52	3.28	8	123.01%	-	-
	30.00 to < 100.00	-	13	40.14%	5	32.75	143	31.18	1.09	9	171.75%	1	-
	100.00 (Default)	351	11	4.22%	351	100.00	113	84.06	1.27	399	113.76%	263	-228
	Subtotal	**21,137**	**47,017**	**5.42%**	**23,740**	**2.06**	**4,995**	**33.94**	**3.00**	**11,412**	**48.07%**	**303**	**-263**
Exposures to corporates - SMEs (small and medium enterprises)	0.00 to < 0.15	523	660	41.69%	658	0.10	4,365	38.97	2.19	110	16.70%	-	-
	0.00 to < 0.10	171	344	30.38%	189	0.08	2,093	40.81	1.69	22	11.69%	-	-
	0.10 to < 0.15	352	316	54.04%	469	0.12	2,272	38.23	2.39	88	18.72%	-	-
	0.15 to < 0.25	469	1,128	26.87%	581	0.16	4,093	41.28	1.55	110	19.01%	-	-
	0.25 to < 0.50	5,683	6,362	29.97%	4,739	0.38	27,671	40.02	1.77	1,528	32.24%	8	-8
	0.50 to < 0.75	6,308	4,258	28.06%	4,045	0.61	21,584	39.85	1.76	1,644	40.64%	10	-11
	0.75 to < 2.50	15,378	6,312	27.27%	9,104	1.43	44,717	38.84	2.01	5,137	56.43%	52	-62
	0.75 to < 1.75	12,663	5,445	28.05%	7,691	1.29	37,023	38.94	1.98	4,231	55.01%	40	-46
	1.75 to < 2.5	2,715	867	22.39%	1,413	2.16	7,694	38.34	2.16	906	64.12%	12	-16
	2.50 to < 10.00	10,698	2,564	24.32%	5,535	5.83	29,315	37.79	2.47	4,764	86.07%	124	-218
	2.5 to < 5	3,889	1,175	25.67%	2,061	3.66	10,713	38.12	2.21	1,541	74.77%	29	-32
	5 to < 10	6,809	1,389	23.18%	3,474	7.12	18,602	37.60	2.62	3,223	92.77%	95	-186
	10.00 to < 100.00	1,856	281	27.69%	1,047	18.06	7,345	38.05	3.12	1,396	133.40%	73	-154
	10 to < 20	1,391	216	25.01%	725	14.63	4,379	38.22	2.99	907	125.20%	41	-88
	20 to < 30	415	52	39.04%	247	22.20	1,685	38.95	3.34	380	153.93%	22	-46
	30.00 to < 100.00	50	13	26.66%	75	37.50	1,281	33.44	3.70	109	145.03%	10	-20
	100.00 (Default)	3,496	275	33.74%	2,804	100.00	7,095	57.44	2.20	399	14.22%	1,605	-1,808
	Subtotal	**44,411**	**21,840**	**28.37%**	**28,513**	**12.24**	**146,185**	**40.83**	**2.08**	**15,088**	**52.92%**	**1,872**	**-2,261**
Exposures to corporates - Specialised lending	0.00 to < 0.15	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	0.00 to < 0.10	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	0.10 to < 0.15	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	0.15 to < 0.25	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	0.25 to < 0.50	397	91	37.05%	430	0.34	43	17.84	3.32	102	23.66%	-	-1
	0.50 to < 0.75	1,480	1,618	47.85%	2,120	0.62	102	19.48	4.07	796	37.55%	3	-3
	0.75 to < 2.50	5,138	3,050	49.92%	6,550	1.36	682	19.12	3.62	3,185	48.62%	17	-25
	0.75 to < 1.75	4,053	2,537	50.09%	5,284	1.16	413	19.34	3.68	2,582	48.85%	12	-18
	1.75 to < 2.5	1,085	513	49.07%	1,266	2.19	269	18.20	3.40	603	47.65%	5	-7
	2.50 to < 10.00	2,679	1,525	51.28%	3,307	4.96	708	19.86	2.35	2,236	67.60%	34	-79
	2.5 to < 5	1,403	860	48.74%	1,710	3.39	430	19.50	2.45	1,006	58.82%	12	-17
	5 to < 10	1,276	665	54.57%	1,597	6.64	278	20.24	2.24	1,230	77.00%	22	-62
	10.00 to < 100.00	805	377	49.69%	590	32.85	199	30.27	3.11	1,462	248.08%	88	-87
	10 to < 20	210	40	44.16%	182	15.11	74	35.18	3.67	358	196.87%	10	-23
	20 to < 30	10	1	49.49%	9	22.90	21	21.44	4.10	10	113.47%	-	-1
	30.00 to < 100.00	585	336	50.35%	399	41.18	104	28.23	2.83	1,094	274.52%	78	-63
	100.00 (Default)	645	38	3.51%	615	100.00	223	50.53	2.55	277	45.10%	289	-334
	Subtotal	**11,144**	**6,699**	**49.28%**	**13,612**	**7.91**	**1,957**	**21.22**	**3.30**	**8,058**	**59.20%**	**431**	**-529**

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2023 (EU CR6 Regulation 2021/637) (*Table 2 of 4*)

(millions of euro)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to corporates - Other corporates	0.00 to < 0.15	18,033	57,494	18.82%	29,319	0.10	2,268	35.65	1.84	8,935	30.47%	11	-12
	0.00 to < 0.10	6,653	25,159	19.41%	11,731	0.06	1,077	34.86	1.64	2,410	20.54%	3	-3
	0.10 to < 0.15	11,380	32,335	18.36%	17,588	0.13	1,191	36.19	1.98	6,525	37.10%	8	-9
	0.15 to < 0.25	16,580	33,697	18.18%	22,635	0.21	1,897	35.61	1.78	10,573	46.71%	17	-11
	0.25 to < 0.50	14,933	20,292	22.52%	18,056	0.36	5,297	34.43	1.61	9,572	53.01%	23	-21
	0.50 to < 0.75	10,192	11,803	23.77%	10,773	0.60	5,120	33.91	1.76	6,955	64.56%	22	-17
	0.75 to < 2.50	24,690	22,824	27.57%	25,886	1.54	12,176	33.60	1.80	23,003	88.86%	134	-101
	0.75 to < 1.75	18,555	18,847	27.57%	19,901	1.31	9,277	33.57	1.75	16,518	83.00%	87	-60
	1.75 to < 2.5	6,135	3,977	27.59%	5,985	2.30	2,899	33.70	1.94	6,485	108.36%	47	-41
	2.50 to < 10.00	6,368	4,084	27.05%	5,591	4.97	5,855	32.12	2.18	6,587	117.83%	91	-103
	2.5 to < 5	3,971	2,684	26.42%	3,461	3.73	4,016	31.62	2.28	3,793	109.60%	41	-43
	5 to < 10	2,397	1,400	28.26%	2,130	6.97	1,839	32.94	2.01	2,794	131.20%	50	-60
	10.00 to < 100.00	3,191	1,364	33.99%	2,582	20.10	1,265	32.36	2.14	5,416	209.78%	175	-287
	10 to < 20	1,406	721	28.37%	1,379	13.88	718	29.33	2.36	2,280	165.42%	59	-78
	20 to < 30	1,757	628	40.25%	1,174	26.82	271	36.10	1.90	3,099	263.87%	113	-207
	30.00 to < 100.00	28	15	42.84%	29	43.21	276	25.15	1.64	37	128.14%	3	-2
	100.00 (Default)	2,585	1,005	36.92%	2,723	100.00	1,135	46.93	1.48	458	16.81%	1,252	-1,456
	Subtotal	**96,572**	**152,563**	**21.34%**	**117,565**	**3.51**	**35,013**	**34.87**	**1.79**	**71,499**	**60.82%**	**1,725**	**-2,008**
Retail exposures: (*) - SME secured by immovable property collateral	0.00 to < 0.15	1,285	14	49.94%	1,264	0.10	11,831	21.12	-	49	3.90%	-	-1
	0.00 to < 0.10	782	9	58.54%	779	0.07	6,992	21.11	-	23	2.99%	-	-
	0.10 to < 0.15	503	5	35.40%	485	0.15	4,839	21.12	-	26	5.38%	-	-1
	0.15 to < 0.25	2	-	0.00%	2	0.16	19	34.80	-	-	10.07%	-	-
	0.25 to < 0.50	714	13	34.47%	677	0.33	6,660	21.26	-	67	9.94%	-	-1
	0.50 to < 0.75	427	6	33.17%	380	0.62	3,784	21.29	-	59	15.52%	1	-1
	0.75 to < 2.50	1,306	17	31.51%	1,079	1.65	11,663	21.26	-	316	29.31%	4	-7
	0.75 to < 1.75	735	11	31.63%	624	1.17	6,567	21.22	-	149	23.87%	2	-3
	1.75 to < 2.5	571	6	31.30%	455	2.31	5,096	21.32	-	167	36.77%	2	-4
	2.50 to < 10.00	586	7	20.71%	468	5.68	5,556	21.61	-	281	59.97%	6	-10
	2.5 to < 5	369	5	18.86%	299	4.24	3,454	21.65	-	158	52.75%	3	-5
	5 to < 10	217	2	26.16%	169	8.22	2,102	21.55	-	123	72.69%	3	-5
	10.00 to < 100.00	352	3	18.79%	268	29.56	3,681	21.42	-	240	89.30%	17	-27
	10 to < 20	132	1	17.29%	97	13.88	1,210	21.59	-	87	89.24%	3	-9
	20 to < 30	91	1	14.42%	69	21.42	909	21.30	-	68	97.80%	3	-8
	30.00 to < 100.00	129	1	22.65%	102	50.02	1,562	21.34	-	85	83.61%	11	-10
	100.00 (Default)	237	3	28.79%	203	100.00	2,225	43.36	-	72	35.43%	82	-62
	Subtotal	**4,909**	**63**	**34.63%**	**4,341**	**7.67**	**45,419**	**22.31**	**-**	**1,084**	**24.97%**	**110**	**-109**
Retail exposures (*) - Non-SME secured by immovable property collateral	0.00 to < 0.15	60,671	332	67.77%	58,683	0.09	671,660	24.17	-	3,144	5.36%	12	-6
	0.00 to < 0.10	39,153	127	46.62%	38,005	0.07	423,573	23.61	-	1,644	4.33%	6	-2
	0.10 to < 0.15	21,518	205	80.87%	20,678	0.12	248,087	25.21	-	1,500	7.26%	6	-4
	0.15 to < 0.25	7,642	28	8.34%	7,070	0.19	84,873	23.30	-	676	9.55%	3	-1
	0.25 to < 0.50	25,600	123	34.13%	23,742	0.34	288,666	23.52	-	3,484	14.68%	19	-7
	0.50 to < 0.75	10,807	70	51.52%	10,115	0.70	126,801	23.42	-	2,458	24.30%	16	-9
	0.75 to < 2.50	9,051	40	32.92%	8,321	1.35	113,607	22.83	-	3,046	36.61%	26	-19
	0.75 to < 1.75	9,050	40	32.92%	8,320	1.35	113,594	22.83	-	3,046	36.61%	26	-19
	1.75 to < 2.5	1	-	0.00%	1	2.07	13	17.33	-	-	36.88%	-	-
	2.50 to < 10.00	5,061	33	56.28%	4,743	3.18	81,631	22.07	-	2,816	59.38%	34	-73
	2.5 to < 5	3,998	26	59.66%	3,753	2.62	65,777	21.96	-	2,014	53.66%	22	-26
	5 to < 10	1,063	7	43.75%	990	5.32	15,854	22.52	-	802	81.07%	12	-47
	10.00 to < 100.00	2,529	16	27.74%	2,442	21.59	32,559	22.99	-	3,080	126.12%	122	-220
	10 to < 20	1,144	9	34.98%	1,094	10.90	15,231	23.03	-	1,252	114.43%	27	-74
	20 to < 30	875	3	8.63%	848	21.91	11,831	22.20	-	1,139	134.31%	41	-84
	30.00 to < 100.00	510	4	26.38%	500	44.44	5,497	24.27	-	689	137.83%	54	-62
	100.00 (Default)	1,046	3	43.15%	1,033	100.00	14,696	38.01	-	445	43.09%	357	-293
	Subtotal	**122,407**	**645**	**53.21%**	**116,149**	**1.75**	**1,414,493**	**23.84**	**-**	**19,149**	**16.49%**	**589**	**-628**

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2023 (EU CR6 Regulation 2021/637) (*Table 3 of 4*)

(millions of euro)

A-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Retail exposures (*) - qualifying revolving	0.00 to < 0.15	24	88	21.70%	43	0.10	70,483	45.47	-	2	2.98%	-	-
	0.00 to < 0.10	11	39	24.94%	21	0.08	30,735	45.45	-	1	2.44%	-	-
	0.10 to < 0.15	13	49	19.13%	22	0.12	39,748	45.49	-	1	3.49%	-	-
	0.15 to < 0.25	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	0.25 to < 0.50	15	40	18.23%	22	0.33	40,249	45.56	-	2	7.68%	-	-
	0.50 to < 0.75	7	9	20.45%	8	0.62	12,604	46.36	-	1	12.93%	-	-
	0.75 to < 2.50	6	4	22.69%	7	1.31	8,869	46.36	-	2	23.02%	-	-
	0.75 to < 1.75	6	4	22.69%	7	1.31	8,869	46.36	-	2	23.02%	-	-
	1.75 to < 2.5	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	2.50 to < 10.00	6	2	24.46%	7	4.03	8,034	46.30	-	3	50.59%	-	-
	2.5 to < 5	5	2	23.87%	6	3.42	6,563	46.22	-	2	45.59%	-	-
	5 to < 10	1	-	29.48%	1	6.62	1,471	46.65	-	1	72.02%	-	-
	10.00 to < 100.00	3	-	28.72%	3	24.18	2,440	47.45	-	3	122.92%	-	-
	10 to < 20	2	-	26.30%	2	13.95	1,691	46.87	-	2	109.09%	-	-
	20 to < 30	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	30.00 to < 100.00	1	-	34.84%	1	43.39	749	48.52	-	1	148.90%	-	-
	100.00 (Default)	3	1	0.00%	3	100.00	3,008	66.72	-	6	202.63%	2	-2
	Subtotal	**64**	**144**	**20.67%**	**93**	**4.64**	**145,687**	**46.47**	**-**	**19**	**20.17%**	**2**	**-2**
Retail exposures (*) - SME other	0.00 to < 0.15	4,962	3,631	35.85%	3,391	0.10	197,006	32.04	-	207	6.10%	1	-3
	0.00 to < 0.10	2,961	2,597	34.73%	2,171	0.07	115,026	32.14	-	105	4.84%	-	-2
	0.10 to < 0.15	2,001	1,034	38.67%	1,220	0.14	81,980	31.85	-	102	8.34%	1	-1
	0.15 to < 0.25	66	10	74.72%	75	0.17	7,656	56.09	-	13	16.80%	-	-
	0.25 to < 0.50	2,879	1,129	39.03%	1,651	0.33	124,376	33.34	-	248	15.05%	2	-3
	0.50 to < 0.75	1,541	418	36.99%	781	0.62	63,996	33.21	-	170	21.78%	2	-2
	0.75 to < 2.50	4,266	783	33.55%	1,799	1.59	165,698	32.94	-	565	31.37%	9	-11
	0.75 to < 1.75	2,572	516	34.62%	1,120	1.17	100,371	33.06	-	325	29.02%	4	-5
	1.75 to < 2.5	1,694	267	31.48%	679	2.29	65,327	32.74	-	239	35.24%	5	-6
	2.50 to < 10.00	2,125	310	31.48%	894	5.61	96,980	33.78	-	367	41.09%	17	-17
	2.5 to < 5	1,313	196	31.32%	565	4.14	58,871	34.48	-	229	40.58%	8	-8
	5 to < 10	812	114	31.76%	329	8.13	38,109	32.59	-	138	41.96%	9	-9
	10.00 to < 100.00	1,090	111	36.62%	415	26.47	83,588	32.91	-	244	58.89%	36	-39
	10 to < 20	417	42	34.16%	166	13.60	28,103	33.22	-	84	50.87%	7	-13
	20 to < 30	337	30	27.55%	112	21.42	18,358	31.76	-	66	58.76%	8	-11
	30.00 to < 100.00	336	39	46.27%	137	46.26	37,127	33.47	-	94	68.77%	21	-15
	100.00 (Default)	1,249	42	36.45%	716	100.00	60,321	67.73	-	299	41.80%	461	-557
	Subtotal	**18,178**	**6,434**	**36.07%**	**9,722**	**9.44**	**799,621**	**35.53**	**-**	**2,113**	**21.73%**	**528**	**-632**
Retail exposures (*) - Non-SME other	0.00 to < 0.15	4,394	2,444	69.61%	9,255	0.08	1,788,394	34.30	-	706	7.63%	3	-54
	0.00 to < 0.10	2,580	1,895	67.73%	6,234	0.07	1,263,490	33.30	-	386	6.20%	2	-35
	0.10 to < 0.15	1,814	549	76.08%	3,021	0.12	524,904	36.38	-	320	10.59%	1	-19
	0.15 to < 0.25	924	272	79.36%	1,588	0.19	245,277	34.66	-	219	13.82%	1	-11
	0.25 to < 0.50	3,896	846	79.98%	6,727	0.35	920,530	35.91	-	1,404	20.87%	9	-77
	0.50 to < 0.75	1,701	232	76.58%	2,899	0.69	340,921	36.76	-	909	31.37%	7	-77
	0.75 to < 2.50	2,273	340	61.15%	3,329	1.34	472,527	36.93	-	1,414	42.47%	16	-75
	0.75 to < 1.75	2,272	340	61.15%	3,277	1.33	471,449	37.05	-	1,398	42.64%	16	-71
	1.75 to < 2.5	1	-	96.65%	52	1.93	1,078	29.39	-	16	31.71%	-	-4
	2.50 to < 10.00	2,068	141	87.92%	2,562	3.65	399,271	36.41	-	1,355	52.86%	34	-95
	2.5 to < 5	1,282	94	85.09%	1,635	2.68	240,977	36.42	-	834	50.99%	16	-48
	5 to < 10	786	47	93.56%	927	5.37	158,294	36.40	-	521	56.18%	18	-47
	10.00 to < 100.00	1,014	75	81.69%	1,219	18.50	349,785	37.70	-	970	79.58%	88	-140
	10 to < 20	560	43	81.76%	700	11.12	151,195	37.73	-	477	68.25%	30	-57
	20 to < 30	314	24	84.52%	370	21.91	152,314	35.54	-	317	85.66%	29	-48
	30.00 to < 100.00	140	8	73.05%	149	44.64	46,276	42.92	-	176	117.60%	29	-35
	100.00 (Default)	1,153	16	75.28%	1,158	100.00	195,243	58.95	-	378	32.61%	652	-719
	Subtotal	**17,423**	**4,366**	**72.76%**	**28,737**	**5.48**	**4,711,948**	**36.58**	**-**	**7,355**	**25.60%**	**810**	**-1,248**
TOTAL		**336,245**	**239,771**	**21.06%**	**342,472**		**7,305,318**		**2.10**	**135,777**	**39.65%**	**6,370**	**-7,680**

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

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

IRB Approach – CCR exposures by portfolio and PD scale as at 31 December 2023 (EU CR6 Regulation 2021/637) (*Table 4 of 4*)

(millions of euro)

F-IRB	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to corporates - SMEs	0.00 to < 0.15	6	21	55.40%	18	0.11	54	41.90	2.50	4	20.30%	-	-
	0.00 to < 0.10	4	4	56.08%	7	0.07	22	37.98	2.50	1	15.09%	-	-
	0.10 to < 0.15	2	17	55.23%	11	0.14	32	44.24	2.50	3	23.40%	-	-
	0.15 to < 0.25	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	0.25 to < 0.50	20	18	38.74%	26	0.26	147	42.82	2.50	8	31.68%	-	-
	0.50 to < 0.75	52	31	35.38%	63	0.50	276	42.37	2.50	28	44.32%	-	-
	0.75 to < 2.50	54	31	41.35%	68	1.21	346	41.70	2.50	40	58.89%	1	-1
	0.75 to < 1.75	37	23	43.60%	48	0.96	223	41.89	2.50	27	56.27%	-	-1
	1.75 to < 2.5	17	8	34.66%	20	1.83	123	41.25	2.50	13	65.22%	1	-
	2.50 to < 10.00	16	5	35.54%	18	4.41	127	41.46	2.50	15	82.35%	-	-1
	2.5 to < 5	11	4	36.77%	13	3.49	85	41.35	2.50	10	76.12%	-	-
	5 to < 10	5	1	29.76%	5	6.65	42	41.73	2.50	5	97.43%	-	-1
	10.00 to < 100.00	2	-	20.27%	2	16.47	35	39.42	2.50	2	118.83%	-	-
	10 to < 20	2	-	20.33%	2	12.68	19	39.04	2.50	2	113.78%	-	-
	20 to < 30	-	-	20.00%	-	24.14	4	45.00	2.50	-	159.05%	-	-
	30.00 to < 100.00	-	-	0.00%	-	45.93	12	38.50	2.50	-	133.66%	-	-
	100.00 (Default)	4	-	21.33%	4	100.00	31	43.20	2.50	-	0.00%	2	-4
	Subtotal	**154**	**106**	**41.65%**	**199**	**3.38**	**1,016**	**42.06**	**2.50**	**97**	**48.74%**	**3**	**-6**
Exposures to corporates - Other	0.00 to < 0.15	101	51	30.72%	116	0.14	38	44.83	2.50	44	38.00%	-	-
	0.00 to < 0.10	-	11	22.87%	2	0.07	9	45.00	2.50	1	27.51%	-	-
	0.10 to < 0.15	101	40	32.80%	114	0.14	29	44.83	2.50	43	38.23%	-	-
	0.15 to < 0.25	82	87	67.27%	141	0.21	21	44.65	2.50	93	65.82%	-	-
	0.25 to < 0.50	245	116	57.70%	289	0.31	58	43.78	2.50	197	68.19%	-	-1
	0.50 to < 0.75	115	40	43.91%	133	0.51	56	43.12	2.50	99	74.39%	-	-1
	0.75 to < 2.50	243	33	31.82%	141	1.20	87	43.97	2.50	141	99.73%	1	-2
	0.75 to < 1.75	209	30	28.18%	105	0.97	66	44.21	2.50	102	96.41%	1	-1
	1.75 to < 2.5	34	3	69.71%	36	1.86	21	43.26	2.50	39	109.57%	-	-1
	2.50 to < 10.00	41	1	69.00%	41	3.49	11	44.31	2.50	57	138.92%	1	-1
	2.5 to < 5	41	1	69.00%	41	3.49	9	44.31	2.50	57	138.96%	1	-1
	5 to < 10	-	-	0.00%	-	6.65	2	45.00	2.50	-	100.31%	-	-
	10.00 to < 100.00	-	-	0.00%	-	14.12	3	45.00	2.50	-	153.22%	-	-
	10 to < 20	-	-	0.00%	-	12.68	1	45.00	2.50	-	151.58%	-	-
	20 to < 30	-	-	0.00%	-	-	-	-	-	-	0.00%	-	-
	30.00 to < 100.00	-	-	0.00%	-	45.93	2	45.00	2.50	-	189.51%	-	-
	100.00 (Default)	1	-	50.00%	1	100.00	7	45.00	2.50	-	0.00%	-	-1
	Subtotal	**828**	**328**	**51.82%**	**862**	**0.67**	**281**	**44.02**	**2.50**	**631**	**73.18%**	**2**	**-6**
TOTAL		**982**	**434**	**49.33%**	**1,061**		**1,297**		**2.50**	**728**	**68.60%**	**5**	**-12**

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

The value of the aggregate of exposures subject to credit risk and whose capital absorption is determined using advanced measurement approaches (344 billion euro), recorded a net decrease of -6.5 billion euro in the half year (-1.9% compared to June 2023), while the corresponding value of the risk-weighted assets increased by +0.8 billion euro. The reduction in capital absorption extended to almost all the portfolios, except for the "Retail - Qualifying revolving" exposures, which were still immaterial in value, and was offset by increases in the "Corporates - Specialised Lending" portfolio (RWAs +1.3 billion euro) and "Corporates - Other" portfolio (RWAs +1 billion euro), although without any appreciable and corresponding increase in operating volumes. This performance was essentially a reflection of the ECB's authorisation for the Specialised Lending Model Change, which introduced the new PD/LGD/EAD models and the limitations on the models currently in place, as well as the re-rating relating to the Regulator's authorisation of the Bank's application for Corporate Model Change. The Corporate segment was also influenced by the performance of the securitised portfolios with the completion of the synthetic securitisation GARC ESG & CIRCULAR ECONOMY-1, GARC SME-11, GARC CORP-6, the ramp-up of the GARC New Origination-1 transaction, the new Andor traditional securitisation, and the closure of the GARC CORP-2 and GARC SME-10 transactions.
The reasons for the other main changes in the period were: i) the reclassification of counterparties from other portfolios and the assignment of new ratings to customers previously assessed using the standard approach; and ii) new credit facilities and increased volumes on existing transactions.

Lastly, there was an increase in the exposures in the "Institutions" class (EAD +0.8 billion euro and RWAs +0.2 billion euro) and a decrease in the "Retail Exposures - Other" class (EAD -2.3 billion euro and RWAs -0.3 billion euro) mainly due to the trend in volumes in the half year.
Overall, the average risk (PD) remained stable at 1.33%, while the average value of the LGD (31.1%) increased slightly compared to the previous half year (30.8%).

Specialised lending and equity exposures under the simple risk weight approach as at 31 December 2023 (EU CR10.1 Reg. 2021/637)

(millions of euro)

SPECIALISED LENDING: PROJECT FINANCE (SLOTTING APPROACH)								
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	-	-	50%	-	-	-
	Equal to or more than 2.5 years	142	-	70%	142	99	1
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	142	4	90%	145	131	1
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	226	6	115%	230	265	7
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	65	1	250%	65	163	5
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	5	-	-	5	-	2
Total	**Less than 2.5 years**	**-**	**-**		**-**	**-**	**-**
	Equal to or more than 2.5 years	**580**	**11**		**587**	**658**	**16**

Specialised lending and equity exposures under the simple risk weight approach as at 31 December 2023 (EU CR10.2 Reg. 2021/637)

(millions of euro)

SPECIALISED LENDING: INCOME-PRODUCING REAL ESTATE AND HIGH VOLATILITY COMMERCIAL REAL ESTATE (SLOTTING APPROACH)							
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	-	-	50%	-	-	-
	Equal to or more than 2.5 years	72	25	70%	91	64	-
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	131	84	90%	194	175	2
Category 3	Less than 2.5 years	-	-	115%	-	-	-
	Equal to or more than 2.5 years	77	53	115%	110	126	3
Category 4	Less than 2.5 years	-	-	250%	-	-	-
	Equal to or more than 2.5 years	17	7	250%	21	52	2
Category 5	Less than 2.5 years	-	-	-	-	-	-
	Equal to or more than 2.5 years	-	-	-	-	-	-
Total	**Less than 2.5 years**	**-**	**-**		**-**	**-**	**-**
	Equal to or more than 2.5 years	**297**	**169**		**416**	**417**	**7**

The comparison with the figures in June 2023 shows substantial stability of the aggregate values for specialised lending (please note that the Slovakian subsidiary VUB is the only Group company that still adopts this approach).

Tables EU CR10.3 and EU CR10.4 (Reg. 2021/637) have not been presented because the Intesa Sanpaolo Group did not have any of these types of exposures as at 31 December 2023.

Specialised lending and equity exposures under the simple risk weight approach as at 31 December 2023 (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	939	-	190%	939	1,785	8
Exchange-traded equity exposures	309	-	290%	309	895	2
Other equity exposures	6,713	22	370%	6,735	24,918	162
TOTAL	**7,961**	**22**		**7,983**	**27,598**	**172**

This table shows the aggregate of the equity exposures, for which the RWA calculation is performed using the “simple risk weight” approach, by applying fixed risk weights of 370%, 290% and 190% respectively, for the various exposure classes in accordance with Article 155(2) CRR. During the second half of 2023, the total aggregate increased by +785 million euro, broken down into the exposure classes “Private equity exposures” weighted at 190% (+111 million euro), “Exchange-traded equity exposures” weighted at 290% (+105 million euro) and “Other equity exposures” weighted at 370% (+569 million euro). With regard to the change in items weighted at 370%, the increase was attributable to the profit and the valuation reserves on Intesa Sanpaolo Vita.

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

(millions of euro)

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	*Part of exposures covered by Immovable property Collaterals (%)*	*Part of exposures covered by Receivables (%)*	*Part of exposures covered by Other physical collateral (%)*	Part of exposures covered by Other funded credit protection (%)	*Part of exposures covered by Cash on deposit (%)*	*Part of exposures covered by Life insurance policies (%)*	*Part of exposures covered by Instruments held by a third party (%)*	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	23,740	0.17	0.86	0.86	-	-	-	-	-	-	2.35	-	11,491	11,412
3	Corporates	160,691	0.79	7.76	7.76	-	-	-	-	-	-	25.48	0.07	126,695	95,717
3.1	*Of which Corporates – SMEs*	*28,513*	*1.81*	*24.31*	*24.31*	-	-	-	-	-	-	*84.21*	-	*29,591*	*15,088*
3.2	*Of which Corporates – Specialised lending*	*14,613*	*0.25*	*9.34*	*9.34*	-	-	-	-	-	-	*7.08*	-	*11,929*	*9,130*
3.3	*Of which Corporates – Other*	*117,565*	*0.61*	*3.54*	*3.54*	-	-	-	-	-	-	*13.52*	*0.10*	*85,175*	*71,499*
4	Retail	159,042	0.28	75.78	75.72	-	0.06	-	-	-	-	12.11	-	33,046	29,720
4.1	*Of which Retail – Immovable property SMEs*	*4,341*	*0.14*	*99.59*	*99.59*	-	-	-	-	-	-	*13.74*	-	*1,424*	*1,084*
4.2	*Of which Retail – Immovable property non-SMEs*	*116,149*	*0.02*	*99.90*	*99.81*	-	*0.09*	-	-	-	-	*5.69*	-	*20,724*	*19,149*
4.3	*Of which Retail – Qualifying revolving*	*93*	-	-	-	-	-	-	-	-	-	-	-	*19*	*19*
4.4	*Of which Retail – Other SMEs*	*9,722*	*2.15*	*1.77*	*1.77*	-	-	-	-	-	-	*116.35*	-	*4,607*	*2,113*
4.5	*Of which Retail – Other non-SMEs*	*28,737*	*0.72*	-	-	-	-	-	-	-	-	*2.59*	-	*6,272*	*7,355*
5	**Total**	**343,473**	**0.51**	**38.78**	**38.75**	**-**	**0.03**	**-**	**-**	**-**	**-**	**17.66**	**0.03**	**171,232**	**136,849**

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

(millions of euro)

	F-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	*Part of exposures covered by Immovable property Collaterals (%)*	*Part of exposures covered by Receivables (%)*	*Part of exposures covered by Other physical collateral (%)*	Part of exposures covered by Other funded credit protection (%)	*Part of exposures covered by Cash on deposit (%)*	*Part of exposures covered by Life insurance policies (%)*	*Part of exposures covered by Instruments held by a third party (%)*	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	1,061	0.09	14.64	14.64	-	-	-	-	-	-	12.73	-	864	728
3.1	*Of which Corporates – SMEs*	*199*	*0.48*	*31.47*	*31.47*	-	-	-	-	-	-	-	-	*97*	*97*
3.2	*Of which Corporates – Specialised lending*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3	*Of which Corporates – Other*	*862*	-	*10.76*	*10.76*	-	-	-	-	-	-	*15.66*	-	*767*	*631*
4	**Total**	**1,061**	**0.09**	**14.64**	**14.64**	**-**	**-**	**-**	**-**	**-**	**-**	**12.73**	**-**	**864**	**728**

The table above provides details on the use of credit risk mitigation techniques under the IRB model (A-IRB and F-IRB). It should be noted that in accordance with the Group's "Prudential Supervision Rules" and the provisions of Regulation (EU) 575/2013 (CRR), some forms of collateral provided in favour of the lender that are attributable to "exposures covered by other funded credit protection" are considered not admittable and/or eligible. Specifically, these consist of:
- cash and assimilated instruments held by a third party institution, in a non-custodial arrangement;
- life insurance policies;
- instruments issued by third parties, which can be repurchased by them at the institution's request.

Within the decrease during the half year (-6.5 billion euro) in the aggregate of exposures subject to the A-IRB and F-IRB model (345 billion euro in December), there was a slight increase in the weight of the exposures secured by immovable property collateral, which represent 38.7% of the aggregate, compared to 38.5% in June. More in detail, the retail exposure, equal to 159 billion euro, showed a coverage of 75.8% of exposures, of which 116 billion euro consisted of "exposures to non-SMEs", with almost total coverage (99.9%). With regard to the portfolio of "exposures to Corporates", which reflected the capital movements in the half year, there was a decrease of -4.6 billion euro, down to 162 billion euro compared to the previous level of 166 billion euro in June 2023, and with real estate collateral accounting for 7.8%. The use of personal guarantees (17.6%) as a credit risk mitigation technique resulted (substitution effect) in a reduction of -34.5 billion euro in the calculation of the RWEAs as at December 2023, with a concentrated benefit, both in terms of volumes and related percentage level, on exposures in the "Corporates" portfolio (-31.1 billion euro), while maintaining a proportionally more limited benefit for exposures in the "Retail" portfolio (-3.3 billion euro). The benefit relating to the "exposures to Corporates" was mainly linked to loans granted to customers and backed by government guarantees both as part of the actions to counter the COVID-19 pandemic and within the economic areas considered deserving of protection through support measures. This resulted in the reclassification of the exposures 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 presented in Tables EU CR4 and EU CR5.

Actual losses and comparison with expected losses

The table below shows the actual adjustments recognised in the income statement during the last three years on the counterparties in default belonging to the regulatory portfolios for which the Group applies internal methods to calculate the capital requirements for credit risk.

Actual losses by regulatory portfolio

(millions of euro)

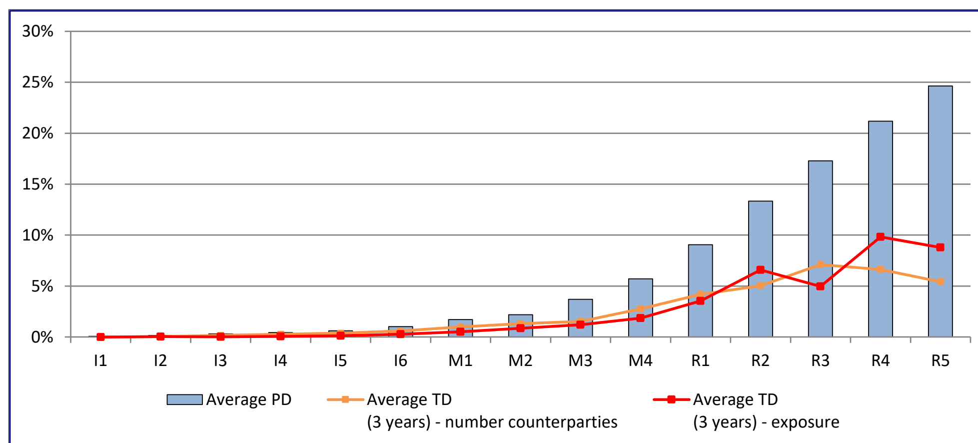
Regulatory portfolio	Actual losses		
	2023	2022	2021
Exposures to or secured by corporates (Corporate)	-670	-1,029	-1,807
Exposures secured by residential property (Retail mortgages)	-46	-7	-118
Exposures to SMEs (SME retail)	-217	-250	-407

During the period 2021-2023, expected losses for performing Corporate counterparties (determined based on prior year-end data) totalled 3,210 million euro, in addition to 783 million euro for Retail Mortgage and 433 million euro for Retail SME.

The comparison shows that the actual losses slightly exceeded the expected losses in the three-year period 2021-2023 for the Corporate scope and more markedly for the Retail SME scope, while for the Retail Mortgages scope the expected losses exceeded the actual losses in the three-year period.
The total amount of actual losses over the last three years was significantly impacted by the losses sustained on non-performing loans in prior periods. As can be seen from the table, the actual losses decreased significantly over the observation period.

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

As part of its activities, the Credit Rating Models structure periodically compares the default rates[23] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the definition of default (DoD) established by the regulations. The model is currently subject to model change (application to be sent to the ECB in April 2024, with subsequent OSI by the inspection team from May 2024 - July 2024), with implementation envisaged for the year 2025.
For the Corporate Groups model (Corporate counterparties with a turnover of less than 500 million euro), the chart below shows the comparison by individual rating class between PD and default rates (calculated in terms of number of counterparties and exposure). The values were reconstructed by means of calculation simulations for all three reference dates considered (December 2020, December 2021 and December 2022): the COCG7 model was authorised by the Regulator in February 2023 and used for regulatory purposes from March 2023.



The default rate curves, calculated as the simple average of the performing reference dates of December 2020 – 2021 – 2022 (2021, 2022, 2023[24] default windows), shows a substantially monotonic increase as the rating class worsens, however with values that are never higher than the respective PD values for each rating class.
The performance of the model in terms of discriminating power is satisfactory, with an accuracy ratio for the last year of just over 57%.

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

As part of its activities, the Credit Rating Models structure periodically compares the default rates[25] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) as required by the regulations.
Since May 2021, the new Retail SME Banking regulatory model has been authorised for regulatory use and has been calibrated using the latest data with *ex-ante* reporting in October 2022. The update was implemented in June 2023.
The model is currently subject to model change (application to be sent to the ECB in April 2024, with subsequent OSI by the inspection team from July 2024 - October 2024), with implementation envisaged for the year 2025.
For the assessment of the counterparties belonging to the Retail SME segment, the chart shows the distribution of PDs subject to *ex-ante* reporting in 2022, reconstructed with calculation simulations for the period 2020 and production in 2021 and 2022 (defaults in the years 2021, 2022 and 2023 respectively).

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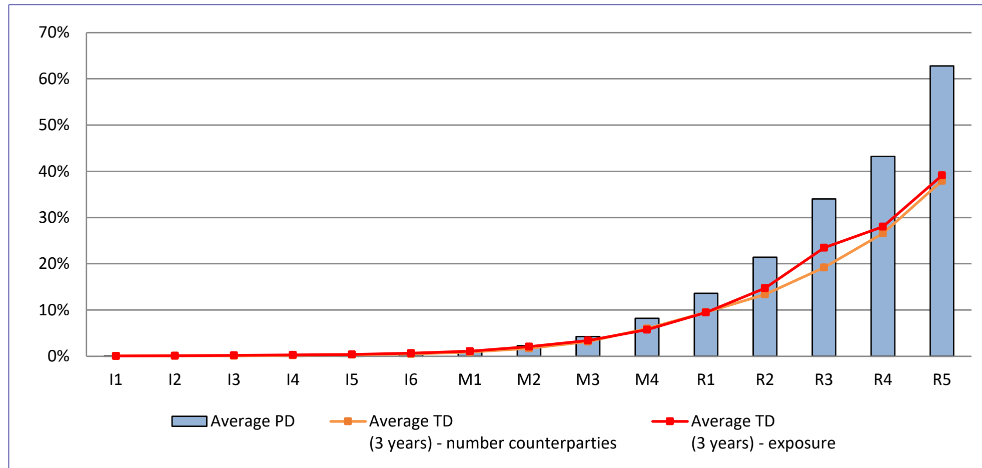
[23] The definition of default, used to populate the chart for the Corporate segment, is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.

[24] The performing reference date is the date on which the scope is defined for the comparison between PD and DR; the observation window of the default event, by construction, is one year (i.e. January 2023 – December 2023 for the reference date of December 2022).

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

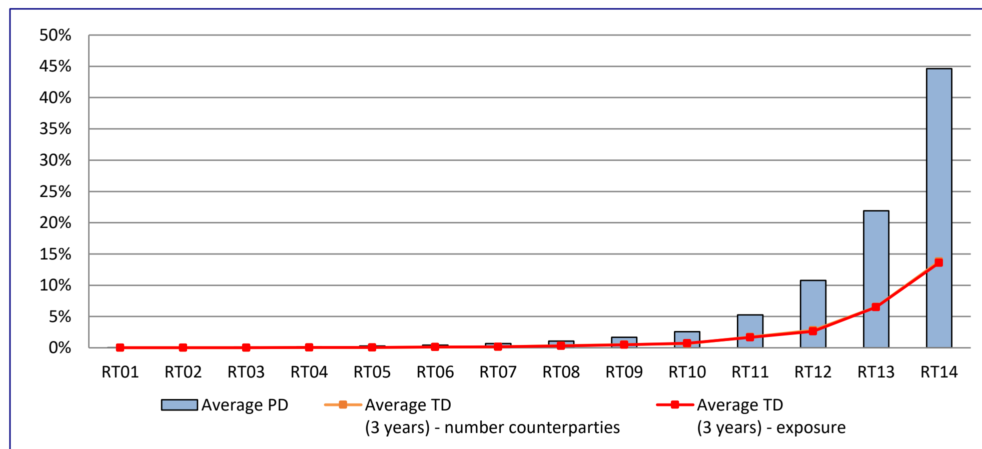


The default rates are lower than the average PDs obtained in the I and M rating macro classes[26], and much lower in the R rating macro class; moreover, they feature a monotonic trend that increases along the rating scale. The default rate curves by number of counterparties and exposure overlap in the I and M macro classes, whereas the default rates per exposure are higher in the R macro-class. The performance of the models in terms of discriminating power is generally good, with an accuracy ratio of 75% to 80% in the 3 years considered in the calculation of the average DRs.

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

As part of its activities, the Credit Rating Models-structure periodically compares the default rates[27] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) established by the regulations. The current Retail internal rating system received authorisation for use in third quarter of 2022, is divided into the Mortgage and Other Retail sub-segments, and adopts a per counterparty approach[28]. The model was calibrated using the latest data with *ex-ante* reporting in 2023.

The chart below shows the distribution by rating class for Retail – Mortgages, using the simulations of calculation of the new model for the time periods described with performing reference dates of December 2020 – 2021 – 2022 (2021, 2022 and 2023 default windows).



There is a monotonic increase in the default rate as the rating class worsens, with similar values among the two default rate curves. The class PDs are higher, for all the classes, than the respective default rates, specifically for the rating classes RT11 and above.

The performance of the model in terms of discriminating power is generally good, with an accuracy ratio above 80% in the 3 years considered in the calculation of the average DRs.

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[26] Rating macro classes I, M and R are defined as the aggregation of rating classes I1 to I6 – M1 to M4 – R1 to R5, respectively.

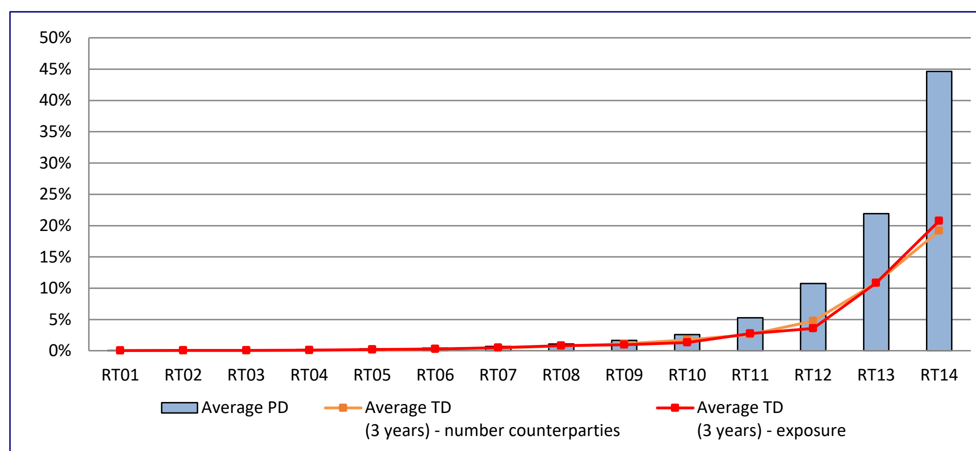
[27] The definition of default, used to populate the charts for the Retail segment (both Mortgages and Other), is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.

[28] The Retail – Mortgages sub-segment covers all the counterparties with at least one mortgage product among their relationships. The Retail – Other sub-segment, on the other hand, groups together all the other retail counterparties.

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

As part of its activities, the Credit Rating Models structure periodically compares the default rates recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) established by the regulations. The current Retail internal rating system received authorisation for use in third quarter of 2022, is divided into the Mortgage and Other Retail sub-segments, and adopts a per counterparty approach. The model was calibrated using the latest data with *ex-ante* reporting in 2023.

The chart below shows the comparison between PD and default rates for the Retail – Other scope, using the simulations of calculation of the new model for the time periods described with performing reference dates of December 2020 – 2021 – 2022 (2021, 2022 and 2023 default windows).



There is a monotonic increase in the default rate as the rating class worsens, with PD values generally in line with the default rates for the first part of the distribution (up to RT10). In the second half of the distribution, the PD is significantly higher than the default rate curves (RT11 to RT14).

The performance of the model in terms of discriminating power is generally good, with an accuracy ratio amounting to an average of 80% in the 3 years considered in the calculation of the average DRs.

Comparison of PD and DR figures by exposure class

The table below "IRB approach – Back-testing of PD per exposure class (fixed PD scale)" compares the PD and default rates, breaking down the portfolio by exposure class and PD scale as at the reporting date (31 December 2023).

The exposure classes considered are those already taken into account for the Table EU CR6 above:

- Exposures to institutions;
- Exposures to corporates – SMEs;
- Exposures to corporates – Specialised lending;
- Exposures to corporates – Other corporates;
- Retail Exposures – SMEs, secured by real estate;
- Retail exposures – SMEs, other;
- Retail exposures – Non-SMEs, secured by real estate;
- Retail exposures – Non-SMEs, other.

For this analysis, all the AIRB portfolio models used were considered within each exposure class. The breakdown, in terms of RWAs as at 31 December 2023[29] on the Italian Banks scope, of the various portfolios considered for the subsequent analysis by exposure class, is shown in the table below:

Exposure class	RWA
AIRB - Public entities	2.49%
AIRB - Banks	5.39%
AIRB - Corporates	43.67%
AIRB - Corporate SMEs	8.22%
AIRB - Retail exposures secured by real estate assets	10.47%
AIRB - Other retail	3.86%
AIRB - Retail SMEs	1.80%
Other - Validated portfolios	24.10%

[29] Figures taken from the reporting source at the reporting date of 31 December 2023. The breakdown between AIRB portfolios used, net of intragroup counterparties, was obtained from the reports produced quarterly on the reporting source.

The Corporate exposure classes had the highest impact in terms of RWAs (overall, 51.89%). Although they were numerically the most significant, the Retail SME, Retail – exposures secured by real estate assets and Retail – Other exposure classes only cumulatively accounted for 16.13% of RWAs (1.80% for Retail SME plus 14.32% for the two Retail scopes). For the Supervised Intermediaries, a breakdown is provided between Public Sector Entities (RWA share of 2.49%) and Financial Intermediaries (RWA share of 5.39%)[30].
For the PD scale for the purposes of Table EU CR9[31], on the other hand, the PD values obtained from the allocation of the counterparties to the specific rating classes of each regulatory segment, have been aggregated into the PD range classes identified in Regulation 2021/637 and already used for Table EU CR6. The PD values considered are those also considered for reporting purposes, including any regulatory floors or add-ons. The non-performing counterparties[32] have all been included in the last range, whereas, for the other PD classes, to be able to make the comparison between PD and DR, obviously only counterparties with an available rating have been considered.

The variables reported in the Table EU CR9, for the various combinations of exposure class/PD ranges, are the following:
- Number of obligors at the end of the previous year (i.e. 31 December 2022);
- Number of obligors in default status in the year (i.e. 2023), namely those entering into non-performing status during the year of observation;
- Average observed default rate, corresponding to the ratio of the previous two variables (counterparties in default in 2023 and total counterparties as at 31 December 2022);
- Exposure-weighted average PD (via EAD), calculated on the scope at the end of the previous year (i.e. 31 December 2022);
- Simple arithmetic average PD (weighted by number of counterparties), calculated on the scope at the end of the previous year (i.e. 31 December 2022);
- Historical average annual default rate in terms of number of counterparties, obtained from the average over the last five years (i.e. default observation years 2019, 2020, 2021, 2022 and 2023).

In line with the charts above, the definition of default considered for populating the Table EU CR9 is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.
The table has been populated, both for the scope at the end of the previous year (31 December 2022) and for the previous scopes for the definition of the historical average default rate, considering the versions of the models used to obtain the ratings/PDs[33].

It should be noted that for the comparisons in the above charts and the table EU CR9 below, the COVID-19 pandemic did not have any significant impacts on the 2023 default rate and the historical average DR (in line with that recorded last year for 2022 and the historical average DR for the period 2018-2022), due to the low levels of risk observed (as a result of the mitigation actions implemented by the Group, in line with that established by the national governments/banking systems).

[30] It is worth noting that the caption “Other – Validated portfolios” is primarily composed of the Equity portion (around 30 billion euro).

[31] Note that Table EU CR9 has been constructed at consolidated level, also including the Group banks that use authorised advanced approaches to calculate the regulatory capital for credit risk.

[32] Valued at PD = 100% for the calculation of the capital requirements.

[33] For example, for the Corporate Domestic model, on a priority, but not exclusive, basis, the CODO6 version was used from the reporting date of 31 December 2017 (for the 2018 default rate) onwards (following the validation and entry into production of the CODO6 version). Similarly, for the Retail models, only the RTL01 version as at 31 December 2017 (for the 2018 default rate) has been used, and, on a priority basis, the MORE2 version from the subsequent reporting date of 31 December 2018 (for the 2019 default rate) onwards (following the validation and entry into operation of the MORE2 version).

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – A-IRB (EU CR9 Reg. 2021/637) *(Table 1 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
Exposures to institutions	0.00 to < 0.15	607	1	0.16	0.06	0.08	0.03
	0.00 to < 0.10	385	1	0.26	0.06	0.07	0.05
	0.10 to < 0.15	222	-	-	0.12	0.11	-
	0.15 to < 0.25	582	1	0.17	0.21	0.20	0.09
	0.25 to < 0.50	645	1	0.16	0.40	0.40	0.28
	0.50 to < 0.75	163	-	-	0.57	0.59	0.81
	0.75 to < 2.50	957	4	0.42	1.12	1.30	1.07
	0.75 to < 1.75	811	3	0.37	1.07	1.14	0.87
	1.75 to < 2.5	146	1	0.68	2.06	2.15	1.65
	2.50 to < 10.00	585	4	0.68	4.31	4.87	0.94
	2.5 to < 5	359	3	0.84	3.66	3.55	0.74
	5 to < 10	226	1	0.44	6.87	6.96	1.29
	10.00 to < 100.00	505	16	3.17	14.33	21.37	3.74
	10 to < 20	296	3	1.01	13.02	12.98	2.74
	20 to < 30	47	7	14.89	26.00	25.48	7.98
	30.00 to < 100.00	162	6	3.70	32.83	35.51	4.35
	100.00 (Default)	91	91	100.00	100.00	100.00	100.00
Exposures to corporates - SME	0.00 to < 0.15	3,202	4	0.12	0.12	0.12	0.09
	0.00 to < 0.10	753	1	0.13	0.08	0.08	0.03
	0.10 to < 0.15	2,449	3	0.12	0.13	0.13	0.09
	0.15 to < 0.25	6,939	5	0.07	0.20	0.20	0.14
	0.25 to < 0.50	19,431	39	0.20	0.38	0.38	0.21
	0.50 to < 0.75	12,345	47	0.38	0.60	0.61	0.29
	0.75 to < 2.50	29,486	212	0.72	1.45	1.43	0.78
	0.75 to < 1.75	20,813	117	0.56	1.25	1.24	0.65
	1.75 to < 2.5	8,673	95	1.10	1.91	1.91	1.07
	2.50 to < 10.00	18,654	535	2.87	5.28	5.22	3.04
	2.5 to < 5	8,897	171	1.92	3.18	3.24	1.81
	5 to < 10	9,757	364	3.73	7.01	7.04	4.17
	10.00 to < 100.00	6,365	594	9.33	18.73	21.38	10.44
	10 to < 20	3,627	280	7.72	14.38	14.45	9.58
	20 to < 30	1,158	160	13.82	23.78	24.32	13.76
	30.00 to < 100.00	1,580	154	9.75	33.88	35.15	9.87
	100.00 (Default)	6,263	6,263	100.00	100.00	100.00	100.00
Exposures to corporates - Specialized lendings	0.00 to < 0.15	-	-	-	-	-	-
	0.00 to < 0.10	-	-	-	-	-	-
	0.10 to < 0.15	-	-	-	-	-	-
	0.15 to < 0.25	12	-	-	0.23	0.23	-
	0.25 to < 0.50	41	-	-	0.35	0.35	0.39
	0.50 to < 0.75	79	-	-	0.54	0.54	0.32
	0.75 to < 2.50	501	4	0.80	1.24	1.39	1.02
	0.75 to < 1.75	314	1	0.32	1.05	1.08	0.90
	1.75 to < 2.5	187	3	1.60	1.90	1.90	1.20
	2.50 to < 10.00	422	9	2.13	4.36	4.25	2.78
	2.5 to < 5	363	5	1.38	3.89	3.57	2.34
	5 to < 10	59	4	6.78	8.55	8.47	5.68
	10.00 to < 100.00	182	23	12.64	25.67	25.29	13.05
	10 to < 20	93	11	11.83	15.39	15.32	11.53
	20 to < 30	1	-	-	-	23.68	-
	30.00 to < 100.00	88	12	13.64	35.79	35.85	14.69
	100.00 (Default)	248	248	100.00	100.00	100.00	100.00

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – A-IRB (EU CR9 Reg. 2021/637) *(Table 2 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
Exposures to corporates - Other	0.00 to < 0.15	1,593	1	0.06	0.09	0.09	0.07
	0.00 to < 0.10	852	1	0.12	0.05	0.06	0.09
	0.10 to < 0.15	741	-	-	0.12	0.12	0.06
	0.15 to < 0.25	1,717	1	0.06	0.20	0.20	0.12
	0.25 to < 0.50	3,229	5	0.15	0.33	0.36	0.07
	0.50 to < 0.75	1,823	3	0.16	0.54	0.58	0.12
	0.75 to < 2.50	3,814	20	0.52	1.40	1.37	0.55
	0.75 to < 1.75	2,786	16	0.57	1.12	1.16	0.50
	1.75 to < 2.5	1,028	4	0.39	1.94	1.92	0.67
	2.50 to < 10.00	1,473	19	1.29	5.12	4.87	2.37
	2.5 to < 5	889	7	0.79	3.56	3.36	1.44
	5 to < 10	584	12	2.05	7.34	7.16	3.62
	10.00 to < 100.00	557	34	6.10	19.18	21.31	4.39
	10 to < 20	345	27	7.83	17.23	16.01	5.38
	20 to < 30	58	2	3.45	22.82	22.88	3.98
	30.00 to < 100.00	154	5	3.25	33.14	32.58	3.13
	100.00 (Default)	830	830	100.00	100.00	100.00	100.00
Exposures to retail - secured by immovable property SME	0.00 to < 0.15	7,377	2	0.03	0.08	0.08	0.06
	0.00 to < 0.10	7,373	2	0.03	0.08	0.08	0.01
	0.10 to < 0.15	4	-	-	0.12	0.12	0.05
	0.15 to < 0.25	5,343	4	0.07	0.18	0.18	0.11
	0.25 to < 0.50	7,113	16	0.22	0.40	0.40	0.36
	0.50 to < 0.75	3,966	16	0.40	0.74	0.74	0.74
	0.75 to < 2.50	7,216	50	0.69	1.32	1.33	1.19
	0.75 to < 1.75	7,049	45	0.64	1.32	1.31	1.02
	1.75 to < 2.5	167	5	2.99	1.91	1.92	2.03
	2.50 to < 10.00	11,693	246	2.10	4.75	4.73	2.90
	2.5 to < 5	9,259	151	1.63	3.56	3.55	2.40
	5 to < 10	2,434	95	3.90	9.29	9.21	4.03
	10.00 to < 100.00	4,249	492	11.58	32.46	35.06	12.50
	10 to < 20	1,391	112	8.05	15.47	15.35	10.83
	20 to < 30	1,035	132	12.75	23.68	23.76	19.71
	30.00 to < 100.00	1,823	248	13.60	54.22	56.51	14.06
	100.00 (Default)	3,691	3,691	100.00	100.00	100.00	100.00
Exposures to retail - secured by immovable property non SME	0.00 to < 0.15	973,343	606	0.06	0.08	0.09	0.08
	0.00 to < 0.10	523,556	165	0.03	0.07	0.07	0.08
	0.10 to < 0.15	449,787	441	0.10	0.12	0.12	0.08
	0.15 to < 0.25	78,306	42	0.05	0.19	0.19	0.06
	0.25 to < 0.50	294,875	352	0.12	0.35	0.35	0.15
	0.50 to < 0.75	140,770	367	0.26	0.71	0.70	0.25
	0.75 to < 2.50	116,289	575	0.49	1.44	1.43	0.43
	0.75 to < 1.75	62,404	294	0.47	1.14	1.15	0.39
	1.75 to < 2.5	53,885	281	0.52	1.76	1.76	0.49
	2.50 to < 10.00	88,905	1,284	1.44	3.32	3.33	2.09
	2.5 to < 5	71,759	914	1.27	2.75	2.79	1.08
	5 to < 10	17,146	370	2.16	5.52	5.59	3.08
	10.00 to < 100.00	36,685	2,709	7.38	20.30	20.11	11.81
	10 to < 20	18,191	816	4.49	11.04	11.23	6.36
	20 to < 30	12,606	789	6.26	21.93	21.93	10.12
	30.00 to < 100.00	5,888	1,104	18.75	43.73	43.64	22.95
	100.00 (Default)	25,953	25,953	100.00	100.00	100.00	100.00

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – A-IRB (EU CR9 Reg. 2021/637) *(Table 3 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
Exposures to retail - Qualifying revolving	0.00 to < 0.15	71,309	140	0.20	0.10	0.11	0.20
	0.00 to < 0.10	30,684	29	0.09	0.08	0.08	0.09
	0.10 to < 0.15	40,625	111	0.27	0.12	0.13	0.27
	0.15 to < 0.25	-	-	-	-	-	-
	0.25 to < 0.50	41,365	231	0.56	0.33	0.32	0.56
	0.50 to < 0.75	13,538	136	1.00	0.62	0.62	1.00
	0.75 to < 2.50	9,625	149	1.55	1.31	0,00	1.55
	0.75 to < 1.75	9,625	149	1.55	1.31	1.31	1.55
	1.75 to < 2.5	-	-	-	-	-	-
	2.50 to < 10.00	9,182	367	4.00	4.08	4.06	4.00
	2.5 to < 5	7,422	249	3.35	3.46	3.45	3.35
	5 to < 10	1,760	118	6.70	6.62	6.62	6.70
	10.00 to < 100.00	2,840	568	20.00	24.62	0,00	20.00
	10 to < 20	1,923	202	10.50	14.16	14.04	10.50
	20 to < 30	-	-	-	-	-	-
	30.00 to < 100.00	917	366	39.91	44.06	45.01	39.91
	100.00 (Default)	10,542	10,542	100.00	100.00	100.00	100.00
Exposures to retail - Other SME	0.00 to < 0.15	76,327	45	0.06	0.08	0.08	0.10
	0.00 to < 0.10	76,128	45	0.06	0.08	0.08	0.03
	0.10 to < 0.15	199	-	-	0.11	0.11	0.08
	0.15 to < 0.25	67,201	91	0.14	0.18	0.18	0.20
	0.25 to < 0.50	91,834	267	0.29	0.40	0.40	0.52
	0.50 to < 0.75	47,198	297	0.63	0.73	0.72	0.94
	0.75 to < 2.50	92,150	995	1.08	1.33	1.31	1.76
	0.75 to < 1.75	88,850	949	1.07	1.30	1.29	1.43
	1.75 to < 2.5	3,300	46	1.39	1.91	1.93	2.35
	2.50 to < 10.00	132,557	5,648	4.26	4.89	5.06	4.57
	2.5 to < 5	97,423	2,858	2.93	3.64	3.61	3.51
	5 to < 10	35,134	2,790	7.94	9.07	9.08	6.54
	10.00 to < 100.00	73,620	12,972	17.62	28.37	33.31	15.84
	10 to < 20	24,089	3,213	13.34	14.86	15.03	13.65
	20 to < 30	21,269	3,051	14.34	23.78	24.61	12.93
	30.00 to < 100.00	28,262	6,708	23.74	51.26	55.44	18.11
	100.00 (Default)	55,100	55,100	100.00	100.00	100.00	100.00
Exposures to retail - Other non SME	0.00 to < 0.15	1,662,625	548	0.03	0.09	0.08	0.04
	0.00 to < 0.10	1,194,667	223	0.02	0.07	0.07	0.03
	0.10 to < 0.15	467,958	325	0.07	0.12	0.12	0.06
	0.15 to < 0.25	203,198	167	0.08	0.19	0.19	0.11
	0.25 to < 0.50	771,731	1,792	0.23	0.36	0.35	0.20
	0.50 to < 0.75	283,286	1,694	0.60	0.71	0.69	0.42
	0.75 to < 2.50	372,228	4,138	1.11	1.40	1.39	0.91
	0.75 to < 1.75	239,993	2,560	1.07	1.15	1.18	0.68
	1.75 to < 2.5	132,235	1,578	1.19	1.76	1.76	1.16
	2.50 to < 10.00	343,669	10,314	3.00	3.84	3.98	4.19
	2.5 to < 5	211,908	5,922	2.79	2.81	2.95	2.31
	5 to < 10	131,761	4,392	3.33	5.54	5.64	5.54
	10.00 to < 100.00	334,633	38,022	11.36	18.49	21.22	12.22
	10 to < 20	143,382	9,277	6.47	11.27	11.53	8.16
	20 to < 30	138,504	15,885	11.47	21.93	21.93	9.57
	30.00 to < 100.00	52,747	12,860	24.38	44.30	45.73	22.94
	100.00 (Default)	200,220	200,220	100.00	100.00	100.00	100.00

IRB approach – Back-testing of PD per exposure class (fixed PD scale) – F-IRB (EU CR9 Reg. 2021/637) *(Table 4 of 4)*

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
Exposures to corporates - SME	0.00 to < 0.15	83	-	-	0.11	0.11	1.54
	0.00 to < 0.10	-	-	-	-	-	-
	0.10 to < 0.15	83	-	-	0.11	0.11	1.54
	0.15 to < 0.25	257	-	-	0.20	0.20	1.85
	0.25 to < 0.50	423	-	-	0.36	0.36	0.15
	0.50 to < 0.75	374	27	7.22	0.60	0.57	1.44
	0.75 to < 2.50	711	21	2.95	1.39	1.29	2.58
	0.75 to < 1.75	496	17	3.43	1.07	1.04	3.47
	1.75 to < 2.5	215	4	1.86	1.84	1.87	0.55
	2.50 to < 10.00	582	24	4.12	3.60	4.20	1.83
	2.5 to < 5	434	24	5.53	3.20	3.36	2.14
	5 to < 10	148	-	-	6.71	6.67	0.91
	10.00 to < 100.00	173	21	12.14	17.64	19.33	17.66
	10 to < 20	89	3	3.37	12.75	12.75	15.62
	20 to < 30	80	16	20.00	25.69	25.78	18.93
	30.00 to < 100.00	4	2	50.00	32.04	36.96	14.00
	100.00 (Default)	129	129	100.00	100.00	100.00	100.00
Exposures to corporates - Other	0.00 to < 0.15	19	-	-	0.07	0.10	-
	0.00 to < 0.10	3	-	-	0.05	0.05	-
	0.10 to < 0.15	16	-	-	0.11	0.11	-
	0.15 to < 0.25	14	-	-	0.18	0.18	-
	0.25 to < 0.50	49	-	-	0.33	0.35	-
	0.50 to < 0.75	30	-	-	0.67	0.65	-
	0.75 to < 2.50	267	-	-	1.33	1.02	0.49
	0.75 to < 1.75	231	-	-	1.09	0.89	0.56
	1.75 to < 2.5	36	-	-	1.88	1.85	0.38
	2.50 to < 10.00	56	-	-	3.30	3.33	0.37
	2.5 to < 5	54	-	-	3.29	3.20	0.41
	5 to < 10	2	-	-	6.86	6.86	-
	10.00 to < 100.00	8	-	-	23.25	23.25	10.00
	10 to < 20	-	-	-	-	-	-
	20 to < 30	8	-	-	23.25	23.25	10.00
	30.00 to < 100.00	-	-	-	-	-	-
	100.00 (Default)	14	14	100.00	100.00	100.00	100.00

Section 10 - Credit risk mitigation techniques

Qualitative disclosure

Policies and processes for, and indication of the extent to which the Bank makes use of, on- and off-balance sheet netting

The Group has entered into bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to transactions in financial instruments and credit derivatives, as well as SFTs.
For derivative contracts, this takes place through the signature of ISDA or similar agreements, which enable the management and mitigation of the credit risk. In compliance with the conditions laid down by the Supervisory regulations, these agreements permit the reduction of the absorption of regulatory capital.
For OTC derivatives, the Group also uses netting services provided by central counterparties or clearing brokers, also for the purpose of complying with the clearing requirements established by the EMIR. This is a clearing service for the more standardised OTC derivative contracts (e.g. plain vanilla interest rate derivatives and CDS Indexes). The individual transactions, previously concluded between the subscribers to the service, are subsequently transferred to the clearing house or clearing broker, which, in the same way as for listed derivatives, becomes the counterparty for the original contracting parties. The central counterparty or the broker provide for the settlement of the daily variation margin on the individual transactions, so that the mutual claims and obligations are automatically netted off against each other.
It is noted that the Group establishes margin agreements to mitigate the risk of transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement/OSLA/GMSLA) with bilateral counterparties.
In particular, for non-centrally cleared OTC derivatives, from 1 March 2017, the EMIR requires daily margining with Financial counterparties and above threshold Non-Financial counterparties (NFCs+).
Also under the EMIR, the Group entities have been subject, with effect from 1 September 2019, to an initial margin exchange requirement for non-centrally cleared OTC derivative transactions concluded with above threshold Financial and Non-Financial counterparties (NFCs+) already subject to the same obligation. The bilateral exchange of initial margins results in an additional counterparty risk mitigation that, following the authorisation received from the ECB, will be reflected in the capital requirements. For Forex operations, the Group's subscription to the CLS – Continuous Linked Settlement circuit, and to the corresponding settlement services on a payment-versus-payment basis has enabled the mitigation of the settlement risk at the time of mutual payments with counterparties.
For SFTs, almost all of the deals are margined on a daily basis, according to Global Master Repurchase Agreements/OSLAs/GMSLAs, or through cash or securities, with central or bilateral counterparties.

For more detailed information, reference should be made to the quantitative disclosure indicated in the Section on Counterparty risk of this document.

Policies and processes for collateral evaluation and management

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acquisition of the collateral and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery. In any case, the presence of collateral does not grant exemption from a complete assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee. Under certain conditions (type of counterparty, rating assigned, type of contract), the collateral has an impact, as a mitigating factor, on the determination of the approval limits. Mitigating factors are defined based on elements that contribute to reducing the potential losses for the Bank in the case of default of the counterparty. For operational purposes, the extent of the mitigating factors is determined based on a series of factors. Among these, Loss Given Default (LGD), expressed by a percentage, is particularly important, as it is higher for unsecured relationships and lower, instead, where there are elements that mitigate the credit risk.
Guarantees received are included in the calculation of the Loss Given Default, based on (i) the value of the guarantee; (ii) the strength of said value over time; and (iii) the ease of realisation.
The guarantees received with the highest impact include:

- pledges on financial assets, differentiated based on the underlying (cash, OECD government bonds, financial instruments issued by the Bank, shares and bonds quoted on regulated markets, mutual funds, etc.);
- mortgages on real estate, separated based on the use of the asset (residential, industrial property, agricultural funds/properties, commercial, industrial properties, etc.);

provided that:

- they are provided without any time limits or, if the collateral has an expiry date, this is not before the expiry of the loan guaranteed;
- they are acquired in a form that is enforceable against third parties and in accordance with the procedures established by the regulations prevailing at the time.

During the credit granting phase, the assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is

multiplied by the haircut percentage rates, differentiated according to the financial instruments or set of financial instruments accepted as collateral.
In order to limit the risks of absence or termination of the protection, specific safeguards may be provided, including: restoration of the collateral in the presence of a reduction of the initial value of the assets and the extension of the pledge to include sums from the redemption of the financial instruments.
With regard to real estate collateral, separate processes and methods are aimed at ensuring the proper assessment and monitoring of the value of the properties accepted as collateral.
Assets are evaluated, prior to the decision to grant the credit, using both internal appraisers and external appraisers/providers. The external appraisers and providers are included in a special list of professionals accredited on the basis of an accurate verification of their capabilities, experience and the characteristics of absolute professional independence. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialised providers. The quality and performance of the work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks.
A system is also in place for the review by the central functions of the expert surveys for large-scale transactions.
The appraisers are required to produce estimates on the basis of standardised expert reports, differentiated according to the valuation method to be applied and the property type of the asset offered as collateral.
In order to ensure that the valuation criteria and approaches are consistent, a property valuation code ("Property valuation rules for credit purposes”) is in force, which ensures the comparability of the estimates, and guarantees that the value of the property is calculated clearly and transparently on a prudential basis. The content of the internal Code is consistent with the “Guidelines for the valuation of properties securing credit exposures” promoted by the Italian Banking Association and with the main international standards (for example: RICS - Royal Institution of Chartered Surveyors and TEGOVA – The European Group of Valuers’ Associations).
Property valuations are managed through a specific integrated platform covering the entire appraisal phase (“Portale Perizie” - Appraisals Portal), ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
During the credit granting phase, the valuation of the properties is based on the prudential market value or, for properties under construction, on the construction cost. The resulting value is multiplied by the haircut percentages, differentiated on the basis of the property’s designated use.
The value of the real estate collateral is updated on a monthly basis by using the prices/coefficients acquired from an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real estate assets.
The revaluation takes place by adopting four main methods:

- Survey value index method:
  the method uses real estate price revaluation indexes to be applied to the survey value of the property in question. This is the main revaluation method, adopted when the survey value is deemed reliable by conducting specific tests.
- Comparables method:
  the method assumes market values per square metre and applies them on the basis of the size (in square metres) of the property. The method is used when the survey value is not considered to be reliable. It is also used as “backtesting” implied in the survey value.
- Financing value index method:
  the method applies the price revaluation indexes to 125% of the original value of the financing (thus it is prudentially assumed that the financing was originally disbursed with the maximum LtV of 80%). The method is applied in the presence of splitting or if the survey value is not reliable and it is impossible to apply the comparables.
- Cost method:
  in case of properties under construction, market practices suggest a valuation based on the estimate of the overall costs incurred in correspondence with the work progress made on the property in question.

The value of properties under construction is monitored on an ongoing basis by experts who perform inspections, verify the progress of the works and prepare technical reports for loan disbursement.
The valuation is duly updated in the event of restriction or splitting mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, according to the due dates established for significant exposures, or when there are immovable properties securing non-performing loans. In the same way as for appraisals drawn up during the credit-granting phase, updates of the valuation are also subject to a system of review by the central functions.
To cover the residual risks, the borrower is required to provide an insurance policy against damage. The insurable value is determined by a survey, on the basis of the property’s reconstruction cost.

Main types of guarantor and credit derivative counterparty and their creditworthiness

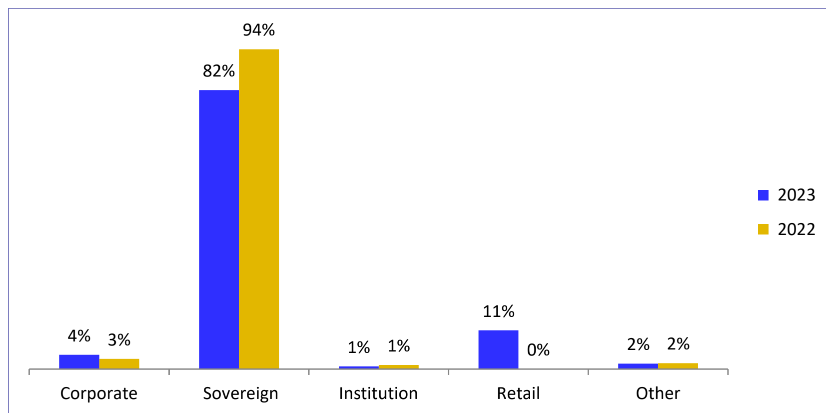
With regard to the credit derivatives received as collateral, as at December 2023 there was only one transaction covered by collateral with an A+ rating.

Information about market or credit risk concentrations under the credit risk mitigation instruments used

Personal guarantees

Personal guarantees, as noted in the quantitative disclosure, cover a limited amount of the overall credit exposure. Compared to the previous period, Retail guarantors have entered among the types of guarantors, with a share of 11%. The share of Sovereign guarantors, mainly represented by the Italian Government, in particular the Italian Ministry of the Economy and Finance, was 82% of the total (94% in December 2022), while the share for Corporate guarantors came to 4% (3% in December 2022) and the share for Bank/Public Entity guarantors remained marginal at 1%, in line with December 2022.

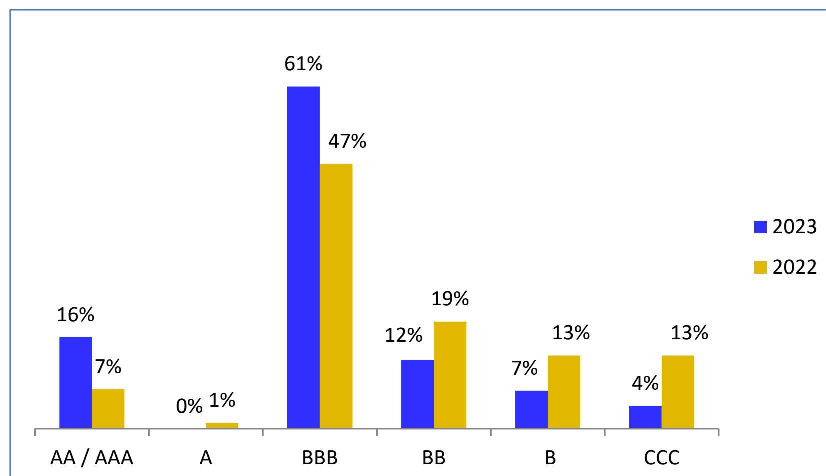
Personal guarantees by type of guarantor



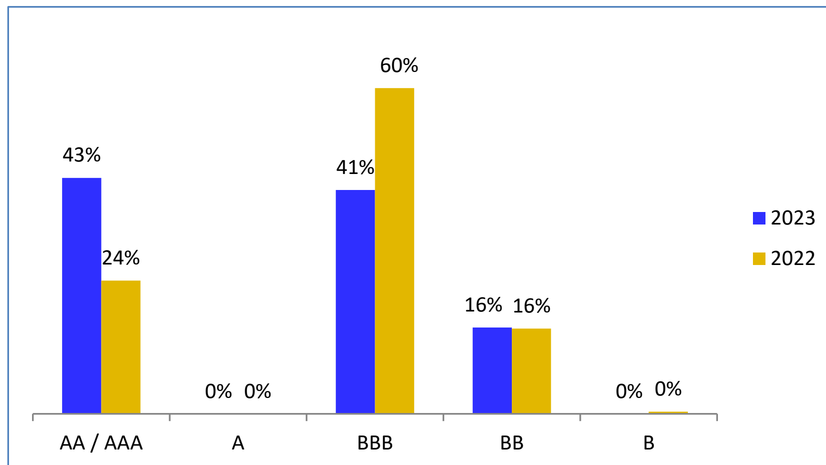
Personal guarantees by guarantor rating classes

By type of personal guarantee, guarantors show a high credit quality, with 97% investment grade.
The breakdown by rating class shows Corporate guarantors classified as investment-grade with a share of 77% (55% in December 2022), Bank/Public Entity guarantors classified as investment-grade with a share of 84%, in line with December 2022, and Retail guarantors classified as investment-grade with a share of 83%.
With regard to other segment personal guarantees, the breakdown by rating class shows 100% guarantors classified as investment grade, in line with the figures of December 2022.
The Corporate, Bank/Public Entity and Retail guarantors are assigned ratings from the internal model, while the guarantors of other segments are assigned agency ratings.

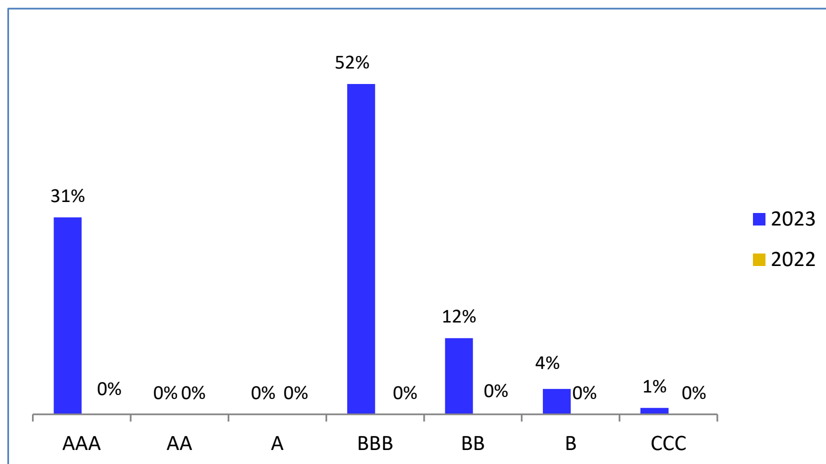
Corporate personal guarantees by guarantor rating classes



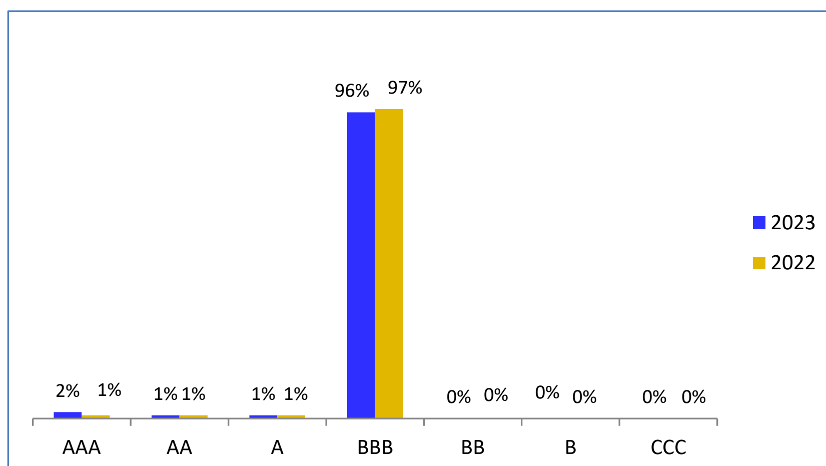
Bank/Public Entity personal guarantees by guarantor rating classes



Retail personal guarantees by guarantor rating classes



Other segment personal guarantees by guarantor rating classes



Financial collateral

The majority of the financial collateral eligible for risk mitigation relates to cash transactions and repurchase agreements. For the repurchase agreements, the main issuers have ratings in the investment-grade area and the majority of the securities have a maturity of more than 5 years.

Other financial collateral relates to pledges on cash deposits, bonds and funds.

Other collateral
Other collateral consists almost entirely of mortgages on real estate assets. Although there are no particular concentrations, for example in individual assets or particular geographical areas, the major amount of mortgage lending is in the Bank's exposure to a systemic risk factor represented by the prices of the real estate assets. This exposure, which is naturally inherent to lending operations, is considered within the ICAAP process.

Quantitative disclosure

As required by the applicable regulations, this Section reports the amounts of the exposures, split between secured and unsecured. The secured exposures are also broken down by type of guarantee. Secured exposures are also represented by calculation methods used for the standard capital requirements, referring to Table EU CR7-A in Section 9 of this document for information on secured guarantees using the IRB Approach.

CRM techniques – Overview: Disclosure of the use of credit risk mitigation techniques (EU CR3 Reg. 2021/637)

This table presents the Loans and Debt Securities distinguishing between "unsecured carrying amounts" and "secured carrying amounts", broken down by type of guarantee: collateral and financial guarantees, with the latter showing the "of which" secured by credit derivatives.
The presentation has been made in compliance with the instructions of EBA's Mapping Tool. As such, the "Unsecured carrying amounts" include the unsecured portion of the partially secured exposures, accordingly.

(millions of euro)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						of which secured by credit derivatives
1	Loans and advances	260,535	282,464	211,746	70,718	-
2	Debt securities	128,179	1,946	9	1,937	
3	**Total**	**388,714**	**284,410**	**211,755**	**72,655**	
4	*of which non-performing exposures*	*1,329*	*3,731*	*2,331*	*1,400*	-
EU5	*of which defaulted*	*1,329*	*3,731*			

For "Loans and advances", the secured carrying amount was 282 billion euro and represented around 52% of the exposure (a level in line with the 53% in June 2023), of which 212 billion euro secured by collateral (representing around 75% of the total secured carrying amount, in line with the situation as at June 2023). The change in the unsecured carrying amount reflected the increase of 11.1 billion euro in the cash balances at central banks and other demand deposits.
For "Debt securities", the secured carrying amount was 1.9 billion euro, mainly secured by financial guarantees.

Breakdown of collateral, personal guarantees or credit derivatives by exposure class

Value of the guarantees subject to the standardised approach

(millions of euro)

Regulatory portfolio	31.12.2023		31.12.2022	
	Collateral	Personal guarantees or credit derivatives	Collateral	Personal guarantees or credit derivatives
Exposures to or secured by governments and central banks	30	57,132	-	59,337
Exposures to or secured by regional or local authorities	-	137	-	191
Exposures to or secured by public sector organisations	3	2	6	3
Exposures to or secured by multilateral development banks	-	778	-	449
Exposures to or secured by international organisations	-	-	-	-
Exposures to or secured by supervised institutions	708	122	1,100	128
Exposures to or secured by corporates and other entities	5,442	1,026	4,924	621
Retail exposures	4,280	1	4,714	4
Exposures secured by real estate	330	-	415	-
Defaulted exposures	38	-	64	-
High-risk exposures	7	-	13	-
Exposures in the form of covered bonds	-	-	-	-
Short-term exposures to corporates and other entities or supervised institutions	-	-	-	-
Exposures to CIU	-	-	-	-
Other exposures	-	4	-	3
Securitisations	-	-	-	-
Total	**10,838**	**59,202**	**11,236**	**60,736**

Under the current regulations, when the comprehensive method is adopted (as Intesa Sanpaolo does in the majority of cases), collateral (e.g. cash collateral or securities received as pledges) reduces risk exposure, whereas personal guarantees (and the remaining collateral - simplified method) transfer the related risk to the guarantor's regulatory portfolio; consequently, the representation of personal guarantees included in the table above is the guarantor's responsibility.
All the values showed substantial stability. In order to optimise capital absorption, a transaction was also maintained with the counterparty SACE to hedge the risk of expropriation of the required and unrestricted reserves of the ISP Group banks operating in Albania, Serbia, Egypt and Moldova.
In addition, the column "Personal guarantees or credit derivatives" only includes guarantees received in the form of personal guarantees. With regard to the exposures secured by properties, the value of the mortgage collateral is not shown, because – in accordance with the applicable regulations – these exposures are subject to preferential weighting factors. If there is any other collateral, this is shown in the above table.

With regard to the guarantees subject to the IRB Approach, refer to that set out in Table EU CR7-A in Section 9 of this document.

Section 11 - Counterparty risk

Qualitative disclosure

Counterparty risk, as governed by the CRR, is a specific type of credit risk and represents the risk of a counterparty in one of the types of transactions listed below defaulting before the final settlement of the cash flows involved in the transaction. The regulations lay down specific rules for the quantification of the amount of the exposures while referring to those governing credit risk for the determination of risk weightings.
In accordance with these regulations, counterparty risk is calculated for the following categories of transactions:
- derivatives pursuant to Annex II to the CRR;
- SFTs – Securities Financial Transactions (repurchase agreements and securities lending);
- transactions with medium to long-term settlement.

The framework provides for the uniform treatment of counterparty risk regardless of the book in which the exposures have been classified (the banking and regulatory trading books are both subject to capital requirements for counterparty risk). For the purposes of reducing the amount of the exposures, recognition of various types of contractual netting arrangements ("Master netting agreements") is permitted, subject to compliance with statutory requirements.
Following the authorisation by the Supervisory Authority, the Parent Company has adopted the Internal Models approach for regulatory reporting purposes for the counterparty requirement for OTC - Over the Counter contracts, ETD - Exchange Traded Derivative contracts and SFTs.
The internal model is applied in accordance with the Basel 3 instructions, so that the requirement for counterparty risk is calculated as the sum of the default risk and the CVA - Credit Value Adjustment risk. The risk of default is determined starting from an EAD – Exposure at Default that is the maximum between the EAD calculated according to the current risk parameters and that calculated according to risk parameters based on a stress period. For the remaining part of the Parent Company's derivatives portfolios not covered by the internal model and for the other banks in the Group, the SA-CCR approach has been adopted from June 2021, as required by Regulation (EU) 2019/876. Banca Intesa a.d. – Beograd, with limited derivatives operations has adopted the simplified original exposure method (OEM).
The CVA Capital Charge is calculated as the sum between the CVA VaR calculated on the movements in credit spreads of counterparties registered in the last year and that calculated on the movements during a stress period, which has currently been identified as the 2011-2012 period.
The Parent Company uses the methodology deriving from the supervisory regulations on internal models for counterparty risk – average effective PFE – Potential Future Exposure model for the purposes of managerial measurement of credit lines utilisation for replacement risk, for derivatives and SFTs.
For the rest of the Group, the measurement of credit lines utilisation for transactions in OTC derivatives involves the application of the greater of the mark-to-market and the add-on in order to determine the credit exposure, taking into account existing netting and collateral agreements. Add-ons indicate the maximum potential future exposure (95th percentile), estimated by the Market, Financial and C&IB Risks Coordination Area, by product type and maturity. The granted amount for OTC and SFTs transactions is defined on the same basis used for the on-balance sheet exposures, taking also into account the specific features of the OTC derivative and SFTs transactions (for which the exposure may change over time as the underlying risk factors change). The IMI CIB Risk Management Department calculates and validates, on a daily basis, the operational measures, i.e. the drawdowns of credit lines for replacement risk, which are reported in the systems for monitoring credit lines for OTC derivatives, ETDs and SFTs. For the Entities or instruments out of scope of PFE application, a simplified approach based on Addon is used: the Addon grid is uploaded into the above systems that apply an algorithm in order to quantify the credit exposure for each credit line to a particular counterparty. The Department produces daily reports showing new excess of credit line utilisation and sends them to the competent departments of the IMI Corporate & Investment Banking Division and the Group Treasury and Finance Head Office Department.
In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 3, the Group has adopted an operating model aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time.
Particular attention was dedicated to the update of the management regulatory framework with regard to the eligibility of collateral for trading in Security Financing Transactions.
The organisational functions involved, as described in the Bank's internal regulations, are:
- the Market, Financial and C&IB Risks Coordination Area, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
- the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
- the commercial and lending functions that avail of the above measures in the granting process to determine the total amounts granted for credit lines.

For the Parent Company, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits at the level of the Parent Company's total portfolio, authorised by the Group Financial Risk Committee for derivatives transactions and SFTs;

- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivative transactions and SFTs with collateral agreements;
- backtesting: Basel 3 requires to produce backtesting analyses in order to test the appropriateness of the model. Tests are carried out on risk factors, financial instrument and netting set;
- reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

Intesa Sanpaolo has adopted a programme of stress tests on the counterparty risk with the objective of assessing the effects connected with the occurrence of extreme scenarios relating to market and credit factors that influence counterparty risk exposures for derivatives and SFTs alike.
The stress tests allow the estimate of potential sudden liquidity needs of the Bank with regard to the collateralised exposures, due to extreme movements of the risk factors underlying transactions in OTC derivatives and SFTs.
The stress test programme allows the identification of the market scenarios the Bank is mostly exposed to and represents a risk analysis tool that complements the management and regulatory metrics.
The stress test programme is based on the application of mono-factor and multi-factor scenarios to the “reference set”, which is the set of market data used for the pricing of the financial instruments included within the scope of the internal model. Analysed in addition to the stress on the market risk factors is the effect of the deterioration of the creditworthiness of the counterparty through the joint stress on market and credit variables (PD, LGD).
The generic Wrong-Way Risk (WWR) arises when there is positive correlation between the probability of default of a counterparty and the exposure to the same counterparty.
A methodology is followed to identify the generic WWR, which uses the results from the stress tests conducted as part of the stress testing programme for the counterparty risk, focusing on the counterparties whose credit spread is more historically correlated to the risk factors identified by the stress tests.
The reports and the analysis of the results are aimed at highlighting the most significant effects at portfolio level, of segments of counterparties or individual counterparties.
The specific WWR arises in case of positive correlation between the future exposure towards a counterparty and the probability of its default due to the nature of the transactions with this counterparty, or in case of a legal connection between the counterparty and the issuer of the derivative’s underlying.
A methodology is followed to identify the specific WWR without legal connection, which is based on the analysis of the relation between the Mark-To-Market forecasts of the portfolio of a counterparty and the credit spread forecasts of the same counterparty, in the various scenarios of the EPE model, at a certain future moment.
As part of the specific WWR with legal connection, an organisation process has been defined in order to identify, report, authorise and monitor in a specific manner the transactions involving such risk, also for the purposes of the worse treatment established by the regulations in terms of capital requirement.
The backtesting programme, defined based on the Basel 3 requirements, maintains a time series of projections obtained from the calculation model, and the related realisations on:

- risk factors;
- financial instruments;
- netting set.

Through statistical analysis, supported by qualitative analyses for the forecasting horizons for which it is not possible to accumulate sufficient observations, the predictive ability of the model is measured. An internal policy was defined to enable corrective procedures in case the model shows significant limitations in the representation of the underlying risks or the changed market conditions require and adjustment thereof.
The backtesting results are reported in the quarterly disclosure to the Supervisory Authority.
In order to consistently represent and monitor the overall risk profile in terms of counterparty risk generated by transactions in derivative instruments and SFTs, the Group Financial Risk Committee has approved a structure of specific limits, monitored by the Market and Financial Risk Management Head Office Department, for the Parent Company, based on the metrics described above and comprising:

- a regulatory capital limit;
- a Default Risk Capital Charge limit;
- a CVA Risk Capital Charge limit;
- a CVA VaR limit;
- a warning limit for liquidity outflows in the event of market stress;
- generic and specific wrong-way risk (WWR) thresholds.

These limits (set according to the Bank’s risk appetite in terms of counterparty risk and based on the maximum use calculated in stress conditions) enable synthetic and uniform control of the risk exposure levels for the derivative transactions and SFTs of Intesa Sanpaolo’s portfolios.
The internal counterparty risk model allows the estimate of the liquidity requirement deriving from collateralised OTC derivatives and SFTs (in terms of inflow and outflow of collateral), by predicting the expected variation of the mark-to-market. These measures are aimed at feeding the system of the Market, Financial and C&IB Risks Coordination Area that measures the liquidity risk (Liquidity Risk System), while guaranteeing the information details needed to develop the various measurement metrics currently set for internal purposes (Liquidity Policy) and for the weekly liquidity report to the Supervisory Authority, and are also the subject of the programme of stress tests on the counterparty risk.
The determination of fair value, as required by IFRS 13, considers not only market factors and the nature of the contract (maturity, type of contract, etc.), but also own credit quality and that of the counterparty in relation to the current and potential exposure.
Compared to the mark-to-market adjustment through the calculation of the Credit Risk Adjustment (CRA), the calculation of own credit risk has been added in the fair value measurement, in order to include the Bank’s default risk in the valuation of OTC derivatives.
To fulfil the requirements of the standard, the calculation of two metrics has been introduced, namely Bilateral Credit Value Adjustment (bCVA) and Bilateral Debt Value Adjustment (bDVA), which, unlike the previous calculation framework, do not just

consider the current exposure, but also incorporate the average of the future exposures (Expected Positive/Negative Exposure). Specifically:

- the bCVA (negative) takes into account scenarios whereby the counterparty becomes insolvent before the Bank and the Bank has a positive exposure to the counterparty. In these scenarios the Bank suffers a loss equal to the cost of replacing the derivative;
- the bDVA (positive) takes into account scenarios whereby the Bank becomes insolvent before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The prior Credit Risk Adjustment (CRA) calculation approach is still valid for a limited number of products for which the bCVA-bDVA model is still under development.

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

Counterparty risk is a particular kind of credit risk arising from derivatives, which refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.

Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).

As noted above, with regard to counterparty risk, the Banking Group has improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3, in order to equip the Banking Group with an internal model for measuring this risk both for operational and regulatory purposes. The organisational functions involved, as described in the Bank's internal regulations, are:

- the Chief Risk Officer Governance Area, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
- the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
- the commercial and lending functions that avail of the above measures in the granting process to determine the total amounts granted for credit lines.

The project yielded the following results:

- the Banking Group set up a suitably robust IT, methodological and regulatory infrastructure, in accordance with the use test requirement set out by regulations on internal models;
- the Banking Group integrated the risk measurement system into decision-making processes and the management of company operations;
- cutting-edge methods were adopted for calculating drawdowns on credit lines;
- the Supervisory Authority validated the Parent Company’s use of the internal model for calculating the counterparty requirement in the first quarter of 2014. The first report using the internal model (with a view to Basel 3) was made on 31 March 2014, relating to the scope of the derivatives;
- Intesa Sanpaolo obtained authorisation to use the internal model for the capital requirement for SFT instruments with effect from the report as at 31 December 2016.

Potential exposure (estimated with the actual average PFE - Potential Future Exposure) has been adopted by the entire Banking Group for the purposes of operational measurement of uses of credit lines for derivatives. The IMI CIB Risk Management Department produces daily risk measurement estimates for counterparty risk, for the measurement of the uses of credit lines for OTC derivatives for the Parent Company and Fideuram. The other Banks of the Group use the PFE method in a simplified form. In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:

- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty’s probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivative transactions and SFTs with collateral agreements (CSA);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

Policies for hedging and mitigating risk

In order to mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (Securities Financing Transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting arrangements that allow the netting of claims and obligations if a counterparty defaults.

This is achieved by entering into ISDA and GMRA/GMSLA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.

In addition, the Group has collateral agreements in place, mainly with daily margining, to hedge OTC derivatives transactions (CSAs or Credit Support Annexes), also due to the margin requirements for non-centrally cleared derivatives, established by the EMIR; for SFTs, the Bank implements daily margining agreements (GMRAs and GMSLAs). Since September 2019, the Group has also been subject to the EMIR requirement relating to the initial margin exchange with counterparties equally subject to that obligation. Initial margin exchanges are regulated by collateral transfer agreements (CTAs) with counterparties.

In order to mitigate the income statement volatility linked to the credit risk adjustments to the fair value of derivatives, the Bank acquires hedges through Credit Default Swaps (CDS) with the counterparties to which it is exposed or credit indices as underlyings. Those hedges are considered as mitigating the capital requirements for CVA risk and, limited to single names, in estimating the utilisation of the related credit lines.

Quantitative disclosure

Analysis of CCR exposure by approach as at 31 December 2023 (EU CCR1 Reg. 2021/637)

(millions of euro)

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	1		1,40	1	1	1	1
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1,40	-	-	-	-
1	SA-CCR (for derivatives)	66	258		1,40	455	455	455	327
2	IMM (for derivatives and SFTs)			5,802	1.47	8,529	8,529	8,529	3,203
2a	*Of which securities financing transactions netting sets*			*1,886*		*2,772*	*2,772*	*2,772*	*908*
2b	*Of which derivatives and long settlement transactions netting sets*			*3,916*		*5,757*	*5,757*	*5,757*	*2,295*
2c	*Of which from contractual cross-product netting sets*			*-*		*-*	*-*	*-*	*-*
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					4,278	4,250	4,250	499
5	VaR for SFTs					-	-	-	-
6	**TOTAL**					**13,263**	**13,235**	**13,235**	**4,030**

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. At consolidated level, this approach is applicable to the majority of the entire derivatives portfolio (as shown in the table, as at 31 December 2023 approximately 93% of the total EAD of financial and credit derivatives is measured using EPE models). Derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2023 accounting for approximately 7% of overall EAD) and refer to:

– residual contracts of the Parent Company not measured using the EPE model (in compliance with the materiality thresholds established by the EBA);
– EAD generated by all other banks and companies in the Group which do not report using an internal model.

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. As part of the stress test programme on counterparty risks, it was estimated that a downgrade of Intesa Sanpaolo by the rating agencies would generate additional liquidity outflows (in terms of collateral paid) of 3.7 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, the Parent Company SFTs have also been measured using the EPE internal models approach. The existing contracts are almost all supported by margin agreements – GMRA (for repurchase agreements) and GMSLA (for securities lending).

Transactions subject to own funds requirements for CVA risk as at 31 December 2023 (EU CCR2 Reg. 2021/637)

(millions of euro)

		Exposure value	RWEA
1	**Total transactions subject to the Advanced method**	**1,253**	**900**
2	(i) VaR component (including the 3× multiplier)		340
3	(ii) stressed VaR component (including the 3× multiplier)		560
4	**Transactions subject to the Standardised method**	**134**	**17**
EU4	**Transactions subject to the Alternative approach (Based on the Original Exposure Method)**	**-**	**-**
5	**Total transactions subject to own funds requirements for CVA risk**	**1,387**	**917**

Compared to the previous half year, the RWEAs for credit valuation adjustment (CVA) risk were essentially stable.

Standardised approach – CCR exposures by regulatory exposure class and risk weights as at 31 December 2023 (EU CCR3 Reg. 2021/637)

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT											TOTAL EXPOSURE VALUE
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	3,138	-	-	4	-	-	-	-	-	-	-	3,142
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	11,664	65	-	197	123	-	-	251	-	-	12,300
7	Corporates	-	-	-	-	44	4	-	-	264	-	-	312
8	Retail	-	-	-	-	-	-	-	2	-	-	-	2
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	-	-	-	-	-	-	-	-	-	1	-	1
11	**TOTAL EXPOSURE VALUE**	**3,138**	**11,664**	**65**	**4**	**241**	**127**	**-**	**2**	**515**	**1**	**-**	**15,757**

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

The table shows the aggregate of the exposures subject to counterparty risk and valued using the standardised approach, broken down by portfolio type and risk weight class. In the half year there was an increase of +1.3 billion euro over June 2023, with the total aggregate amounting to 15.8 billion euro. This change was driven by: a) the increase in exposures to “Institutions”, of +1.2 billion euro, with substantial stability in terms of percentage of the aggregate (78%, corresponding to 12.3 billion euro); b) the increase in exposures to “Central Governments and Central Banks”, of +0.5 billion euro, which recorded a modest increase in relative weight (20%, corresponding to 3.1 billion euro); c) the increase in exposures to “Corporates”, of +0.1 billion euro, which has a low relative weight (2% corresponding to 312 million euro); and d) the reabsorption of the exposure to “Multilateral development banks”, in the amount of -0.6 billion euro. The distribution of exposures by weight class led to a marginal improvement in the capital absorption in the half year due to the slight increase in the relative proportion of the lower weighted classes. The changes, attributable to normal fluctuations, were mainly due to the management of the treasury position and financial intermediation.

Standardised approach – CCR exposures by regulatory exposure class and risk weights – Amounts without risk mitigation as at 31 December 2023 (EU CCR3 bis)

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT											TOTAL EXPOSURE VALUE
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	3,059	-	-	4	-	-	-	-	-	-	-	3,063
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	11,664	65	-	218	123	-	-	251	-	-	12,321
7	Corporates	-	-	-	-	44	4	-	-	270	-	-	318
8	Retail	-	-	-	-	-	-	-	2	-	-	-	2
9	Institutions and corporates with a short-term credit rating	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	-	-	-	-	-	-	-	-	-	2	-	2
11	**TOTAL EXPOSURE VALUE (without CRM)**	**3,059**	**11,664**	**65**	**4**	**262**	**127**	**-**	**2**	**521**	**2**	**-**	**15,706**

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

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2023 (EU CCR4 Regulation 2021/637) (*Table 1 of 3*)

(millions of euro)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to Institutions	0.00 to <0.15	3,820	0.08	103	28.81	1.78	719	18.83%
	0.15 to <0.25	981	0.16	37	25.99	1.35	243	24.77%
	0.25 to <0.50	1,291	0.44	58	20.49	2.15	425	32.90%
	0.50 to <0.75	3	0.61	7	31.96	3.54	2	66.73%
	0.75 to <2.50	805	1.22	58	25.58	2.27	410	50.98%
	2.50 to <10.00	75	4.26	18	38.49	1.66	100	134.04%
	10.00 to <100.00	-	13.32	2	34.89	1.00	1	161.58%
	100.00 (Default)	5	100.00	2	42.70	1.64	3	56.75%
	Subtotal	**6,980**	**0.40**	**285**	**26.62**	**1.84**	**1,903**	**27.27%**
Exposures to corporates - SMEs (small and medium enterprises)	0.00 to <0.15	1	0.10	52	46.58	3.04	-	22.09%
	0.15 to <0.25	1	0.17	74	46.11	1.32	-	20.97%
	0.25 to <0.50	10	0.38	713	45.14	2.15	4	40.27%
	0.50 to <0.75	13	0.61	852	44.48	2.43	7	52.50%
	0.75 to <2.50	33	1.51	1,855	44.48	2.78	25	75.33%
	2.50 to <10.00	21	5.82	1,054	45.77	3.18	24	111.45%
	10.00 to <100.00	3	16.95	132	48.75	3.83	5	177.80%
	100.00 (Default)	-	100.00	129	63.70	2.72	-	20.81%
	Subtotal	**82**	**3.45**	**4,861**	**45.19**	**2.78**	**65**	**79.37%**
Exposures to corporates - Specialised lending	0.00 to <0.15	-	-	-	-	-	-	0.00%
	0.15 to <0.25	-	-	-	-	-	-	0.00%
	0.25 to <0.50	1	0.27	3	14.94	5.00	1	27.09%
	0.50 to <0.75	88	0.62	18	15.15	4.95	26	29.68%
	0.75 to <2.50	103	1.28	86	15.85	4.25	43	42.03%
	2.50 to <10.00	16	4.90	27	15.83	1.41	8	51.82%
	10.00 to <100.00	3	25.99	9	21.54	2.11	3	116.79%
	100.00 (Default)	7	100.00	2	32.70	5.00	5	69.94%
	Subtotal	**218**	**4.87**	**145**	**16.19**	**4.33**	**86**	**39.48%**

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2023 (EU CCR4 Regulation 2021/637) (*Table 2 of 3*)

(millions of euro)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to corporates - Other corporates	0.00 to <0.15	343	0.10	98	38.47	3.25	139	40.48%
	0.15 to <0.25	720	0.21	114	38.30	2.29	406	56.38%
	0.25 to <0.50	295	0.34	251	37.45	2.88	209	70.92%
	0.50 to <0.75	184	0.59	337	37.08	2.72	154	83.91%
	0.75 to <2.50	315	1.24	669	36.80	2.97	340	107.96%
	2.50 to <10.00	37	4.42	149	34.33	1.79	53	140.19%
	10.00 to <100.00	20	12.11	16	34.47	1.28	42	208.68%
	100.00 (Default)	1	100.00	12	41.80	2.56	-	15.22%
	Subtotal	**1,915**	**0.68**	**1,646**	**37.72**	**2.68**	**1,343**	**70.09%**
Retail exposures (*) - SME other	0.00 to <0.15	2	0.10	647	33.04	-	-	6.38%
	0.15 to <0.25	-	0.15	1	32.60	-	-	9.02%
	0.25 to <0.50	1	0.32	267	32.94	-	-	14.65%
	0.50 to <0.75	1	0.62	128	33.00	-	-	21.53%
	0.75 to <2.50	2	1.72	397	33.10	-	1	32.20%
	2.50 to <10.00	1	5.54	160	33.16	-	-	40.14%
	10.00 to <100.00	-	23.16	73	33.04	-	-	57.08%
	100.00 (Default)	-	100.00	44	62.70	-	-	39.73%
	Subtotal	**7**	**2.78**	**1,717**	**33.27**	**-**	**1**	**22.61%**
Retail exposures (*) - Non-SME other	0.00 to <0.15	-	0.10	65	32.03	-	-	8.07%
	0.15 to <0.25	-	0.19	8	30.50	-	-	12.57%
	0.25 to <0.50	-	0.35	41	36.05	-	-	22.17%
	0.50 to <0.75	-	0.70	17	40.70	-	-	37.11%
	0.75 to <2.50	-	0.78	28	33.24	-	-	32.04%
	2.50 to <10.00	-	4.46	14	31.06	-	-	47.75%
	10.00 to <100.00	2	44.60	15	31.20	-	2	87.47%
	100.00 (Default)	-	100.00	5	45.40	-	-	27.75%
	Subtotal	**2**	**33.62**	**193**	**31.73**	**-**	**2**	**73.11%**
TOTAL		**9,204**	**0.60**	**8,847**	**28.85**	**2.08**	**3,400**	**36.94%**

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

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

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2023 (EU CCR4 Regulation 2021/637) (*Table 3 of 3*)

(millions of euro)

F-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to corporates - SMEs (small and medium enterprises)	0.00 to <0.15	-	-	-	-	-	-	0.00%
	0.15 to <0.25	-	-	-	-	-	-	0.00%
	0.25 to <0.50	-	-	-	-	-	-	0.00%
	0.50 to <0.75	-	-	-	-	-	-	0.00%
	0.75 to <2.50	-	-	-	-	-	-	0.00%
	2.50 to <10.00	-	-	-	-	-	-	0.00%
	10.00 to <100.00	-	-	-	-	-	-	0.00%
	100.00 (Default)	-	-	-	-	-	-	0.00%
	Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**
Exposures to corporates - Other corporates	0.00 to <0.15	-	0.13	1	45.00	2.50	-	51.43%
	0.15 to <0.25	2	0.21	1	45.00	2.50	1	67.06%
	0.25 to <0.50	-	0.26	1	45.00	2.50	-	53.53%
	0.50 to <0.75	-	-	-	-	-	-	0.00%
	0.75 to <2.50	-	-	-	-	-	-	0.00%
	2.50 to <10.00	-	-	-	-	-	-	0.00%
	10.00 to <100.00	-	-	-	-	-	-	0.00%
	100.00 (Default)	-	-	-	-	-	-	0.00%
	Subtotal	**2**	**0.21**	**3**	**45.00**	**2.50**	**1**	**66.85%**
TOTAL		**2**	**0.21**	**3**	**45.00**	**2.50**	**1**	**66.85%**

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

The aggregate of the exposures subject to counterparty risk measured using the advanced measurement approach showed a significant increase in the second half of the year (+1.2 billion euro), with an accompanying increase in RWEAs (+388 million euro), attributable to the "Institutions" portfolio mainly due to the new long term repo deals with banking counterparties. The average risk profile (PD) was substantially stable over the half year (0.46%) and the estimated recovery capacity deteriorated, with the value of the parameter standing at 28.9% in December 2023 compared to 27.8% in June 2023.

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

(millions of euro)

	Collateral type	COLLATERAL USED IN DERIVATIVE TRANSACTIONS				COLLATERAL USED IN SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	12,926	3	11,536	-	1,004	-	2,036
2	Cash – other currencies	-	1,031	-	263	-	121	-	-
3	Domestic sovereign debt	410	496	167	1,554	-	25,344	-	33,901
4	Other sovereign debt	560	723	376	411	-	3,666	-	53,367
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	13	55	441	59	-	4,587	-	15,454
7	Equity securities	2	-	-	-	-	384	-	3,089
8	Other collateral	-	-	-	-	-	1,978	-	1,068
9	**TOTAL**	**985**	**15,231**	**987**	**13,823**	**-**	**37,084**	**-**	**108,915**

Compared to the previous half year, there was a decrease in derivatives on both collateral received and collateral posted on the non-segregated accounts, mainly due to lower variation margins exchanged with central counterparties. There was also a decrease in the SFT component, both on collateral provided and collateral received, attributable to portfolio changes due to repo transactions, mainly dealt with central counterparties (CCG).

Credit derivatives exposures as at 31 December 2023 (EU CCR6 Reg. 2021/637)

(millions of euro)

		Protection bought	Protection sold
	Notionals		
1	Single-name credit default swaps	6,306	7,676
2	Index credit default swaps	32,256	28,694
3	Total return swaps	-	3,976
4	Credit options	-	-
5	Other credit derivatives	1,050	728
6	**Total notionals**	**39,612**	**41,074**
	Fair values		
7	Positive fair value (asset)	108	1,178
8	Negative fair value (liability)	-1,005	-135

The change compared to June 2023 (in particular, the decrease of around 42 billion euro and 35.8 billion euro, respectively, in the notional amounts of the purchased and sold protection) reflected both the decrease in the notional amounts with central counterparties and the reduction in purchases and sales on credit derivatives with the main sector indices as underlyings, only partially offset by the opening of total return swap protection sale positions, in addition to market movements that contributed to a further negative change in the fair value of the purchased positions and a corresponding increase in the fair value of the sold positions.

Exposures to CCPs as at 31 December 2023 (EU CCR8 Reg. 2021/637)

(millions of euro)

		EXPOSURE VALUE	RWEA
1	**Exposures to QCCPs (total)**		**439**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	6,360	128
3	*i) OTC derivatives*	*1,494*	*30*
4	*ii) Exchange-traded derivatives*	*389*	*8*
5	*iii) SFTs*	*4,477*	*90*
6	*iv) Netting sets where cross-product netting has been approved*	*-*	*-*
7	Segregated initial margin	-	
8	Non-segregated initial margin	5,369	108
9	Prefunded default fund contributions	1,259	203
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) OTC derivatives*	*-*	*-*
14	*ii) Exchange-traded derivatives*	*-*	*-*
15	*iii) SFTs*	*-*	*-*
16	*iv) Netting sets where cross-product netting has been approved*	*-*	*-*
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Compared to the previous half year, there was an overall increase in the trade exposure, concentrated on SFTs, and a substantial decrease in initial margins paid, mainly to Eurex and LCH Ltd. for derivatives operations. The change for RWEAs, on the other hand, was mainly due to a decrease in the pre-funded contributions to the counterparty Eurex.

Section 12 – Securitisations

Qualitative disclosure

Securitisations: objectives and the roles undertaken

Originated securitisations

The originated securitisations of the Intesa Sanpaolo Group may be differentiated into:

- standard securitisations, structured with the objective of achieving economic benefits from the optimisation of the loan portfolio, the diversification of funding sources and the reduction of their cost (“standard originated securitisations” and “Asset Backed Commercial Paper programmes”) or in order to provide services to customers (“securitisations in which the Group acts as sponsor”).
- securitisations that, through the conversion of the loans sold into refinanceable securities, form part of the overall general policy of strengthening of the Group’s liquidity position and are not standard securitisations as they do not transfer the risk outside the Group (self-securitisations).

The Group conducts these transactions using Special Purpose Entities (SPEs), namely vehicles that enable an entity to raise resources through the securitisation of part of its assets. Generally, a package of equity assets (usually loans) are separated out from the financial statements of one party and subsequently transferred by that party to a vehicle which issues notes to finance the purchase, which are then placed on the market or through private placement. Funds raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash flows generated by the loans sold.

Standard originated securitisations

The securitisations in this category are as follows:

Securitisations carried out during the period

- ***GARC Securitisations***

  Within the Active Credit Risk Management (GARC) transactions, Intesa Sanpaolo completed six new synthetic securitisations during the year: GARC New Origination-1, GARC USD Corp-1, GARC ESG & CE-1, GARC Residential Mortgages-4, GARC SME-11, and GARC Corp-6. Specifically:

  i) for the GARC New Origination-1 transaction (second quarter), the junior risk was sold relating to an initial portfolio of around 0.5 billion euro in loans to around 880 customers in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB).This portfolio is increased with new loans on a quarterly basis during a ramp-up period not exceeding 12 months until a maximum portfolio of 2 billion euro is reached;
  ii) for the GARC USD Corp-1 transaction (second quarter), the junior risk relating to a total portfolio of around 4.2 billion euro in loans denominated in US dollars to around 100 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
  iii) for the GARC ESG & Circular Economy-1 transaction (third quarter), the junior and mezzanine risk relating to a portfolio of around 2.7 billion euro in loans to around 100 businesses in the Corporate and Corporate SME regulatory segment with a high ESG score and/or assessed within the circular economy framework, valued using internal models (Advanced IRB), was sold to specialist investors;
  iv) for the GARC Residential Mortgages-4 transaction (fourth quarter), the upper junior and mezzanine risk relating to a portfolio of around 1.6 billion euro of high LTV residential mortgages to around 13,500 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;
  v) for the GARC SME-11 transaction (fourth quarter), the mezzanine risk relating to a total portfolio of 1 billion euro in loans to around 2,500 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to a specialist investor;
  vi) for the GARC Corp-6 transaction (fourth quarter), the junior risk relating to a total portfolio of around 3.4 billion euro in loans to around 180 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

  In compliance with the retention rule laid down by the supervisory regulations, for the above transactions Intesa Sanpaolo holds at least 5% of the securitised portfolio.

  The portfolios of the transactions mainly consist of customers operating in Northern Italy. The portfolio of the GARC USD Corp-1 transaction consists of US dollar-denominated loans mainly provided to foreign customers.

- ***Andor Securitisation***

  As part of the derisking strategy envisaged in the 2022-2025 Business Plan, on 18 December 2023 Intesa Sanpaolo completed a process to deconsolidate a portfolio of bad loans, through a securitisation with the assignment of an investment grade rating to the senior notes.

The portfolio to be sold, identified as at 31 March 2023 (cut-off date), has a Gross Book Value (GBV) of around 0.9 billion euro (accounting GBV at pre-closing values, before PPA) and consists of bad loans mainly of the Corporate SME segment.

Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:
- 28.6% North-West;
- 26.8% South and Islands;
- 25.3% Centre;
- 18.9% North-East;
- 0.4% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- 64.4% Non-financial companies;
- 25.9% Consumer households;
- 9.3% Family businesses;
- 0.4% other business sectors.

The sale transaction was structured in two main concurrent phases:
(i) “Self-securitisation and Rating”: in this phase, the sale of the portfolio to a securitisation vehicle, Andor SPV S.r.l. (SPV), established pursuant to Italian Law 130/99, was completed, with Intesa Sanpaolo fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. At the time of issue of the notes, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for said SPV. In this phase of the transaction, as the risks and rewards of the assets sold had not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. In this phase, Moody’s, DBRS and Scope also issued a rating of 'BBB+' for the senior class of notes.
(ii) “Placement of the subordinated securities and deconsolidation of the portfolio sold”: in this phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised.

The SPV financed the acquisition of the portfolio by issuing three classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by a third party investor and 5% by Intesa Sanpaolo, in compliance with the retention rule laid down in the supervisory regulations:
- senior notes of 208 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes of 40 million euro, of which 2 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.
- junior notes of 5 million euro, of which 0.25 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Taking into account the subscription by Intesa Sanpaolo of 100% of the senior notes and 5% of the mezzanine and junior notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- the senior tranche, under securities at amortised cost;
- the mezzanine and junior tranches under securities measured at FVTPL.

With the completion of the transaction, Intesa Sanpaolo achieved full accounting and prudential deconsolidation of the portfolio.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

Securitisations structured in previous periods

– ***Savoy Securitisation***

With a view to the reduction of the Group's risk profile envisaged in the 2018-2021 Business Plan, in 2018, a traditional securitisation was structured through the sale to the vehicle company Penelope SPV S.r.l. of a loan portfolio originated by Intesa Sanpaolo and by several Banks of the Banca dei Territori Division subsequently merged into Intesa Sanpaolo. The underlying consisted of loans classified as bad loans for a gross total value, at the cut-off date of 1 January 2018, of 10.8 billion euro (gross of adjustments). The securitised assets are mainly attributable to loans to businesses (including SMEs) with the following geographical distribution: 30% North West, 26% North East, 23% Centre and 21% South and Islands. The operation made it possible for the originators to derecognise the loans.
Within the transaction, Intrum Italy S.p.A. acts as special servicer.

The SPV financed the acquisition of the portfolio by issuing 3 classes of unrated notes. At the closing of the transaction, 3 December 2018, the notes had been issued and subscribed as follows:

- Senior tranche of 1,635.4 million euro, of which 364.5 million euro (22.3%) was subscribed by Banca IMI (now Intesa Sanpaolo) and the remainder by third parties;
- Mezzanine Tranche of 490.6 million euro, of which 240.4 million euro (49%) was subscribed by Intesa Sanpaolo and 51% by third-party investors;
- Junior tranche of 599.6 million euro, of which 293.8 million euro was subscribed by Intesa Sanpaolo (49%) and 51% by third-party investors.

In 2021, a refinancing transaction was carried out, acquiring an investment grade rating (higher than BBB) on its senior notes and a request for the "GACS" government guarantee. Specifically, on 29 December 2021 the refinancing of Savoy was carried out, which reduced the risk profile of Intesa Sanpaolo which, following the refinancing, exited the subordinate component of the securitisation, retaining only the regulatory minimum to fulfil the requirements set out under the retention rule. Following the refinancing transaction, the situation of the notes changed as follows:

- Senior tranche of 983.6 million euro, of which 159 million euro (16.2%) held by Intesa Sanpaolo and the remainder by third parties;
- Mezzanine tranche of 143.6 million euro, of which 7.2 million euro (5%) held by Intesa Sanpaolo and the remainder by third-party investors;
- Junior tranche of 599.6 million euro, of which 30.0 million euro (5%) held by Intesa Sanpaolo and the remainder by third-party investors.

– ***Kerma Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, on 25 November 2019 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as unlikely to pay (UTP) by Intesa Sanpaolo to the securitisation vehicle Kerma SPV S.r.l. (SPV). The portfolio sold on 31 March 2019 (cut-off date) had a Gross Book Value (GBV) of around 3 billion euro and the sale price was around 2 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.

The sale was completed through the following steps:

(i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;
(ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;
(iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;
(iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:

- senior notes of around 1,258 million euro, subscribed by Intesa Sanpaolo;
- mezzanine notes of around 405 million euro, divided into around 270 million euro of class B1 notes, of which around 13 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and around 135 million euro of class B2 notes, of which around 7 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of around 135 million euro, of which around 7 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

Taking into account the retention of 100% of the senior notes and 5% of the junior and mezzanine notes, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

In 2020, the sale of the lease portfolio was also carried out in two tranches, more precisely in March and November, for a GBV (Gross Book Value) of around 180 million euro on the sale dates at a price of around 116 million euro, substantially in line with the portfolio's NBV (Net Book Value).

- ***Yoda Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, in December 2020, Intesa Sanpaolo finalised the sale of a portfolio of bad loans through a securitisation backed by a "GACS" guarantee to a securitisation vehicle ("Yoda SPV S.r.l." or the "SPV").
The portfolio had a GBV (Gross Book Value) of around 4.5 billion euro as at 30 June 2020 (cut-off date).

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Construction companies" at 30.9%;
- "Manufacturing" at 18.5%;
- "Distribution" at 16.6%;
- "Real estate business" at 13.6%;
- and a residual amount in other business sectors (Services, Transport, Agriculture, Fashion Industry, Finance and Insurance, Utilities, and others).

The securitised assets were broken down as follows by geographical area:
- 31.2% North-West;
- 23.9% North-East;
- 23.7% Centre;
- 20.8% South and Islands;
- 0.4% Outside Italy.

The transaction was structured in two main phases:
- "self-securitisation": in that phase, the sale of the portfolio to the SPV was completed, with ISP fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. Moreover, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for the SPV. In this phase of the transaction, as the risks and rewards of the assets sold have not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. Concurrent with the issue of the securitisation notes, Moody's, DBRS and Scope issued ratings for the Senior class of notes (i.e. BBB for Morningstar DBRS and Scope, Baa2 for Moody's);
- "placement of the subordinated securities and deconsolidation of the portfolio": in that phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 23 March 2021.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- senior notes of 1,010 million euro, 100% subscribed by Intesa Sanpaolo;
- mezzanine notes of around 210 million euro, 5% subscribed by Intesa Sanpaolo;
- junior notes of around 20 million euro, 5% subscribed by Intesa Sanpaolo.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Towers Securitisation***

In 2016, Intesa Sanpaolo completed a securitisation via the sale without recourse of two portfolios of performing consumer loans for around 2.6 billion euro, through Accedo, a wholly-owned consumer credit company dedicated to consumer credit distribution channels outside the Group. The two portfolios – one relating to salary-backed loans and the other to car and special-purpose loans – were sold to two specially created vehicle companies (Towers CQ S.r.l. and Towers Consumer S.r.l.), independent of the Intesa Sanpaolo Group and managed by a third-party servicer, which funded the purchase price by issuing asset-backed securities. The senior and mezzanine securities of the portfolio consisting of salary-backed loans have a Moody's rating of Aa2 and A2 respectively. At the start of

the securitisation:
- the junior tranches were subscribed by the leading investment company Christofferson Robb & Company;
- the senior and mezzanine tranches were subscribed by a pool of international banks, led by Banca IMI (now Intesa Sanpaolo) and also made up of Citigroup, Goldman Sachs International and JP Morgan;
- Accedo (now Intesa Sanpaolo) subscribed 5% of each of the tranches issued, in compliance with the retention rule laid down by the supervisory regulations.

For the Towers CQ securitisation, in 2018 a first refinancing carried out on instruction from the holder of the class C (junior) notes resulted in those notes being split into two classes, a M (mezzanine) class and a J (junior) class, on which Intesa Sanpaolo maintained its retention through a vertical slice.
Following the redemption of the tranche A (senior) in the first half of 2020, the majority junior investor (Precise Credit Solution) requested a new refinancing by means of publication on the Luxembourg stock exchange, which consisted of the full repayment of the class B (mezzanine) and M (mezzanine) notes against the issue of a new A1 (senior) class, and the partial repayment of the J (junior) class.
There were no substantial changes in those transactions in 2023.

- ***Securitisations of the former Banca Popolare di Vicenza***

As at 31 December 2017, there were nine multi-originator securitisations outstanding that had been carried out in accordance with Law 130/1999 (involving Banca Nuova and the former Banca Popolare di Vicenza) named Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS, Berica ABS 2, Berica ABS 3, and Berica ABS 4.
For all of these securitisations, the conditions for derecognition envisaged by the accounting standards did not apply and, therefore, these loans were recognised in the financial statements. The underlying assets of these securitisations all consist of mortgage loans on residential properties.
During 2018, the transactions named Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS and Berica ABS 2 were terminated.
During 2023, the last Berica ABS 3 securitisation was extinguished.

- ***K-Equity Securitisation***

From 2015 to 2017, the Intesa Sanpaolo Group sold non-performing exposures to several borrower companies through two different securitisations. Other Italian banks also participated in the securitisations.
The securitisations consisted of the transfer of their credit exposures with several industrial companies to specifically established third-party entities, in order to enable their value enhancement through financial and industrial restructuring.
That transfer specifically fulfils the purpose of ensuring the management of said exposures by entities established and managed by specialised third parties to maximise the recovery of the securitised exposure by using the know-how and experience of the parties involved in the financial and industrial restructuring processes and, possibly, the granting of new financing by third party investors to benefit the transferred debtors.
Among other things, the transaction involved the use of securitisation companies established pursuant to Law 130/99 (Pillarstone Italy SPV S.r.l. and Norma SPV S.r.l.), which purchase and securitise the credit exposures and, where necessary, provide new lending to the transferred borrowers.
The Group does not hold investments in the companies mentioned above and, thus, these are third parties independent of Intesa Sanpaolo and the other banks involved in the transaction.
The SPVs contributed to the execution of the securitisations by issuing senior, mezzanine and junior notes, fully subscribed by each bank in the amount due to each of them. Therefore, each securitisation regards the loans due to the originators from a single debtor.
At the time of the sale, the exposures were not derecognised either from the financial statements or for prudential purposes. Against said sales, in addition to the notes mentioned above, Super Senior notes subscribed by third parties were also issued. All the securities issued lacked external ratings.
The following events took place in 2020:
- closure of a transaction relating to receivables in the graphic paper sector, following a refinancing involving Intesa Sanpaolo, which resulted in the termination of the agreements with the Pillarstone platform;
- transfer of loans object of a transaction in a newly created Alternative Investment Fund, called RSCT Fund, as part of the de-risking envisaged in the 2018-2021 Business Plan;
- debt discharge of a major shipowning group, following the purchase of the ownership of five ships by Norma SPV S.r.l., with the consequent derecognition of the loans from Intesa Sanpaolo's balance sheet and the recognition of the notes subscribed under the securitisation.

In 2022, Pillarstone Italy SPV S.r.l., in performance of a restructuring agreement for a major company operating in the shipping sector, wrote off part of the credit exposure held with the company and Intesa Sanpaolo wrote off these loans from its balance sheet and recognised the corresponding notes subscribed under the securitisation.
There were no substantial changes in those transactions in 2023.

- ***Securitisations of the former UBI Group***

  As at 31 December 2023, the following five securitisations were outstanding, deriving from the acquisition of the former UBI Group by the Intesa Sanpaolo Group:

  - ***UBI2017 - SME FEI Securitisation***

    The "UBI2017 - SME FEI" synthetic securitisation, carried out at the end of 2017, consists of a portfolio of medium/long-term loans to performing counterparties represented by SMEs (over 80%) and Small Mid Cap companies, mainly located in Southern Italy.
    Three tranches have been issued within this transaction: a senior tranche subscribed by UBI Banca, and a mezzanine tranche and junior tranche subscribed by the EIF.
    For this transaction, UBI Banca (now Intesa Sanpaolo) holds 50% of the securitised portfolio to comply with the retention rule laid down by the supervisory regulations.

  - ***UBI2019 – RegCap-3 Securitisation***

    The synthetic securitisation "UBI2019 - RegCap-3", carried out at the end of 2019, is the third market transaction carried out by the former UBI Banca Group.
    The underlying portfolio consists of medium/long-term loans granted to performing Corporate and Corporate SME counterparties, mainly located in Northern Italy.
    Two tranches have been issued within this transaction: a senior tranche, subscribed by UBI Banca, and a junior tranche subscribed pro rata by two market counterparties.
    In line with the previous market securitisations, this is also a funded transaction and involves the deposit of the entire amount of the guarantee by the two subscribers of the junior tranche.
    For this transaction, UBI Banca (now Intesa Sanpaolo) holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

  - ***Maior and Iseo Securitisations***

    In 2018 and 2019, the former UBI Banca Group carried out two traditional securitisations with a "GACS" government guarantee (Decree Law 18 of 14 February 2016 - "GACS") aimed at deconsolidating loans classified as bad loans.
    Against the sale of the loans, the SPV issued three sets of asset-backed securities: senior (rated), mezzanine and junior. UBI Banca initially subscribed the entire issue and then sold 95% of the mezzanine and junior tranches, while retaining the entire senior note backed by the GACS government guarantee, in addition to 5% of the remaining tranches in compliance with the retention requirement laid down by the applicable regulations.

  - ***Sirio Securitisation***

    As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, in December 2020, UBI Banca (now merged into Intesa Sanpaolo) finalised the sale of a portfolio of bad loans through a securitisation backed by a "GACS" guarantee to a securitisation vehicle ("Sirio SPV S.r.l." or the "SPV").
    The portfolio had a GBV (Gross Book Value) of around 1 billion euro as at 31 December 2019 (cut-off date).

    The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
    - Non-financial companies - around 77%;
    - Financial companies - around 1%;
    - Other - around 22%.

    The securitised assets were broken down as follows by geographical area:
    - North - around 52.5%;
    - Centre - around 29%;
    - South and Islands - around 18%;
    - Outside Italy - around 0.5%.

    The transaction was structured in two main phases:
    - "self-securitisation": in that phase, the sale of the portfolio to the SPV was completed, with UBI Banca fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. Moreover, UBI Banca disbursed a loan with limited recourse as a liquidity facility for the SPV. In this phase of the transaction, as the risks and rewards of the assets sold have not yet been transferred, the portfolio continued to be consolidated in the UBI Banca financial statements. Concurrent with the issue of the securitisation notes, Morningstar DBRS and Scope issued investment grade ratings for the Senior class of notes;
    - "placement of the subordinated securities and deconsolidation of the portfolio": in that phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 2 April 2021.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
– senior notes of around 290 million euro, 100% subscribed by UBI Banca;
– mezzanine notes of around 35 million euro, 5% subscribed by UBI Banca;
– junior notes of around 10 million euro, 5% subscribed by UBI Banca.

In that regard, the notes subscribed by UBI Banca, due to the business model used and the look-through test carried out, also in line with the approach adopted by Intesa Sanpaolo, have been classified as follows:
– senior tranches under securities at amortised cost;
– mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

– ***Kerdos Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18 December 2020, on 15 November 2021 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as unlikely to pay (UTP) by Intesa Sanpaolo to Kerdos SPV S.r.l. (SPV). The portfolio sold on 30 April 2021 (cut-off date) had a Gross Book Value (GBV) of around 2 billion euro (accounting GBV before PPA) and the sale price was around 0.7 billion euro, substantially in line with the portfolio's Net Book Value (NBV).

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
– senior notes of 534.7 million euro, fully subscribed by Intesa Sanpaolo;
– mezzanine notes totalling 171.9 million euro, divided into 76.4 million euro of class B1 notes, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and 95.5 million euro of class B2 notes, of which 4.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
– junior notes of 57.3 million euro, of which 2.9 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

As part of the de-risking strategy envisaged in the new 2022-2025 Business Plan and, specifically, in line with the 2022 de-risking plan, in October 2022, Intesa Sanpaolo completed a process to deconsolidate an additional portfolio of loans mainly classified as unlikely to pay (UTP) to Kerdos SPV S.r.l. (SPV). Given that the parties involved (investors and servicers) in the two sales were the same, and the same type of asset class was sold, the two securitisations were combined.
In this context, the contractual documentation of the securitisation finalised in 2021 was amended to permit: i) the purchase by the same SPV (Kerdos SPV S.r.l.) and the same LeaseCo (Kerdos LeaseCo S.r.l.) of an additional portfolio of UTP; and ii) the purchase of any future UTP portfolios.
As at 31 December 2021 (cut-off date), the additional portfolio sold had a Gross Book Value (GBV) of around 1.9 billion euro (accounting GBV before PPA) and the sale price was around 0.5 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:
– 33.8% North-West;
– 32.6% Centre;
– 18.3% North-East;
– 14.5% South and Islands;
– 0.8% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Construction companies" at 19.1%;
– "Manufacturing" at 17.7%;
– "Real estate business" at 12.3%;
– "Households" at 10.4%;
– "Transport and storage" at 8.9%;
– and in other residual business sectors (including Professional Services, Wholesale and Retail, and Accommodation).

The sale was completed, as described above, through a securitisation combined with the one concluded in November 2021, in the following steps:
(i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;
(ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;
(iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;
(iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of

Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The SPV financed the acquisition of the portfolio by modifying the existing notes. Nonetheless, the subscription percentages remained unchanged (senior tranche subscribed entirely by Intesa Sanpaolo, mezzanine and junior tranches subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations):
- senior notes of around 759 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes of around 239 million euro, of which around 11.9 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of around 77 million euro, of which around 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation also of the new portfolio sold.

Taking into account the subscription of 100% of the senior notes and 5% of the junior and mezzanine notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

- ***Portland Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18 December 2020, on 29 November 2021 the transaction was completed for the sale through a securitisation of a portfolio of bad loans mainly related to leases by Intesa Sanpaolo Provis and UBI Leasing (subsequently merged into Intesa Sanpaolo) to Portland SPV S.r.l. (SPV). The portfolio sold consisted of lease-related bad loans mainly from the Corporate SME segment with a Gross Book Value (GBV) of around 1 billion euro (accounting GBV before PPA) as at 31 December 2020 (cut off date) and sold at a price of around 0.2 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The sale was completed in the following steps:
(i) the transfer of the loans to the SPV;
(ii) the transfer of the legal relationships arising from the leases pertaining to the loans sold, as well as the ownership of the movable and immovable property subject of those leases to a LeaseCo named Portland LeaseCo S.r.l..

The securitised assets were broken down as follows by geographical area:
- 40.6% North-West;
- 14.4% North-East;
- 30.8% Centre;
- 14.1% South and Islands;
- 0.1% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the Production Companies sector at 84%, while the remaining 16% was split across the other economic sectors.

The SPV financed the acquisition of the portfolio by issuing 3 classes of notes. The senior, mezzanine and junior tranches were subscribed 95% by third parties and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
- senior notes of 143.2 million euro, of which 7.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
- mezzanine notes of 75.3 million euro, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
- junior notes of 4.6 million euro, of which 0.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

Taking into account the retention of 5% of the senior, mezzanine and junior notes, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Grogu Securitisation***

Following the acquisition of the UBI Group, Intesa Sanpaolo transferred a business line to BPER, which included a portfolio of bad loans. Intesa Sanpaolo and BPER then jointly initiated a sale involving the deconsolidation of a portfolio of bad loans, mainly in the "Corporate SME" and "Retail" segments, through a multi-originator and multi-servicer securitisation to a securitisation vehicle (below "Grogu SPV s.r.l." or the "SPV") and with a subsequent application for the issuance of a "GACS" government guarantee for the holders of the senior notes issued under transaction, once those senior notes had obtained an investment grade rating of no less than BBB or equivalent, as envisaged by Italian Law no. 49/2016.

The portfolio owned by Intesa Sanpaolo had a GBV (Gross Book Value) of around 1.4 billion euro (accounting GBV before PPA) as at 31 May 2021 (cut-off date).
Within the transaction, Intrum Italy S.p.A. and Prelios Credit Servicing S.p.A. act as special servicers.

The securitised assets were broken down as follows by geographical area:
- 38.1% North-West;
- 36.9% Centre;
- 16.5% South and Islands;
- 8.5% North-East.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Construction companies" at 28.4%;
- "Households" at 24.8%;
- "Real estate business" at 14.0%;
- "Manufacturing" at 12.1%;
- "Motor vehicle trading and repair" at 9.2%;
- and a residual amount in other business sectors (Professional Services, Transport and Accommodation).

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- senior notes of 460 million euro, held 100% by Intesa Sanpaolo and BPER;
- mezzanine notes of 37 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor;
- junior notes of 3 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor.

The subscription percentages comply with the retention rule laid down in supervisory regulations as a percentage of the transferred portfolio. Taking into account the retention, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

On 20 December 2021, following the sale of 95% of the mezzanine and junior notes to third party investors, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the above-mentioned portfolio.
On 24 December 2021, the request was made for the issuance of the "GACS" government guarantee, which was granted on 19 April 2022.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan and specifically in the 2021 de-risking plan approved by the Board of Directors on 18 December 2020.

– ***Organa Securitisation***

As part of the derisking strategy envisaged in the 2022-2025 Business Plan, and, specifically, in line with the 2022 derisking plan approved by the Board of Directors on 21 December 2021, in April 2022, Intesa Sanpaolo completed a process to deconsolidate a loan portfolio classified as "bad loans", through a securitisation and subsequent application for issue of a "GACS" government guarantee for the holders of senior notes issued as part of the transaction, once those senior notes had obtained an investment grade rating of no less than BBB or equivalent, as envisaged by Italian Law no. 49/2016.
The portfolio to be sold, identified as at 31 December 2021 (cut-off date), has a Gross Book Value (GBV) of around 4 billion euro (accounting GBV at pre-closing values, before PPA).
Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:
- 31.2% North-West;
- 25.0% Centre;
- 22.5% South and Islands;
- 21.1% North-East;
- 0.2% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- 18.6% Production companies;
- 16.1% Consumer households;
- 14.9% Construction companies;
- 13.8% Wholesale and retail;
- 13.3% Real estate business;
- 8.0% Services;
- 15.3% other business sectors (Agriculture, Transport, Manufacturing).

The sale transaction was structured in two main phases:
(i) Self-securitisation: in that phase, the sale of the portfolio to a securitisation vehicle, Organa SPV S.r.l. (SPV), established pursuant to Italian Law 130/99, was completed, with Intesa Sanpaolo fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. At the time of issue of the notes, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for said SPV. In this phase of the transaction, as the risks and rewards of the assets sold had not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. Concurrent with the issue of the securitisation notes, Moody's, DBRS and Scope issued ratings for the senior class of notes - investment grade "BBB" or equivalent;
(ii) "Placement of the subordinated securities and deconsolidation of the portfolio sold": in that phase, the sale of 95% of the Mezzanine and Junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 10 June 2022.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
- senior notes of 970 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes of 130 million euro, of which 6.5 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of 15 million euro, of which 0.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of that portfolio.

Taking into account the subscription of 100% of the senior notes and 5% of the junior and mezzanine notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

– ***Teseo Securitisation***

As part of the derisking strategy envisaged in the 2022-2025 Business Plan and, specifically, in line with the Board of Directors' resolution of 4 November 2022, on 21 November 2022 the sale of a performing loan portfolio deriving from leases originated by Intesa Sanpaolo was finalised through a securitisation pursuant to Law 130/99. The portfolio sold is composed of performing loans mainly in the Corporate SME segment (60% of the portfolio sold) and the Small Business Retail segment (26% of the portfolio sold) with a Gross Book Value (GBV) of around 3,761 million euro as at 31 October 2022 (date of identification of the portfolio).
As part of the transaction, in addition to being the originator, Intesa Sanpaolo is also the servicer of the portfolio.
The sale involved the transfer of the loans to the SPV, along with the transfer of the legal asset and liability relationships arising from the leases pertaining to the loans sold, where the ownership of the moveable and immovable property covered by those leases remained with Intesa Sanpaolo.

The securitised assets were broken down as follows by geographical area:
- 63.26% North;
- 23.76% Centre;
- 12.98% South and Islands.

The breakdown of the assigned debtors by economic sector was as follows:
- 27% Production companies;
- 22% Real Estate;
- 17% Wholesale and Retail;
- 34% other business sectors.

The breakdown by type of lease was as follows:
- 82.2% real estate leases;
- 10.5% equipment leases;
- 4.4% energy leases;
- 2.9% other (motor vehicles, aeronautical, etc.).

On 30 November 2022 the SPV financed the acquisition of the portfolio by issuing 4 classes of securities, two senior tranches, one fixed-rate and one floating-rate, both 100% subscribed by Intesa Sanpaolo. One mezzanine tranche and one junior tranche were 5% subscribed by Intesa Sanpaolo, in compliance with the retention rule laid down in the supervisory regulations. In detail:
– Class A1 – floating-rate senior – fully subscribed by Intesa Sanpaolo for a total of 2,632 million euro;
– Class A2 – fixed-rate senior – fully subscribed by Intesa Sanpaolo for a total of 564 million euro;
– Class B – mezzanine – subscribed by Intesa Sanpaolo for 9.4 million euro and the remainder by third parties;
– Class J – junior – subscribed by Intesa Sanpaolo for 20.5 million euro, at an issue price of 9.3 million euro, and the remainder by third parties.

With the completion of the transaction, Intesa Sanpaolo achieved full accounting and prudential deconsolidation of the portfolio.
More specifically, taking into account the retention of 5% of the classes issued (vertical slice), the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer". In addition, a significant credit risk transfer was carried out, in line with Article 244(2) of the CRR.
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used, have been classified as follows:
– the senior and mezzanine classes under securities at amortised cost;
– the junior class under securities at fair value through profit or loss (FVTPL).

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

– ***GARC Securitisations***

In 2014, Intesa Sanpaolo launched the "GARC" (Active Credit Risk Management) project to create a platform to monitor credit risk in performing portfolios. The initiative involves the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending to customers. This type of transactions provides synthetic hedging of default risk (failure-to-pay, bankruptcy and restructuring) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation no. 575/2013, as amended).

Within this operation, the following synthetic securitisations were carried out – and still outstanding in 2023 – through the sale to specialist investors of the junior and/or mezzanine risk relating to:

- during 2019:
  - a portfolio of around 4.3 billion euro in loans to approximately 9,600 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-8 transaction)[34];
  - a portfolio of around 4 billion euro in loans to approximately 190 businesses in the Corporate regulatory segment (GARC CORP-2 transaction)[35];
  - a portfolio of around 900 million euro of mortgage loans issued by Barclays to around 10,800 retail customers and purchased by Intesa Sanpaolo during 2019 (GARC Residential Mortgages-1).

  For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
- during 2020:
  - a portfolio of around 1.5 billion euro in finance leases to approximately 2,500 businesses in the Corporate regulatory segment (GARC Leasing-1 transaction). For that transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - a portfolio of around 3.1 billion euro in loans to approximately 500 businesses in the Corporate regulatory segment (GARC CORP-3 transaction). For that transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - a portfolio of around 1.3 billion euro in loans and leases relating to 42 projects on renewable energy, mainly located in Italy (GARC Energy Renewables-1 transaction). For that transaction, Intesa Sanpaolo holds 10% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

  Also during 2020, as part of the GARC SME-9 transaction[36], the mezzanine risk relating to a portfolio of approximately 1.8 billion euro in loans to approximately 4,000 businesses in the Corporate and Corporate SME regulatory segments was transferred to the European Investment Fund (EIF). The initiative, realised in cooperation with the European Investment Bank (EIB), aims to provide new loans totalling 450 million euro to SMEs and midcaps damaged by the emergency caused by the COVID-19 epidemic. For this latter transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
- during 2021:
  - a portfolio of around 1.4 billion euro in loans to approximately 4,500 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-10 transaction)[37];
  - a portfolio of around 1.3 billion euro in mortgage loans to approximately 13,500 customers in the retail regulatory segment (GARC Residential Mortgages-2 transaction)[38];
  - a portfolio of around 0.5 billion euro in loans to approximately 1,300 businesses in the Corporate and Corporate SME regulatory segments (GARC High Potential-1 transaction);
  - a portfolio of around 3.1 billion euro in loans to approximately 550 businesses in the Corporate and Corporate SME regulatory segments (GARC CORP-4 transaction).

  For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
- during 2022:
  - a portfolio of around 0.5 billion euro of residential mortgages to around 7,000 retail customers (GARC High Potential-2 transaction);
  - a portfolio of around 1.4 billion euro of high-LTV residential mortgages to around 12,800 retail customers (GARC Residential Mortgages-3 transaction)[39];
  - a portfolio of around 2.1 billion euro in finance leases to approximately 2,900 businesses in the Corporate and Corporate SME regulatory segment (GARC Leasing-2 transaction);
  - a portfolio of around 7.5 billion euro in loans to approximately 4,500 businesses in the Corporate and Corporate SME regulatory segments (GARC CORP-5 transaction);
  - a total portfolio of around 1.9 billion euro in corporate and commercial real estate mortgage loans to around 150 counterparties in the Corporate and Corporate SME regulatory segment (GARC Commercial Real Estate-1 transaction);
  - a portfolio of around 2.3 billion euro in corporate loans and project finance related to infrastructure to approximately 200 businesses in the Corporate and Corporate SME regulatory segments (GARC Infrastructure-1 transaction).

  In compliance with the retention rule laid down by the supervisory regulations, for the first four transactions, Intesa Sanpaolo holds 5% of the securitised portfolio, while for the last two, it holds 10% of the securitised portfolio.

For a description of the 2023 transactions, related to the "GARC" Project, see the section "Securitisations carried out during the period".

[34] In 2023, the transaction was subject to early termination in accordance with the contractual provisions.

[35] See the previous note.

[36] See the previous note.

[37] See the previous note.

[38] See the previous note.

[39] See the previous note.

- ***Tranched Cover Piemonte Securitisation***

  A tranched cover synthetic securitisation was initiated in 2016 – also under the "GARC" Project – on newly-issued portfolios promoted by the Piedmont Regional Authority under the 2007/2013 Regional Operational Programme funded by the European Regional Development Fund, for the objective "Regional competitiveness and employment" – Axis 1 – Activity I.4.1 Measure to support access to credit for SMEs in Piedmont through the establishment of the Tranched Cover Piemonte Fund. The transaction provided for the granting of a total (initial) portfolio of new loans of 60 million euro to around 350 enterprises in Piedmont.

  For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

- ***SME Initiative Italy Securitisation***

  In 2017, the synthetic securitisation "SME Initiative Italy" (SMEI), part of the "GARC" Project, was completed on a portfolio of performing loans granted by Banco di Napoli to SMEs and Small Mid-Caps located in Southern Italy. This initiative was jointly financed by the Ministry of Economic Development and the European Commission and the EIB Group - European Investment Bank and European Investment Fund. The transaction involves the issue of a personal guarantee by the European Investment Fund on the investments in the junior, lower mezzanine, middle mezzanine and upper mezzanine tranches, which covers the credit risk relating to a portfolio of around 500 million euro of loans to around 1,400 businesses in the Corporate and Corporate SME regulatory segments. In exchange for that guarantee, the Bank undertook to provide new funds to support lending to SMEs in Southern Italy.

  For this transaction, Intesa Sanpaolo holds 100% of the senior tranche, 5% of the mezzanine tranches and 50% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

  In 2023, the transaction was subject to early termination in accordance with the contractual provisions.

- ***Central Guarantee Fund Tranched Cover Securitisation***

  In 2018, tranched cover synthetic securitisations, supported by the Guarantee Fund for SMEs, were initiated, which allow businesses to access the benefits provided for by Law no. 662/96, aimed at facilitating access to new credit for Italian SMEs. Those transactions are financed by the Ministry of Economic Development and entail the issuance of a personal guarantee by the Guarantee Fund for SMEs.

  As part of those transactions, the following initiatives were implemented, which were still outstanding in 2023:
  - during 2018, the coverage of the risk of first losses was requested, in relation to four portfolios of newly disbursed loans, each amounting to around 300 million euro, whose disbursements were started in 2018 and were completed by the second half of 2019. For those transactions, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations;
  - during 2020, admission to the guarantee of the Fund was requested for a newly issued portfolio dedicated to new entrepreneurship in the Veneto Region, whose disbursements were then completed in the second half of 2020, for a total amount of around 15 million euro, to around 90 businesses in the Veneto Region. For that transaction, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - during 2021:
    - the ramp-up of a portfolio of around 37.4 million euro to around 230 businesses was completed, whose request for admission to the guarantee of the Fund was submitted in 2019. For that transaction, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
    - the ramp-up was completed of a portfolio of around 8.8 million euro to around 100 businesses, relating to the "Tranched Cover Confcommercio" synthetic securitisation, dedicated to member companies of Confcommercio and local Credit Guarantee Consortia, whose request for admission to the guarantee of the Fund was submitted in 2019. For this transaction, Intesa Sanpaolo holds 100% of the senior tranche and 20% of the junior and mezzanine tranches in compliance with the retention rule laid down by the supervisory regulations.
  - during 2022, as part of the operations with the Guarantee Fund for SMEs, the ramp-up was completed of four tranched cover transactions on the junior risk of portfolios of newly disbursed loans in support of businesses adversely affected by the COVID-19 emergency, for a total of around 0.6 billion euro to around 1,700 businesses. For these transactions, Intesa Sanpaolo holds at least 10% of the securitised portfolios in compliance with the retention rule laid down by the supervisory regulations.

- ***"Tranched Cover Piemonte 2017" Securitisation - Lines B and A***

  In 2019 – again as part of the "GARC" Project – a "Line B" portfolio was completed relating to a tranched cover synthetic securitisation on newly-issued portfolios promoted by the Piedmont Regional Authority under the 2014-2020 Regional Operational Programme of the European Regional Development Fund – Axis III "Competitiveness of production systems" – Thematic Objective III.3 "Promoting competitiveness of SMEs" – "Measure to support access to credit for Piedmontese SMEs through the establishment of the 2017 Tranched Cover Piemonte Fund". This transaction involves the issue of collateral on the junior tranche by Finpiemonte S.p.A. and on the mezzanine tranche by Ascomfidi Nord-Ovest Società Cooperativa, to cover the credit risk relating to a portfolio of around 7.5 million euro of loans to around 150 companies in Piedmont, for which the disbursements were completed in 2019. For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the mezzanine and junior tranches in compliance with the retention rule laid down by the supervisory regulations.

  In 2020, the "Line A" portfolio was finalised, which involves the issue of collateral on the junior tranche by Finpiemonte S.p.A. to cover the credit risk relating to a portfolio of around 109 million euro of loans to around 500 companies in Piedmont. For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

Securitisations for which the Group acts a sponsor

- **Muttley and Setafia Securitisations**
  In 2015, Banca IMI (now incorporated into Intesa Sanpaolo) sponsored two securitisations of trade receivables, respectively in the furniture and furnishing sector for 55 million euro (later reduced to 48 million euro) and in the pharmaceutical sector for 80 million euro (later reduced to 40 million euro). Receivables generated by primary customers of the Group were purchased by special purpose vehicles established pursuant to Law 130/99 (Muttley and Setafia respectively) which proceeded to securitise the risk by issuing securities. The vehicles Muttley S.r.l., Setafia SPV S.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc were used for these transactions. All the securities issued are unrated.
  In 2020, there were no significant changes for the Setafia transaction, whereas the Muttley transaction was restructured, as a result of which the Intesa Sanpaolo Group ceased to be a sponsor and the amount of the programme was reduced to 42 million euro.
  In line with 2022, there were no significant changes for the Setafia transaction.

- **Bayon Securitisation**
  In 2018, Banca IMI (now merged into Intesa Sanpaolo) and the Parent Company sponsored a securitisation of trade receivables in the telephony sector for 200 million euro. Receivables generated by primary customers of the Group were purchased by a special purpose vehicle established pursuant to Law 130/99 (Bayon S.r.l.) which proceeded to securitise the risk by issuing various classes of notes subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc and Luxembourg-registered vehicles. All the securities issued are unrated.
  In 2019, the Telefonia 3 transaction was restructured and fully transferred to the Bayon programme, whose securitised portfolio increased to 663 million euro. During 2020, the transaction was increased to a total of 800 million euro and then reduced to 700 million euro during 2022. There were no changes in 2023.

- **Food & Beverages Securitisation**
  The transaction was initially carried out in several tranches starting from 2012, on portfolios of trade receivables in the food & beverages sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group. The risk of the portfolio was subsequently securitised. In relation to the receivables, limited recourse loans were disbursed with different levels of subordination. At the end of 2017, the nominal value of the securitised loans was 626 million euro. For these transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc.
  In 2018, this transaction was restructured so that the Intesa Sanpaolo Group could act as sponsor. The new structure involves: i) the sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from the sellers to Intesa Sanpaolo and the sale of the loans by Intesa Sanpaolo to a vehicle company pursuant to Law 130/99 (Massi S.r.l.) or ii) the sale without recourse pursuant to Law 130/99 (securitisation law), which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicles.
  At the end of 2021, the platform had reached a total amount of 561 million euro, slightly down on the previous year, due to an originator that left the platform.
  At the end of 2022, the total amount of the programmes was 580 million euro. In 2023, two originators left the platform, while the programme amount was increased for two other originators, bringing the total amount to 577.5 million euro.

- **Electricity Securitisation**
  This transaction was conducted in 2011 on a portfolio of trade receivables in the electricity sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group.
  The risks of the portfolio of receivables were subsequently securitised. In relation to these receivables, limited recourse loans were disbursed and/or tranches of securities without ratings were issued with different levels of subordination.
  In March 2018, the programme was increased from 900 million euro to around 1,500 million euro. To close the transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l. and Duomo Funding Plc.
  In 2019, this transaction was restructured so that the Intesa Sanpaolo Group could act as sponsor and was further increased to 1,620 million euro. In the second half of 2019, the originator of the Fuel 2 transaction, which operates in the gas sector, both for retail and large customers, was added, increasing the amount of the transaction to 1,640 million euro at the end of 2021.
  The new structure involves the sale without recourse pursuant to Law 52/91 on factoring of loan portfolios from the originators to Intesa Sanpaolo, which in turn sells the loans to a vehicle company pursuant to Law 130/99 (Mawala S.r.l.), which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicle companies.
  At the end of 2022, the maximum amount of the programme was raised to 2,440 million euro.
  In 2023, the transaction was restructured again, involving – in addition to the above-mentioned sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from several originators to Intesa Sanpaolo and the accompanying sale of the loans by Intesa Sanpaolo to a Mawala S.r.l. – the sale without recourse pursuant to Law No. 130/99 (securitisation law) of loan portfolios from several originators to the vehicle company Mawala S.r.l., which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc and Intesa Sanpaolo, and by Luxembourg-registered vehicle companies.
  A portion of the securitised loans was included in the new Electricity 3 securitisation described below in this section, while two new originators were added, resulting in a total programme amount at the end of 2023 of 1,920 million

euro.

– ***Automotive, Electronics and Mechanics Securitisation***
The transaction has been carried out in several tranches starting from 2012, on portfolios of trade receivables in the automotive, electronics & mechanics sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group. The risk of the portfolio was subsequently securitised. In relation to the sale of the receivables, recourse loans were disbursed with different levels of subordination. At the end of 2018, the nominal value of the securitised loans was 457 million euro. For these transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2019, this transaction was restructured so that Banca IMI (now Intesa Sanpaolo) could act as sponsor and comply with the minimum requirements of the retention rule laid down by the supervisory regulations. The new structure involves: i) the sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from the originators to Intesa Sanpaolo, which in turn sells the loans to a vehicle company pursuant to Law 130/99 (Manno SPV S.r.l.), or ii) the sale without recourse pursuant to Law 130/99 (securitisation law) of loan portfolios from the originators to the vehicle company Manno SPV S.r.l., which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicle companies. By the end of 2021, the platform had reached a total amount of 758 million euro, which was further increased to 968 million euro in 2022. At the end of 2023, the total amount was 1,093 million euro due to the addition of further originators in the programme.

– ***Steel Securitisation***
In 2019, a new transaction was structured for the revolving disposal of trade receivables from Italian industrial customers and arising from the transformation of steel into processed products, for a maximum amount of the programme of 100 million euro. The seller for the transaction is a company belonging to a leading group in the steel sector in Italy. The structure involves the sale without recourse of receivables to a securitisation vehicle established pursuant to Law 130/99 (Massi S.r.l.). In relation to these receivables, tranches of securities without ratings were issued with different levels of subordination subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo as sponsor and Luxembourg-registered vehicle companies. During 2021, the amount of the programme was increased to 200 million euro.
In line with the previous year, in 2023, there were no significant changes.

– ***Electricity 2 Securitisation***
In 2019, a new transaction was structured for the revolving disposal of trade receivables from leading Italian companies in the distribution of electricity in Italy.
The receivables are of two types: receivables deriving from the transport of electricity billed monthly to several selected debtors and receivables that the originator accrues annually following investments made to improve the distribution grid.
The structure of the transaction involves the sale of trade receivables pursuant to Law 52/91 (factoring law) to Intesa Sanpaolo, which simultaneously sells those receivables to a vehicle company set up pursuant to Law 130/99 (Mawala S.r.l.), which finances the purchase of the receivables through the issue of tranches of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo as sponsor and Luxembourg-registered vehicle companies.
In 2021, the transaction was increased to 780 million euro and then to 950 million euro in 2022. In 2023, there were no significant changes.

– ***Sole Debtor Securitisation***
In 2020, a transaction was carried out involving the securitisation of trade receivables originating from sundry sellers operating in the tertiary and services sector due from entities of the Intesa Sanpaolo Group up to a maximum financed amount of 192 million euro.
The structure of the transaction involves the sale of the receivables to a vehicle company set up pursuant to the Securitisation Law 130/99 (Massi S.r.l.), which finances the purchase of the receivables through the issue of tranches of asset-backed securities subscribed by Duomo Funding Plc, Intesa Sanpaolo (as sponsor, which also complies with the minimum requirements of the retention rule laid down by the supervisory regulations) and Luxembourg-registered vehicle companies. In line with the previous years, in 2023 there were no significant changes.

- ***ABB Securitisation***
  In 2022, Intesa Sanpaolo sponsored a securitisation of a revolving portfolio of trade receivables for a target maximum amount of 200 million euro, due from customers of Intesa Sanpaolo defined as "High Risk". The receivables were purchased by a vehicle established pursuant to Law 130/99 (ABB SPV S.r.l.) which, as part of the securitisation, finances its operations by issuing asset-backed securities subscribed by Intesa Sanpaolo which - as sponsor - also complies with the minimum requirements of the retention rule laid down by the supervisory regulations and by a third party investor. In 2023, there were no significant changes.

- ***Electricity 3 Securitisation***
  During 2023, a without recourse sale pursuant to law 52/1999 (factoring law) was completed for portfolios of trade receivables originated by a major customer in the electricity and gas supply sector to Intesa Sanpaolo up to a maximum financed amount of 1,100 million euro. The receivables were then simultaneously sold by Intesa Sanpaolo to a special purpose vehicle pursuant to Law 130/1999 (Mawala S.r.l.), which is financed through the issuance of asset-backed securities subscribed, among others, by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo (which acts as a sponsor that also fulfils the minimum retention rule obligations established by the supervisory regulations) and by Luxembourg-registered vehicle companies.

Asset-Backed Commercial Paper (ABCP) programmes

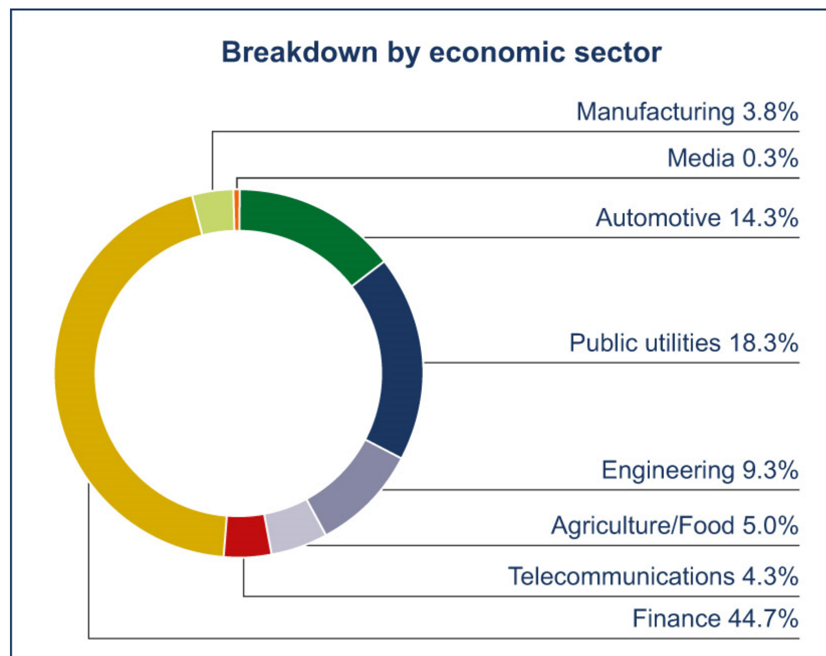
Intesa Sanpaolo controls and consolidates the following line-by-line, pursuant to the IAS/IFRSs:

- ***Romulus Funding Corporation***
  a company based in the USA with the mission of purchasing financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and financing purchases by issuing Asset-Backed Commercial Papers;

- ***Duomo Funding PLC***
  an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

These two special-purpose vehicles are the Intesa Sanpaolo Group's asset-backed commercial paper conduits, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international asset-backed commercial paper market. The assets originated by European customers are purchased by Duomo, whereas Romulus is responsible for U.S. assets and fund-raising on the U.S. market through the issuance of asset-backed commercial paper. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, U.S. investors gradually divested without the vehicle being able to find new third-party investors with which to place the asset-backed commercial papers.
The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
Companies are not generally permitted to take foreign-exchange positions.
As at 31 December 2023, the assets of Romulus included 6.89 billion euro in loans to the vehicle Duomo.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 6.89 billion euro, almost all of which has been subscribed by the Parent Company, Intesa Sanpaolo.
With regard to the portfolio of the vehicle Duomo, at the end of 2023 this portfolio mainly consisted of securities of 9.79 billion euro.
The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up approximately 1% of the total consolidated assets.
The portfolio risk of the two vehicles is approximately 45.24% accounted for by trade receivables and the remainder by consumer loans (20.32%), loans deriving from lease contracts (1.69%), factoring contracts (2.24%), mortgage loans (0.07%), loans to SMEs (18.27%), loans/lease contracts to pharmaceutical companies (0.2%), auto loans and leases (11.68%), and VAT credits (0.31%). The eligible assets held by the vehicles are mainly expressed in euro (96.27% of the total portfolio). The remainder is broken down into British pounds (3.32%), US dollars (0.09%), Polish zloty (0.001%), Australian dollars (0.01%) and Mexican pesos (0.021%).

The following information is provided concerning the portfolio of eligible assets.



With regard to the rating breakdown of the loan portfolio, 98% does not have a rating and the remaining 2% is rated above "A".
With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 93% of the debtors are located in Italy.

Self-securitisations
A summary of the securitisations originated by the Intesa Sanpaolo Group outstanding as at 31 December 2023 is shown below, in which the Group subscribed all the securities issued by the related vehicle (self-securitisations).

- ***Brera Sec S.r.l.***
  In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018 and Cassa di Risparmio in Bologna, incorporated in the first half of 2019). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group's first Multi-Originator Residential Mortgage Backed Security ("RMBS") securitisation.
  Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, purchased on the market, and control (95%) is held by a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
  Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
  The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
  Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio, and therefore today they have been fully subscribed by Intesa Sanpaolo.
  The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
  The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.
  A buyback of non-performing loans of 40.6 million euro was finalised in April 2023.
  As at 31 December 2023, the value of the outstanding subscribed securities was 2,378 million euro for the senior securities and 1,067 million euro for the junior securities.

- ***Brera Sec S.r.l. (SEC 2)***
  In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.
  The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.
As at 31 December 2023, the value of the outstanding securities was 4,069 million euro for the senior securities and 860 million euro for the junior securities.

– ***Brera Sec S.r.l. (SEC 3)***
In October 2021, an additional self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.
As at 31 December 2023, the value of the outstanding securities was 6,139 million euro for the senior securities and 725 million euro for the junior securities.

– ***Clara Sec S.r.l.***
In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a listed senior tranche, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS AA (Low) rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.
A buyback of non-performing loans of 32 million euro was finalised in February 2023, and a sale of 984 million euro was finalised in July.
As at 31 December 2023, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

– ***Giada Sec S.r.l.***
In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, purchased on the market, and control (95%) is held by a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.

The total sale consideration was 10.1 billion euro. The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.
A sale of 2.1 billion euro was finalised in March 2023. A buyback of non-performing loans of 95.6 million euro and a retrocession of 5.3 million euro were finalised in April, and a sale of 1.4 billion euro was finalised in November.
As at 31 December 2023, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

– ***Giada Sec S.r.l. (GIADA BIS)***

In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the large corporate segment, to the special purpose vehicle Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 15.2 billion euro. The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.
A sale of 1.8 billion euro was finalised in July 2023.
As at 31 December 2023, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

List of securitisation vehicles based on the provisions of Art. 449 (d) of the CRR

SPECIAL PURPOSE VEHICLE	ROLE AT GROUP LEVEL	REGISTERED OFFICE	INCLUDED IN THE REGULATORY SCOPE OF CONSOLIDATION	TYPE OF EXPOSURE
Andor SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Augusto S.r.l.	Originator	Milano	NO	Equity investments
Brera Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Clara Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Diocleziano S.r.l.	Originator	Milano	NO	Equity investments
Giada Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Grogu SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
Iseo SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Kerdos SPV S.r.l.	Originator	Milano	NO	Debt securities
Kerma SPV S.r.l.	Originator	Milano	NO	Debt securities Derivatives contracts
Maior SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Norma SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities
Organa SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
Penelope SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Pillarstone Italy SPV S.r.l.	Originator	Milano	NO	Debt securities
Portland SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities
Sirio SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Teseo SPV S.r.l. (b)	Originator	Conegliano Veneto (TV)	NO	Debt securities
Towers Consumer S.r.l.	Originator	Milano	NO	Debt securities
Towers CQ S.r.l.	Originator	Milano	NO	Debt securities
Yoda SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
ABB SPV S.r.l.	Sponsor	Milano	NO	Debt securities
Duomo Funding PLC	Sponsor	Dublin	NO	Liquidity facility Derivatives contracts
Lana Trade Receivables S.a.r.l.	Sponsor	Luxembourg	NO	Debt securities
Manno S.r.l.	Sponsor	Milano	NO	Debt securities
Massi S.r.l.	Sponsor	Milano	NO	Debt securities
Mawala I S.r.l.	Sponsor	Milano	NO	Debt securities
Romulus Funding Corporation	Sponsor	New York	NO	ABCP Debt securities

(a) Self-securitisation vehicle

(b) Vehicle for which the Intesa Sanpaolo Group acts as servicer

With regard to the disclosure required pursuant to point (e) of Article 449 of the CRR, it is specified that the Intesa Sanpaolo Group did not provide, in Sponsor or Originated securitisations, any implicit support as defined in Article 250 of the CRR.
Based on the requirements of point (f) of Article 449 of the CRR, the only relevant case for the Intesa Sanpaolo Group was the securitisation named Portland, whose underlying receivables originated by the subsidiaries Provis S.p.A. and UBI Leasing S.p.A. were securitised and the notes issued by the vehicle were partly subscribed by the Parent Company Intesa Sanpaolo. UBI Leasing S.p.A. was merged into Intesa Sanpaolo in 2022, while Provis S.p.A. was merged in 2023.

"Third-party" securitisations

The Intesa Sanpaolo Group also operates in the market of traditional and STS securitisations as an investor, although the volume of the existing investments, in both banking and trading books, represents a very small part of the assets. Those transactions are attributable to the diversification of the risk profile of the portfolio managed and the maximisation of the risk-return target.

Nature of the risks relating to the securitised assets

Securitisations are exposed to the risks generally inherent in bonds, such as credit, interest rate, exchange rate and liquidity risk, appropriately broken down according to the specific characteristics of this asset class.
The nature and scope of the different risks vary based on the type of transaction executed. Generally, the interest rate and exchange rate risks of the primitive assets are low and are subject to hedging transactions by the SPV.
All securitised assets are also subject to different degrees of operational risk associated with the documentation and the collection of cash flows. In the securitisations that meet the STS requirements, operational risks are mitigated and the analysis and collection of information flows are simplified.
With regard to the valuation for accounting purposes, interest, exchange rate and liquidity risks are factored in pursuant to the methodology described in the Group Fair Value Policy. Usually, higher seniority of the tranche being valued is associated with better credit quality and improved liquidability, when the note is traded on the secondary market. An STS compliant securitisation is usually better received by market players, due to the specific characteristics that this classification represents, without prejudice to all other aspects.

With regard to regulatory market risk, the ABS risk factor is not included in the Internal Model, as the product is securitised; therefore, neither the regulatory VaR nor the IRC are included. Instead, as regards monitoring of the management market risk, the ABS risk factor, as the interest rate and exchange rate risk, is fully included in the ordinary process laid down by the Market Risk Charter (an internal Group document that outlines the set of principles, instruments and purposes applied to measure, control and manage market and counterparty risks).
In particular, for the positions in ABS securities issued by third parties belonging to the trading book and the HTCS book, the Market and Financial Risk Management Head Office Department carries out the calculation of the managerial VaR to monitor the market risks with the "illiquid parameters" method, given the specific characteristics of the risk factor considered, and monitors their absorption according to the set VaR limits. In addition, the exposure to ABS is within the monitoring scope of the issuer risk (credit ceiling and concentration limits), as well as in other possible second level limits.

With regard to credit risk, in synthetic securitisations, the assets underlying the securitisation cease to contribute to the determination of the risk-weighted assets and the related capital requirements. This may also be achieved through traditional (or cash) securitisations, which may also enable the accounting deconsolidation of the securitised assets.
According to regulatory provisions (Article 405 of Regulation (EU) no. 575/2013 of the European Parliament and Council), the originator, sponsor or original lender is required to retain, on an ongoing basis and at consolidated level, at least 5% of the material net economic interest generated by the securitisation.
Where, in synthetic securitisations, the protection purchased on the tranches subject to hedging and issued by providers eligible for credit protection pursuant to Article 249, paragraph 3, the bank takes account of the related credit exposure in calculating capital absorption.
The bank also retains the full risk on securitisation positions kept in the financial statements. In the case where a level of default and losses on the portfolio arise that are higher than expected, the risk of the transaction increases, which induces a corresponding increase in the capital requirement. The payoff of the tranches is always impacted in relation to the respective level of subordination (the Junior tranche first, then the Mezzanine tranche and, lastly, the Senior tranche) reflected in the waterfall mechanism.
For the purposes of risk mitigation, Intesa Sanpaolo benefits from the presence of government-backed guarantees (GACS) on the exposures of the Senior tranches of the traditional securitisations - Yoda, Sirio, Penelope, Grogu, Organa, Maior, and Iseo - in accordance with the requirements of Law 49/2016, where it is verified that the assets sold are exposures in bad loan status and the securities have been assigned an investment grade rating by specialist agencies.
Given the stricter requirements defined by Regulation EU 2402/2017 regarding STS securitisations, credit risk is mitigated in these transactions compared to non-STS securitisations.

The representation for the purposes of liquidity risk of third party securitisations considers the classifications and assessments made based on the fair value policy (see Section on Market risks), as well as their eligibility as high-quality liquid assets (HQLA) in accordance with the rules established by the Delegated Regulation 2015/61 and their eligibility for refinancing with Central Banks and liquidability, in the absence of which the securities are classified by residual maturity, based on their repayment plans.
Originated securitisations are, instead, considered for the purposes of the "other Liquidity Reserves" (other than HQLA) based on their characteristics of eligibility for refinancing with Central Banks and liquidability on the markets. Accordingly, in the event of their use, the restrictions on the underlying assets are suitably assessed for the purposes of structural liquidity and asset encumbrance measures.
Also with regard to own securitisations, stress tests considered the possible presence of downgrade trigger clauses with possible additional outflows on the Group's liquidity position if they are activated.

Exposures to originated and third-party re-securitisations: type of risk

As at 31 December 2023, the Group did not hold any re-securitisation positions.

Risk hedging policies for exposures to securitisations and re-securitisations

Protection purchase strategies are not currently active. In the past, for hedging strategies, listed indices (such as LCDX) or Credit Default Swaps were used.

External rating agencies used

The external rating agencies (ECAI) used by the Intesa Sanpaolo Group for the purpose of calculating the risk-weighted exposures of securitisation positions (as reported in Section 8 of this document) are the following (with reference both to positions with short-term ratings and positions with ratings other than short-term):
- Moody's Investors Service;
- Standard & Poor's Rating Services;
- Fitch Ratings.

Securitisations: methods for calculating the risk-weighted exposures

Based on Regulation (EU) 2401/2017, from 1 January 2020 Intesa Sanpaolo applies the SEC-IRBA (Securitization – Internal Rating Based Approach), the SEC-SA (Securitization – Standard Approach) and the SEC-ERBA (Securitization – External Rating Based Approach) to calculate the capital requirements for purchased or originated securitisations.
With the entry into force of the above regulation, a new risk-weight floor for securitisation positions is applied: 15% for all securitisation positions and 10% for STS securitisations.
The regulation requires that the risk-weight for all positions relating to the same securitisation cannot exceed the risk weight that those positions would have had if they had not been securitised (Cap test). If the cap is exceeded, the capital requirement will be equal to this maximum value, equivalent to the calculation of the unsecuritised underlyings.
With the entry into force of Regulation (EU) 558/2021, the regulatory framework on securitisations was adjusted in order to support the economic recovery from the COVID-19 pandemic. Specifically, the measures regarding the treatment of securitisations of NPLs raise the risk-weight floor on tranches of securitisations to 100%, except in case of the application of the SEC-ERBA.
The above-mentioned Regulation also introduces a distinction between qualifying traditional NPE securitisations and non-qualifying securitisations: a securitisation is qualifying when the non-refundable purchase price discount (NRPPD) is equal to at least 50% of the amount of the underlying exposures at the time they are transferred to the securitisation vehicle. With specific regard to the less subordinate tranches (senior) of qualifying traditional securitisations of non-performing exposures, the regulation in question requires the application of a fixed risk weight of 100%, except where the SEC-ERBA is used. In derogation from the attribution of that fixed risk-weight to tranches of senior qualifying traditional securitisations, if the ratio of risk-weighted assets to underlying exposures is less than 100%, that new ratio shall be applied to the senior tranche, with a risk-weight floor of 50%.
Lastly, based on the disclosure required in point (i) of Article 449 of the CRR, it is specified that the Intesa Sanpaolo Group does not use the Internal Assessment Approach to calculate the risk-weighted exposure amounts for unrated positions in ABCP programmes or ABCP transactions (in accordance with Article 266 of the CRR – "Calculation of risk-weighted exposure amounts under the Internal Assessment Approach" – where the conditions set out in Article 265 (2) of the CRR are met).

Securitisations: accounting policies

The securitisation transactions, whose accounting treatment is governed by IFRS 9 (in particular in the paragraphs relating to derecognition), are divided into two types depending on whether the underlying assets must be derecognised from the seller's financial statements or not.

In the event of derecognition

When all the risks and benefits from the ownership of the securitised asset are effectively transferred, the originator shall derecognise those assets from its financial statements and record offsetting entries for the consideration received and any profit or loss from the sale.
If the consideration received is not made up entirely of an amount of cash, but consists partly of financial assets, these are initially recognised at fair value and that fair value is also used to calculate the profit or loss from the sale.
If the transferred asset is part of a "greater" financial asset (for example, if only part of the cash flows that derive from a receivable is subject to disposal) and the transferred part meets the requirements for derecognition, the book value of the "greater" financial asset must be divided between the part that continues to be recognised and the part subject to derecognition based on the corresponding fair values at the transfer date.
Moreover, in case of derecognition, any arrangement costs incurred by the originator are recorded in the income statement when incurred as they are not attributable to any financial assets appearing in the financial statements.
Therefore, in light of the above, the assets sold are derecognised from the balance sheet, and the consideration from the sale, as well as the connected profit or loss, are normally recorded in the financial statements at the date of completion of the sale. More generally, the entry date for the transfer in the financial statements depends on the contractual clauses. For example, if the cash flows from the assets sold are transferred after the execution of the agreement, the assets are derecognised and the proceeds of the sale are recognised at the time of the transfer of the cash flows. Instead, in the case a sale is subject to conditions precedent, the assets are derecognised and the profit or loss from the sale is recognised when the condition precedent clause ceases.

The profit or loss, recognised in the income statement, is classified, in principle and net of any other components, as the difference between the consideration received and the book value of the assets sold.

In the event of no derecognition

If a transfer does not require derecognition because the seller essentially maintains all the risks and benefits associated with the ownership of the transferred assets, the seller continues to recognise in its financial statements the assets transferred in total and recognises a financial liability against the consideration received.
A common example of sale that does not require derecognition is when the originator sells a loan portfolio to a special purpose vehicle, but fully subscribes the junior class of notes issued by the SPV (therefore retaining the majority of the risks and benefits of the underlying assets) and/or provides collateral for the transaction.
Thus, in the event of no derecognition, the securitised loans continue to be recorded in the originator's financial statements. Following the sale, the originator must also recognise any income from the asset transferred and any charges incurred on the liability recorded without offsetting any of the costs and revenues.
The transferred loan portfolio continues to be classified in the loan category that it originally formed part of and, consequently, if it meets the adequate requirements, it continues to be measured at amortised cost and valued (individually or on a collective basis) as if the transaction had never taken place.
In this case too, considering the provisions of IFRS 9 on the matter, the arrangement costs directly incurred by the originator are recorded in the income statement when they are incurred.

Provisions for guarantees and commitments

Provisions made on an individual and collective basis, related to estimated possible disbursements connected to credit risk relative to guarantees and commitments, possibly included in the securitisation transactions, determined applying the same criteria set out with respect to other types of loans and receivables, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Assessment of exposures to securitisations - banking book

For securitisations, the need to recognise impairment is assessed if the fair value is lower than the carrying amount by a percentage set a priori (30%), or if there is potential evidence of impairment. That process has not changed in relation to the previous year.
If one of these conditions is in place, the securitisation is analysed to verify whether the reduction in fair value is due to a generic increase in the spread on the secondary market or impairment of the collateral. In the former case the conditions are not met to recognise the impairment; instead, in the latter the analysis focuses on the performance of the underlying elements, which constitute the vehicle's assets, and the methods with which such performance is reflected on payment waterfall for the securities analysed.
Specifically, the procedure involves the following steps:

- monitoring the parameters/triggers/covenants envisaged at issue, which is the basis of the regulation of the payment waterfall or, as an extreme measure, the advance termination of the deal. That analysis is based on the information set composed of the periodic reports from the vehicle administrators and rating agencies, along with the issue documents (prospectus, master receivables agreement, etc.);
- specifically for securitisations originated by Intesa Sanpaolo, which have reliable business plans, the analysis is conducted on available cash flows. For non-performing products, reference is made to adjustments to the underlying loans, the recovery plans set up and updated by the servicer and the features of the payment waterfall.

If, as a result of said analysis, there is no evidence of breaches which could compromise payments of principal and interest, it is not necessary to record impairment of the security in the portfolio. Otherwise, if there is the possibility of (full or partial) non-payment of the principal or interest, due to a change in the payment priority and/or impairment of the collateral, the security must necessarily be written down.
Impairment is assessed:

- by comparing the residual market value of the collateral and the outstanding amounts of the notes based on the attachment and detachment points, in the event of credit events that result in advance termination of the transaction;
- in the event that triggers or covenants are activated, the fair value is recalculated based on the new rules and the new available cash flows are allocated to the tranches in the portfolio, according to the new payment priorities.

In summary, for all the securitisations classified in the banking book, the impairment analysis is carried out based on the valuation of the collateral to determine the overall flows deriving from the primitive assets. These flows are allocated to the tranches of the securitisation based on all the structuring and performance characteristics of the collateral (waterfall, trigger, CDR, CPR, etc.). The Intex and Bloomberg software is used for the allocation of the cash flows to the individual tranches, except for a small number of private securitisations only, where cash flow models are used. They are developed internally during the structuring of the deal and duly updated with the performance of the collateral.

Assessment of exposures to securitisations - trading book

Exposures included in the trading book are measured at fair value. For an illustration of the valuation techniques used to determine fair value, see the relevant chapter (see Section 13 - Market risk).

Synthetic securitisations

The Group actively manages risk-weighted assets (RWAs) in line with international best practice. Therefore, it activates initiatives to align the overall risk of the loan portfolio to aspects and scopes in line with the Group's objectives and in compliance with the Risk Appetite Framework. The synthetic securitisations' GARC (Active Credit Risk Management) project falls within this context. It has the purpose of monitoring credit risk in performing portfolios and the objective to optimise regulatory and economic capital absorption, as well as support business activities on newly disbursed loans. The initiative involves the systematic acquisition of both personal guarantees and collateral for the synthetic hedging of default risk on the loan portfolios, achieving "significant risk transfer" pursuant to the current Supervisory regulations on the matter (Regulation EU 575/2013, as amended). In that context, though the securitised exposures continue to be recorded under the assets of the

bank that retains their full ownership, they are excluded from the calculation of capital absorption, while securitisation positions retained by the bank are included in the calculation of risk-weighted assets.
The premium paid by the bank to the protection seller for the purchase of the protection contract is recorded under commission expense in the income statement, where the premiums relating to the guarantees received are recorded. The financial guarantee received from the protection seller also contributes to the determination of the adjustments made to the loans subject to the guarantee (overall and, where applicable, specific).
Any deposit liabilities received by the bank, also as a result of the possible issue of notes by securitisation vehicles, are recorded under payables in the balance sheet liabilities.

Securitisations: recognition criteria for prudential purposes

Prudential regulations on securitisations are governed by the CRR, as amended by Regulation (EU) 2017/2401, which mainly replaced Chapter 5 - Securitisations, in Part Three - Title II.
The following main provisions were added to the above regulatory framework:

- Regulation (EU) 2021/558 of 31 March 2021 amending Regulation (EU) 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis, specifically regulating the prudential treatment to be reserved for securitisations of non-performing exposures;
- Regulation (EU) 2017/2402, as amended, which lays down a general framework for securitisation and creates a specific framework for simple, transparent and standardised securitisations (STS);
- Regulation (UE) 2021/557 of 31 March 2021 amending Regulation (EU) 2017/2402 to help the recovery from the COVID-19 crisis and to extend, with suitable adaptation, the framework of simple, transparent and standardised securitisations also to synthetic securitisations in the financial statements;
- Commission Delegated Regulation (EU) 2019/885 of 5 February 2019 supplementing the above-mentioned Regulation (EU) 2017/2402 with regard to the regulatory technical standards specifying information to be provided to a competent authority in an application for authorisation of a third party assessing STS compliance;
- Commission Delegated Regulation (EU) 2019/1851 of 28 May 2019 supplementing Regulation (EU) 2017/2402 with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation;
- Commission Delegated Regulation (EU) 2023/2175 of 7 July 2023 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying in greater detail the risk retention requirements for originators, sponsors, original lenders, and servicers;
- Implementing regulation (EU) 602/2014 of 4 June 2014 laying down implementing technical standards for facilitating the convergence of supervisory practices with regard to the implementation of additional risk weights relating to securitisation transactions.
- Implementing regulation (EU) 2016/1801 (as amended) of 11 October 2016 on laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with the CRR;
- EBA Guidelines on implicit support for securitisation transactions (GL/2016/08) aimed at providing guidelines on arm's length conditions and when a transaction is not structured to provide implicit support, according to Article 250 of Regulation 2017/2401 (former Article 248 of the CRR); a subject that is also referred to in the ECB's letter of July 2017, which provides guidance on the additional requirements relating to the notification and the documentation referred to in that article;
- EBA Guidelines on significant risk transfer (SRT) for securitisation transactions (GL/2014/05) pursuant to Articles 244 and 245 of Regulation 2017/2401 (former Articles 243 and 244 of the CRR); a subject that is also referred to in the ECB's letter of 24 March 2016, which provides additional guidance to the industry regarding the recognition of the significant credit risk transfer.

Although the prudential regulations indicated clearly have similarities with the IAS/IFRS measurement criteria, the accounting treatment of securitisations is not relevant for the purposes of recognition for prudential purposes. As a result, the accounting and prudential treatment applied by intermediaries may differ.

Exposures to originated and third-party re-securitisations – exposures covered by credit risk mitigation techniques

As at 31 December 2023, the Group did not hold any re-securitisation positions.

Total amount of assets awaiting securitisation

In 2011, Mediocredito Italiano (merged by incorporation in 2019) entered into two agreements with the Ministry of Economic Development, which provide subsidies in the form of cash collateral provided as pledge to the bank for two portfolios of credit exposures to be disbursed to SMEs for purposes envisaged by the Italian National Innovation Fund (FNI).
For each of the agreements signed, the loan portfolio was divided into two separate tranches: a junior tranche, exposed to initial losses, and a senior tranche, with a rating equivalent to A-. As a guarantee for the two portfolios, the Bank has received a total cash collateral amount of 16.4 million euro, into an interest-bearing deposit account, provisionally calculated based on the estimate of available portfolios.
The construction of portfolios regarding the first and second agreement was developed starting from 2011 and from 2012 and it was completed, as contractually agreed, on 31 October 2014.
Given the specific investment objectives indicated by the aforementioned agreements, applications for special-purpose loans were limited and a limited number of transactions could be carried out (overall, a total of 23 transactions were finalised – including 14 redeemed in advance or matured and 2 in default and 1 sold – with a total residual value at 31 December 2023 of 79 thousand euro.
This cash collateral, due to the pledge agreements entered into on 18 April 2016 between the Ministry of Economic Development and MCI and to ministerial decrees no. 3555 and 3556 of 16 June 2016, was decreased in 2016 and 2017, to be replaced by two pledges guaranteeing the residual portfolios, originally totalling 1.6 million euro.

Quantitative disclosure

This section provides the quantitative disclosure for securitisations, as required by the new Regulation (EU) 2021/637, applicable since June 2021.

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

(millions of euro)

		INSTITUTION ACTS AS ORIGINATOR						
		Traditional				Synthetic		SUB-TOTAL
		STS (*)		Non-STS (**)				
			of which SRT		*of which SRT*		*of which SRT*	
1	**Total exposures**	**-**	**-**	**45,247**	***4,247***	**22,299**	***22,299***	**67,546**
2	**Retail (total)**	**-**	**-**	**20,937**	***9***	**2,161**	***2,161***	**23,098**
3	Residential mortgage	-	-	15,178	*3*	2,161	*2,161*	17,339
4	Credit card	-	-	-	-	-	-	-
5	Other retail exposures	-	-	5,759	*6*	-	-	5,759
6	Re-securitisation	-	-	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**24,310**	***4,238***	**20,138**	***20,138***	**44,448**
8	Loans to corporates	-	-	21,611	*1,539*	17,022	*17,022*	38,633
9	Commercial mortgage	-	-	-	-	1,375	*1,375*	1,375
10	Lease and receivables	-	-	2,699	*2,699*	1,741	*1,741*	4,440
11	Other wholesale	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-

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

(**) For traditional securitisation transactions for which the Significant Risk Transfer (SRT) conditions have not been met, the table shows the loans underlying the securitisation.

In the table above, traditional securitisation transactions for which the Significant Risk Transfer (SRT) conditions have not been met essentially relate to self-securitisations with an amount of underlying loans of around 41 billion euro (41.8 billion euro in June 2023). Compared to June 2023, the reduction is attributable to the repayments of the underlying loans, partially offset by new disposals made for the Clara, Giada and Giada BIS revolving transactions.

The events concerning the own traditional non-STS securitisations with SRT during the half year included the completion of the Andor securitisation of a portfolio of bad loans (Corporate, Corporate SME, Retail and Retail SME customers) sold to a vehicle company pursuant to Law 130/99 for a nominal amount of 0.8 billion euro and RWAs of 0.2 billion euro. On the sale of the assets, the securitisation tranches were subscribed for a total amount of around 0.2 billion euro, equal to around 0.2 billion euro in RWAs.

Within the active credit risk management (GARC) programme, the following own synthetic non-STS transactions with SRT were structured:

- GARC ESG & CIRCULAR ECONOMY-1 carried out on a portfolio of performing loans to customers in the Corporate and Corporate SME regulatory segments. The portfolio includes loans granted to counterparties with a high ESG Score (or under the circular economy credit line) for a value of around 2.7 billion euro. To meet the risk retention requirement, the bank retains a differentiated percentage (minimum 5%, average 28%) at individual loan level (i.e. retention on assets). The mezzanine and junior tranches are respectively fully covered by financial and collateral guarantees. The securitisation exposure amounted to around 1.8 billion euro, equal to RWAs of 0.3 billion euro;
- GARC Residential Mortgages-4, a transaction carried out on a performing portfolio of High Loan To Value residential mortgages to retail customers for a value of around 1.6 billion euro. To meet the risk retention requirement, the bank retains 5% of the nominal amount of each mortgage loan (i.e. retention on assets). The mezzanine and upper junior tranches are fully covered by financial guarantees, while the senior and lower junior tranches are subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 1.5 billion euro, equal to RWAs of 0.2 billion euro;
- GARC SME-11, a transaction carried out on a portfolio of performing loans to customers in the Corporate and Corporate SME regulatory segments, for a value of around 1 billion euro. To meet the risk retention requirement, the bank retains 5% of the nominal amount of each loan (i.e. retention on assets). The mezzanine tranche is fully secured by collateral guarantee, while the junior and senior tranches are subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 0.9 billion euro, equal to RWAs of 0.1 billion euro;
- GARC CORP-6, a transaction carried out on a portfolio of performing loans to customers in the Corporate and Corporate SME regulatory segments, for a value of around 3.4 billion euro. To meet the risk retention requirement, the bank retains 5% of the nominal amount of each loan (i.e. retention on assets). The junior tranche is fully covered by collateral, while the senior tranche is subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 2.8 billion euro, equal to RWAs of 0.4 billion euro.

Moreover, during the half year, the early terminations of the GARC CORP-2, GARC SME-10, GARC Residential Mortgages-2 and GARC Residential Mortgages-3 transactions were carried out, which led to a reduction in securitisation exposures of around 3.5 billion euro, equal to a decrease of 1 billion euro in terms of RWAs.

Securitisation exposures in the non-trading book (EU SEC1 Reg. 2021/637) *(Table 2 of 3)*

(millions of euro)

		INSTITUTION ACTS AS SPONSOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**2,099**	**8,306**	**-**	**10,405**
2	**Retail (total)**	**298**	**1,862**	**-**	**2,160**
3	Residential mortgage	-	6	-	6
4	Credit card	-	-	-	-
5	Other retail exposures	298	1,856	-	2,154
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**1,801**	**6,444**	**-**	**8,245**
8	Loans to corporates	95	1,914	-	2,009
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	272	4,078	-	4,350
11	Other wholesale	1,434	452	-	1,886
12	Re-securitisation	-	-	-	-

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

With regard to the traditional securitisations in which the bank acts as sponsor, the Intesa Sanpaolo Group uses the special purpose entities Duomo Funding Plc and Romulus Funding Corporation as the Group's asset-backed commercial paper conduits. Compared to June 2023, there was a decrease in volumes of around 0.3 billion euro related to the repayment of the transactions underlying the vehicles, partially offset by the structuring of new STS securitisations.

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

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**495**	**3,294**	**-**	**3,789**
2	**Retail (total)**	**409**	**570**	**-**	**979**
3	Residential mortgage	212	293	-	505
4	Credit card	-	-	-	-
5	Other retail exposures	197	277	-	474
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**86**	**2,724**	**-**	**2,810**
8	Loans to corporates	14	2,345	-	2,359
9	Commercial mortgage	-	46	-	46
10	Lease and receivables	10	-	-	10
11	Other wholesale	62	333	-	395
12	Re-securitisation	-	-	-	-

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

The volumes of the securitisations in the banking book for which the Intesa Sanpaolo Group acts as an investor increased by around 0.3 billion euro. The increase was mainly concentrated among Non-STS securitisations with underlying “Loans to corporates”.

Securitisation exposures in the trading book (EU SEC2 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		INSTITUTION ACTS AS SPONSOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**-**	**5**	**-**	**5**
2	**Retail (total)**	**-**	**-**	**-**	**-**
3	Residential mortgage	-	-	-	-
4	Credit card	-	-	-	-
5	Other retail exposures	-	-	-	-
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**-**	**5**	**-**	**5**
8	Loans to corporates	-	2	-	2
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	-	3	-	3
11	Other wholesale	-	-	-	-
12	Re-securitisation	-	-	-	-

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

Securitisation exposures in the trading book (EU SEC2 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**240**	**533**	**-**	**773**
2	**Retail (total)**	**190**	**130**	**-**	**320**
3	Residential mortgage	64	130	-	194
4	Credit card	-	-	-	-
5	Other retail exposures	126	-	-	126
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**50**	**403**	**-**	**453**
8	Loans to corporates	-	328	-	328
9	Commercial mortgage	-	68	-	68
10	Lease and receivables	24	7	-	31
11	Other wholesale	26	-	-	26
12	Re-securitisation	-	-	-	-

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

Table EU SEC2 above does not show the part relating to securitisations in the trading book where the institution acts as an originator because the Intesa Sanpaolo Group did not have any securitisations of this kind as at 31 December 2023.
Additional information on market risks of the trading book, including the capital requirement in relation to the securitisations included in that book, is set out in the Section of this document on market risks, which also presents separately the requirements relating to exposures to securitisations in the trading book.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (EU SEC3 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				
		≤ 20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)	Specific treatment for senior tranches of qualifying NPE securitisations (**)
1	**Total exposures**	**31,956**	**2,515**	**1,497**	**936**	**47**	**23,538**	**-**	**12,544**	**47**	**822**
2	**Traditional transactions**	**11,060**	**1,232**	**1,398**	**936**	**26**	**1,260**	**-**	**12,544**	**26**	**822**
3	Securitisation	11,060	1,232	1,398	936	26	1,260	-	12,544	26	822
4	Retail	2,160	-	-	-	9	-	-	2,160	9	-
5	of which STS	298	-	-	-	-	-	-	298	-	-
6	Wholesale	8,900	1,232	1,398	936	17	1,260	-	10,384	17	822
7	of which STS	1,801	-	-	-	-	-	-	1,801	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	**20,896**	**1,283**	**99**	**-**	**21**	**22,278**	**-**	**-**	**21**	**-**
10	Securitisation	20,896	1,283	99	-	21	22,278	-	-	21	-
11	Retail underlying	2,146	-	-	-	15	2,146	-	-	15	-
12	Wholesale	18,750	1,283	99	-	6	20,132	-	-	6	-
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.

(**) Caption added to include the specific treatment for senior tranches of qualifying NPE securitisations envisaged by Reg. EU 2022/1944 starting from 30 June 2023.

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	Specific treatment for senior tranches of qualifying NPE securitisations (**)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	Specific treatment for senior tranches of qualifying NPE securitisations (**)
1	**Total exposures**	**5,521**	**-**	**2,619**	**-**	**822**	**432**	**-**	**165**	**-**	**48**
2	**Traditional transactions**	**1,781**	**-**	**2,619**	**-**	**822**	**133**	**-**	**165**	**-**	**48**
3	Securitisation	1,781	-	2,619	-	822	133	-	165	-	48
4	Retail	-	-	310	-	-	-	-	25	-	-
5	of which STS	-	-	30	-	-	-	-	2	-	-
6	Wholesale	1,781	-	2,309	-	822	133	-	140	-	48
7	of which STS	-	-	183	-	-	-	-	13	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	**3,740**	**-**	**-**	**-**	**-**	**299**	**-**	**-**	**-**	**-**
10	Securitisation	3,740	-	-	-	-	299	-	-	-	-
11	Retail underlying	324	-	-	-	-	26	-	-	-	-
12	Wholesale	3,416	-	-	-	-	273	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-

(**) Caption added to include the specific treatment for senior tranches of qualifying NPE securitisations envisaged by Reg. EU 2022/1944 starting from 30 June 2023.

Table EU SEC3 shows the aggregate as at 31 December 2023 of securitisation exposures in the non-trading book and associated regulatory capital requirements for which the institution acts as originator or as sponsor.
Volumes increased by 0.3 billion euro and capital requirements by 21 million euro (around 0.3 billion euro in RWA equivalent). The change in the capital requirements was attributable to the increase in exposures weighted using the SEC-IRBA and the senior positions in securitisations of non-performing exposures for which the 100% risk weight can be applied under Article 269a of the CRR.
For more details on the evolution of the aggregate of securitisation exposures, refer to that described in Table EU SEC1.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (EU SEC4 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				
		≤ 20% RW	>20 % to 50 % RW	>50 % to 100 % RW	>100 % to 1250 % RW	1,250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)	Specific treatment for senior tranches of qualifying NPE securitisations (**)
1	**Total exposures**	**3,124**	**73**	**192**	**399**	**1**	**-**	**136**	**3,499**	**1**	**153**
2	**Traditional securitisation**	**3,124**	**73**	**192**	**399**	**1**	**-**	**136**	**3,499**	**1**	**153**
3	Securitisation	3,124	73	192	399	1	-	136	3,499	1	153
4	Retail underlying	665	32	8	274	-	-	23	955	-	1
5	of which STS	409	-	-	-	-	-	-	409	-	-
6	Wholesale	2,459	41	184	125	1	-	113	2,544	1	152
7	of which STS	76	10	-	-	-	-	10	76	-	-
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.

(**) Caption added to include the specific treatment for senior tranches of qualifying NPE securitisations envisaged by Reg. EU 2022/1944 starting from 30 June 2023.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (EU SEC4 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		RWEA (by regulatory approach) before application of cap					Capital charge after cap				
		SEC-IRBA	**SEC-ERBA (including IAA)**	**SEC-SA**	**1250% RW**	**Specific treatment for senior tranches of qualifying NPE securitisations (**)**	**SEC-IRBA**	**SEC-ERBA (including IAA)**	**SEC-SA**	**1250% RW**	**Specific treatment for senior tranches of qualifying NPE securitisations (**)**
1	**Total exposures**	**-**	**114**	**2,689**	**-**	**153**	**-**	**8**	**164**	**-**	**12**
2	**Traditional securitisation**	**-**	**114**	**2,689**	**-**	**153**	**-**	**8**	**164**	**-**	**12**
3	Securitisation	-	114	2,689	-	153	-	8	164	-	12
4	Retail underlying	-	37	1,606	-	1	-	2	128	-	-
5	of which STS	-	-	41	-	-	-	-	3	-	-
6	Wholesale	-	77	1,083	-	152	-	6	36	-	12
7	of which STS	-	3	8	-	-	-	-	1	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Securitisation	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-

(**) Caption added to include the specific treatment for senior tranches of qualifying NPE securitisations envisaged by Reg. EU 2022/1944 starting from 30 June 2023.

Banking Book securitisations for which the Intesa Sanpaolo Group acts as an investor increased slightly compared to June 2023. Against an increase in volumes of around 0.3 billion euro, the capital requirements remained substantially in line with the previous half year, with an increase of around 3.4 million euro (corresponding to 43 million euro in RWA equivalent). This trend was attributable to the increase in positions in the lowest weight band “<= 20%”, mainly weighted using the SEC-SA approach.

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

(millions of euro)

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period (*)
			Of which exposures in default	
1	**Total exposures**	**114,891**	***24,671***	**107**
2	**Retail (total)**	**28,424**	***2,051***	**-**
3	Residential mortgage	18,154	*363*	-1
4	Credit card	-	-	-
5	Other retail exposures	10,270	*1,688*	1
6	Re-securitisation	-	-	-
7	**Wholesale (total)**	**86,467**	***22,620***	**107**
8	Loans to corporates	64,783	*21,575*	108
9	Commercial mortgage	1,507	-	-1
10	Lease and receivables	15,190	*999*	-
11	Other wholesale	4,987	*46*	-
12	Re-securitisation	-	-	-

(*) This column reports the adjustments and recoveries for securitisation where the loans are still on the balance sheet, i.e. self-securitisations and synthetic securitisations. The adjustments are conventionally reported as a positive figure, while the recoveries are reported as a negative figure.

Table EU SEC5 above includes:

- loans originated by the Intesa Sanpaolo Group and not derecognised, mainly relating to self-securitisations and synthetic securitisations totalling 65.8 billion euro, of which 0.5 billion euro in default. In the second half of 2023, the synthetic securitisations GARC CORP-2, SME-10, RES-2 and RES-3 were closed for a total amount of 3.9 billion euro. In addition, the synthetic securitisations named GARC ESG & CIRCULAR ECONOMY-1, GARC SME-11, GARC CORP-6 (Loans to corporates and SMEs) and GARC RES-4 (Residential mortgage loans) were structured for a total of 7.5 billion euro;
- loans originated by the Intesa Sanpaolo Group and derecognised relating to traditional securitisations totalling 27.2 billion euro, of which 24.1 billion euro in default, with the latter consisting of securitisations of portfolios of non-performing exposures. During the second half of 2023, the securitisation of non-performing exposures called Andor was structured for an amount of 0.8 billion euro.
  With regard to the securitisations of non-performing exposures, around 18 billion euro refers to securitisations covered by government guarantees (GACS). Overall, the Intesa Sanpaolo Group recognised assets, in relation to those transactions, of 3.4 billion euro for senior notes (of which 1.9 billion euro are fully backed by government guarantee through GACS), and a total amount of less than 0.1 billion euro for mezzanine and junior notes;
- loans originated by third parties totalling 21.9 billion euro, of which 0.1 billion euro in default.

Section 13 - Market risk

MARKET RISK/TRADING BOOK

Risk management strategies and processes

The allocation of capital for trading activities and, more generally, for all captions measured at fair value, is set by the Parent Company's Board of Directors, through the attribution of operating limits in terms of VaR at the level of the Group, Legal Entities, Divisions and/or Governance Areas.
In particular, the overall limits of the Group, the IMI C&IB Division, and the Group Treasury and Finance Department are included in the Group's Risk Appetite Framework. At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal.
The Group Financial Risk Committee monitors the risks of all the Group companies on a monthly basis, with specific reference to the absorption of VaR limits, and indicates any corrective measures. The situation is also regularly examined by the Board of Directors and the Steering Committee in order to propose any changes to the strategies for trading activities to the Management Bodies.

Structure and organisation of the associated risk management function

The Chief Risk Officer is responsible, at Group level, for setting out the system of operating limits, the capital allocation system, and the system of binding policies and procedures. In particular, coordination is carried out through the Group Financial Risk Committee, which discusses the guidelines for managing market risks.
As part of its functions, the Market and Financial Risk Management Head Office Department is responsible for:
- calculation, development and definition of the operational risk indicators: Value at Risk, sensitivity and greeks, level measures, stress tests and scenario analyses;
- monitoring of operating limits;
- monitoring of regulatory risks;
- comparison of the P&L with the risk indicators and in particular with the VaR (so-called backtesting);
- establishment of the parameters and rules for the valuation of assets subject to mark-to-market and fair value at Group level, as well as their direct valuation when this cannot be obtained from instruments available to the business units.

The structure of the Market and Financial Risk Management Head Office Department is based on the following guidelines:
- structuring of the responsibilities according to the main risk-taking centres and to "Risk Type";
- focusing and specialisation of the resources on the "Risk Owners";
- compliance with the instructions and proposals of the Supervisory Authorities;
- sustainability of the operating processes, including:
  - the methodological development;
  - the collection, processing and production of data;
  - the maintenance and refinement of the instruments and application models;
  - the general consistency of the data produced.

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

The quantification of trading risks and, more generally, all captions measured at fair value (managerial calculation scope) is based on daily and periodic analysis of the vulnerability of the trading book of Intesa Sanpaolo (including the IMI C&IB Division), which represents the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- generic interest rate risk (including inflation rate risk);
- specific interest rate risk (credit spread variability in relation to trading in credit derivatives, bonds and loans);
- generic equity risk;
- specific equity risk;
- incremental risk of migration and default (incremental risk charge);
- foreign exchange risk;
- risk of implied volatility on optional instruments;
- risk of illiquid factors (correlation, dividends, ABS, OtS loans, hedge funds);
- position risk for units of UCIs;
- commodity position risk.

The monitoring scope for the managerial VaR regarding the above risk factors is calculated at the level of the banking group both on the trading book and on the HTCS book (areas consistent with the market risk rules, defined in the internal Market Risk Charter document, for the scope measured at fair value).

The regulatory requirements for the trading book are established in Regulation EU 876/2019 (CRR2 - Part Three, Title I, Chapter 3, in Articles 102, 103, and 104 respectively). The combined provisions of those articles lay down the set of minimum requirements for the identification of the trading strategies and the measurement and control of the associated risks. This set of requirements consists of the need to:

- define, formalise and monitor the trading strategies, both quantitatively and qualitatively;
- ensure a clear reporting line along which powers, responsibilities and information are correctly transferred;
- ensure an effective system of control and limitation of the risks connected with the holding of the trading book;
- ensure that the positions meet the minimum requirements for recognition in the trading book.

Based on the requirements of the applicable regulations, Intesa Sanpaolo has established a policy (in the document "Rules on the identification and management of the prudential trading book"), which identifies the trading book based on the following elements:

- measurement at fair value through profit or loss of the instruments held for trading;
- the strategies defined
- the risk-taking centres identified
- the monitoring, limitation and management of the risks defined in accordance with the internal regulations on market risk.

In particular, the assets classified in the regulatory trading book coincide – apart from some specific exceptions – with the financial assets held for trading (Bank of Italy Circular 262). This association derives from the set of strategies, powers, limits and controls that feed and guarantee the adjacency and consistency between the accounting and prudential portfolios.
A metric of verification of consistency of the inclusion in the trading book has also been established, consisting of the indicator of average vintage, which is subject to a monitoring and escalation process, provided for in the above-mentioned internal policy.
The risk indicators used for the trading risks may be divided into six main types:

- Value at Risk (VaR), which represents the backbone of the whole risk management system due to its characteristics of uniformity, consistency and transparency in relation to both economic capital and the Group Finance operations;
- sensitivity and greeks, which are the essential accompaniment to the VaR indicators due to their ability to capture the sensitivity and the direction of the existing financial trading positions in relation to the various individual risk factors;
- level measures (such as notional and Mark-to-Market), which are a useful aid to the above indicators as an immediately applicable solution;
- stress tests and scenario analyses that enable the completion of the analysis of the overall risk profile, capturing changes in predetermined assumptions relating to the evolution of the underlying risk factors, also simulating anomalous market conditions (opening of the basis risks, worst case);
- Incremental Risk Charge (IRC), an additional measure to VaR (contributing to determining capital absorption) that enables the correct representation of the specific risk on debt securities and credit derivatives because it also captures event and default risk, in addition to idiosyncratic risk;
- Stressed VaR (from 31 December 2011 it contributes to the determination of capital absorption), which represents the VaR associated with a market stress period, identified on the basis of the indications presented in the Basel document "Revision to the Basel II market risk framework".

The reporting system is continuously updated in order to take into account the evolution of the operations, the organisational structures and the analytical methods and tools available.

Policies for hedging and mitigating risk

In Intesa Sanpaolo, weekly managerial committee meetings are held during which the main risk factors of the portfolios are discussed. The monitoring and discussions take place on the basis of a series of reports by the Market, Financial and C&IB Risk Coordination Area based on standard quantitative indicators (VaR, greeks, and issuer risk) and stress indicators (what if analysis, stress tests on particular macroeconomic scenarios/risk factors, and marginal VaR).
That information set constitutes an effective method for deciding on any policies for hedging and mitigating risk, as it makes it possible to provide detailed indications to the offices on the books risk profiles, as well as to identify any idiosyncratic risks and concentrations and suggest hedging methods for exposures considered as a potential source of future impairment in the value of the portfolios.

Strategies and processes for continuous verification of their effectiveness

At operational level, in addition to the daily reporting (VaR, sensitivities, level measures, control of assigned limits), information is exchanged between the heads of the Business Departments during the abovementioned managerial committee meetings called by the heads of the Departments.
More specifically, during the managerial committee meetings the risk profile is examined in detail, with the aim of ensuring that operations are conducted in an environment of controlled risk, and the appropriate use of the capital available.

MARKET RISKS/BANKING BOOK

Risk management strategies and processes

Market risk originated by the banking book arises primarily in the Parent Company and in the main other subsidiaries that carry out retail and corporate banking.
Specifically, in managing interest rate risk in the banking book (illustrated below), the Intesa Sanpaolo Group seeks to maximise profitability, by adopting operating methods consistent with the general stability of the financial results over the long term. To that end, positions are adopted in line with the strategic views processed in the periodic meetings of the Group Financial Risks Committee, which is also in charge of verifying the overall financial risk profile of the Group and its main operating units.
"Foreign exchange risk" is defined as the potential adverse effect resulting from changes in the exchange rate between currencies that could have a negative impact on the valuation of the assets and liabilities in the financial statements and on earnings and capital ratios.
Two types of Foreign Exchange Risk are identified: *Structural* and *Transaction risk.*

Structural Foreign Exchange Risk is defined as the potential adverse effect of changes in the exchange rate that could have a negative impact on the foreign exchange reserves that are part of the Group's consolidated shareholders' equity.

Transaction Foreign Exchange Risk is defined as the potential loss resulting from changes in the currencies exchange rate that may have negative impacts both on the valuation of the assets and liabilities in the financial statements when converted into the reporting currency and on the earnings from funding, lending and investment/disinvestment transactions in currencies other than the euro. The main sources of this foreign exchange risk consist of: non-euro loans and deposits held by corporate and/or retail customers; conversion into domestic currency of assets, liabilities and income of the international branches; trading of foreign currencies; collection and/or payment of interest, commissions, dividends and administrative expenses in foreign currencies; purchase and sale of securities and financial instruments for the purpose of resale in the short term; etc. Transaction foreign exchange risk also includes the risk of transactions related to operations that generate the type of structural foreign exchange risk represented, for example, by dividends approved by international subsidiaries and that relating to the management of foreign exchange risk tied to the management of equity investments, also including the gains/losses of international branches (*Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk*).
The Market and Financial Risk Management Head Office Department measures and controls the Parent Company and Group's exposure to Structural Foreign Exchange Risk and performs the management calculation of the optimal position, which represents the open position in foreign currency designed to neutralise the sensitivity of the capital ratio to foreign exchange movements. The Market and Financial Risk Management Head Office Department also produces sensitivity analyses of the capital ratios for the management control and monitoring of the Structural Foreign Exchange Risk, in accordance with the EBA GL, and sets the proposed Transaction Foreign Exchange Risk connected to the Structural Foreign Exchange Risk within the VAR limits for market risks.

Structure and organisation of the associated risk management function

Within the Market and Financial Risk Management Head Office Department, the market risks of the banking book and the liquidity risk (discussed in specific sections) are overseen by the Banking Book Financial Risks Function, which is responsible for:

- setting out the criteria and methods for the measurement and management of the financial risks of the banking book (interest rate, foreign exchange, minority equity investments) and liquidity risk of the Group;
- proposing the system of operational limits and the guidelines for the management of financial risks for the operational units of the Group involving the operations of the banking book;
- measuring the financial risks of the banking book assumed by the Parent Company and the other Group companies, both directly, through specific outsourcing agreements, and indirectly, by consolidating the information deriving from the local control units, and verifying compliance by the Group companies with the limits set by the corporate bodies, reporting on their evolution to the top management and operating structures of the Parent Company;
- analysing the overall financial risk profile of the Group's banking book, proposing any corrective measures, within the more general context of the guidelines set out at strategic planning level or by the Corporate Bodies;
- managing the assessment and measurement, for the Parent Company and all the other Group Companies governed by outsourcing contracts, of the effectiveness of the hedging relationships (hedge accounting) required by the IAS/IFRS regulations (for the main Group companies the structures of the Parent Company centralise these activities in order to achieve operational efficiencies and the most effective governance of the process. For the other subsidiaries, it provides direction and guidance);
- supporting the structure Strategic Asset & Liability Management in relation to strategic ALM.

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

The following metrics are used to measure the interest rate risk generated by the banking book:

1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (ΔNII);
3. Credit Spread Sensitivity in Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **sensitivity of the economic value** measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the sensitivities of the positions in the various currencies by applying a parallel shock of +100 basis points to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are set on the basis of an instantaneous and parallel interest rate shock of +/-50 basis points, 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 **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in the market price for credit risk, liquidity and other potential characteristics of credit risk instruments, which is not captured by another existing prudential framework such as the IRRBB or by the expected credit/default risk. The scope of application is all the instruments in the assets and liabilities that have a direct or indirect reference to the market credit spread, the irrespective of their accounting classification. The exposure to the CSRBB is measured in terms of changes in both the economic value and the net interest income.

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 Market and Financial Risk Management Head Office Department.

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The prepayment ratios for Retail mortgages are estimated through a Survival Analysis that expresses the repricing portfolio of each single mortgage, based on several fundamental variables:
– macroeconomic variables (consumer price index (CPI) - inflation, trend in market IRS rates, etc.);
– personal details of the counterparty (age, region of location);
– financial variables (original duration, seasoning, type of rate, unpaid instalments, incentive).

For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.

Policies for hedging and mitigating risk

Interest rate risk hedging is undertaken with the aim of protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales of debt securities and options on interest rates concluded with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, in order to preserve the economic value of a portion of the HTCS portfolio, by protecting the price of the securities against adverse market movements, the Group negotiates forward sales of the debt securities held in portfolio on a fair value hedging basis. Finally, on the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of floating-rate loans and on a portion of fixed-rate loans. For this last type, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics. Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both floating-rate funding, to the extent that the latter finances fixed-rate investments, and on variable-rate investments to cover fixed-rate funding (macro cash flow hedges).
The Market and Financial Risk Management Head Office Department of the Parent Company is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.

QUALITATIVE AND QUANTITATIVE DISCLOSURE REGARDING THE TRADING BOOK

The quantification of trading risks (managerial calculation scope) is based on daily and periodic vulnerability of the trading books of Intesa Sanpaolo, which represent the main portion of the Group's market risks, to adverse market movements of the risk factors already listed above.
Some other Group subsidiaries hold smaller trading books with a marginal risk (approximately less than 10% of the Group's overall management risk): in particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.
Conversely, the table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which managerial VaR is the main risk measurement metrics and those for which the risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

(millions of euro)

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS		
		VaR	Other	Risk factors measured using metrics included under Other
Assets subject to market risk	**648,332**	**106,682**	**541,651**	
Financial assets held for trading	38,212	38,212	-	Interest rate risk, credit spread, equity
Financial assets designated at fair value	1	1	-	-
Other financial assets mandatorily measured at fair value	5,375	134	5,242	Interest rate risk, credit spread, equity
Financial assets measured at fair value through other comprehensive income (ifrs 7 par. 8 lett. h))	68,618	67,326	1,292	Interest rate risk, credit spread, equity
Due from banks	32,903	-	32,903	Interest rate risk
Loans to customers	486,697	-	486,697	Interest rate risk
Hedging derivatives	6,980	1,009	5,971	Interest rate risk
Investments in associates and companies subject to joint control	9,546	-	9,546	Equity risk
Liabilities subject to market risk	**713,217**	**65,574**	**647,643**	-
Due to banks	92,379	-	92,379	Interest rate risk
Due to customers	442,795	-	442,795	Interest rate risk
Securities issued	108,027	-	108,027	Interest rate risk
Financial liabilities held for trading	43,568	43,568	-	Interest rate risk
Financial liabilities designated at fair value (ifrs 7 par. 8 lett. e))	21,344	21,344	-	-
Hedging derivatives	5,104	662	4,442	Interest rate risk

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the capital requirement for the market risk of the legal entity Intesa Sanpaolo.
Concerning market risk, the profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of UCI with daily liquidity and (iii) commodity risk.
The VaR and the Stressed VaR used to determine the capital requirement use the same calculation engine and the same pricing libraries for the full evaluation of the managerial measures. With regard to the latter, however, there is no decay factor in the application of the scenarios.
The observation window for the VaR and SVaR is 1 year and the figure is updated on a daily basis.
The daily measures are turned into ten-day measures through the square root of time formula to obtain data that can be used to determine the requirement.
See the paragraph below for more details on the Incremental Risk Charge.

Incremental Risk Charge (IRC)

Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure, which is additional to the VaR, is applied to the entire trading book of Intesa Sanpaolo (just as for the other regulatory metrics, it is not applied to the sub-portfolios).
The IRC enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.
This measure applies to all financial products that are sensitive to credit spreads included in the trading book except for the securitisations.
Method: The simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.
A regular stress program is applied to the model's main parameters (correlation, and transition, default and credit spread matrices).

Market risk under the standardised approach (EU MR1 Reg. 2021/637)

(millions of euro)

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	432
2	Equity risk (general and specific)	549
3	Foreign exchange risk	2,030
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation (specific risk)**	**421**
9	**Total**	**3,432**

The main sources contributing to market RWEAs under the standardised approach were the following:
- currency exposure (foreign exchange risk)[40],
- securitisations,
- debt securities not included in the internal model,
- CIUs (to a smaller extent).

The RWEAs of the trading book securitisations were 421 million euro at the end of 2023, down on 508 million euro at the end of June. The total exposure of the trading book amounts to EAD 778 million euro, down from EAD 884 million euro at the end of June. Specifically, the CLO exposure (Senior tranche - AAA-AA rating) decreased by over 100 million euro.
The RWEAs related to foreign exchange risk as at December 2023 amounted to 2,030 million euro. The increase compared to June was due to the European legislator's update of the list of currencies closely correlated to the euro in accordance with Article 354 CRR.

[40] As at 1 January 2022, the figure included the effects of the introduction of the new EBA Guidelines for foreign exchange risk.

Market risk under the Internal Model Approach (IMA)[41] (EU MR2-A Reg. 2021/637)

(millions of euro)

			RWEAs	Own funds requirements
1		**VaR (higher of values a and b)**	**3,207**	**257**
	a)	Previous day's VaR (VaRt-1)		53
	b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		257
2		**SVaR (higher of values a and b)**	**3,755**	**300**
	a)	Latest available SVaR (SVaRt-1)		77
	b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		300
3		**IRC (higher of values a and b)**	**2,227**	**178**
	a)	Most recent IRC measure		165
	b)	12 weeks average IRC measure		178
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**	**9,189**	**735**

At the end of December, the capital absorption was substantiality stable compared to the previous half year, reflecting lower risk of the trading book with respect to both interest rate risk and spread risk.

Stressed VaR

Definition: the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.

Method: that period was identified considering the following guidelines:

- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolio of Intesa Sanpaolo;
- the period must allow real time series to be used for all portfolio risk factors.

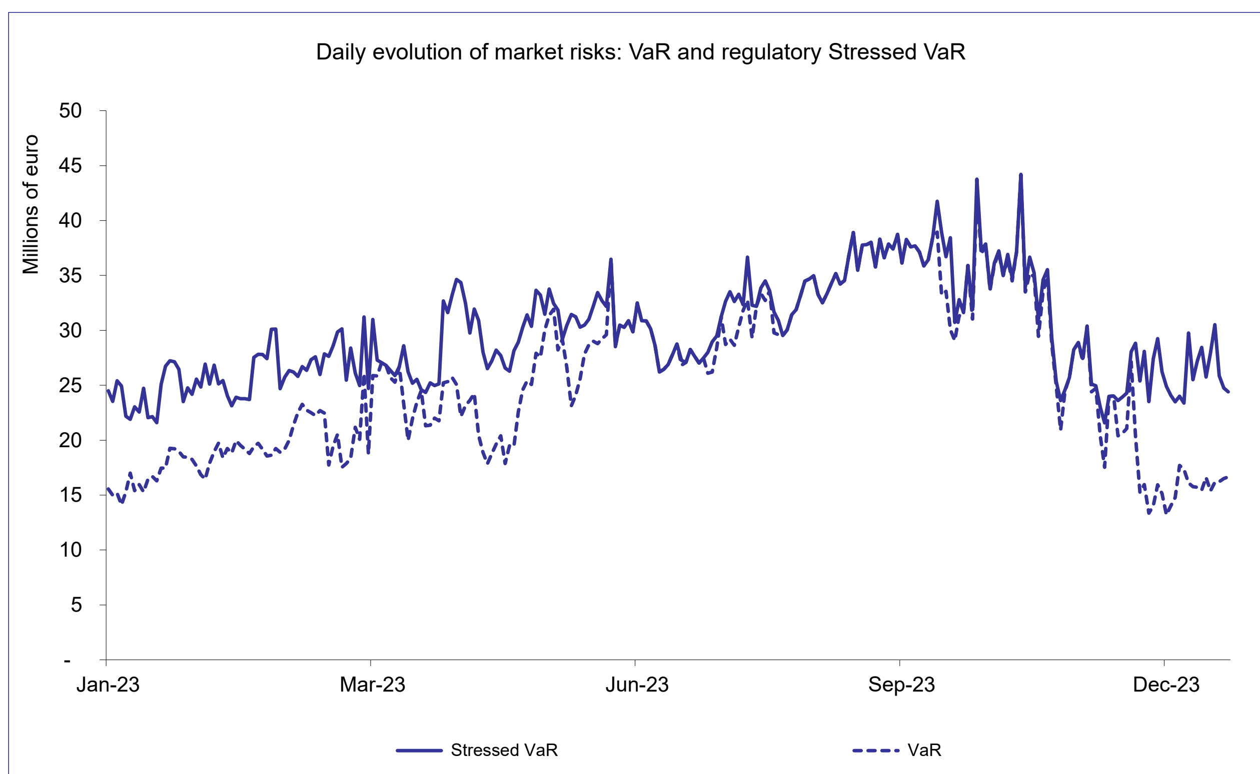
While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of the 2023 Financial Statements, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 1 April 2022 to 21 March 2023.

For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

[41] The VaR figure in the table includes the Risk Not In Model requirement.

The graph below shows the trend of the regulatory measures.



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

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

(millions of euro)

VaR (10 day 99%)		
1	Maximum value	140
2	Average value	92
3	Minimum value	42
4	Period end	53
SVaR (10 day 99%)		
5	Maximum value	140
6	Average value	100
7	Minimum value	68
8	Period end	77
IRC (99.9%)		
9	Maximum value	260
10	Average value	180
11	Minimum value	135
12	Period end	165
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

During the second half, the market risk metrics were driven by the exposure to interest rate and spread risk, with an increase during the third quarter of the year and a decrease in the fourth quarter leading to substantial stability between the end of June and the end of December.

Managerial VaR
Definition: Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.
Method: the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.
Specifically, the approach used in Intesa Sanpaolo has the following characteristics:
- historical simulation model based on the mark-to-future platform;
- a 99th percentile confidence interval;
- disposal period of 1 day;
- full revaluation of existing positions.

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.
Please note that, in the first quarter of 2023, on the ordinary annual update of the market risk managerial framework, the Board of Directors (as part of the 2023 Group Risk Appetite Framework) confirmed the specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks
Definition: sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of risk factors connected thereto. It therefore summarises:
- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

Method: the sensitivity indicator can be constructed using the following techniques:
- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures
Definition: Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.
The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.
Method: nominal (or equivalent) position is determined by identifying:
- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is “equivalent” in terms of sensitivity to the change in the risk factors investigated.
At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests
Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.
Method: Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:
- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group’s Stress Testing Programme:
- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management’s reaction capacity;
- regulatory multi-risk exercise, ordered and coordinated by the supervisor/regulator which defines its general assumptions and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Daily managerial VaR evolution

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

Daily managerial VaR of the trading book

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	26.4	16.3	43.5	33.7	35.5	27.9
of which: Group Treasury and Finance Department	*3.8*	*3.1*	*4.7*	*3.7*	*4.4*	*5.1*
of which: IMI C&IB Division	*23.3*	*14.3*	*40.6*	*31.1*	*33.7*	*25.3*

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

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

In the fourth quarter of 2023, as shown in the table above, compared to the average of the third quarter of 2023, there was a reduction in the trading managerial risks (26.4 million euro in the fourth quarter of 2023 and 33.7 million euro in the third quarter of 2023) mainly attributable to the management of the exposure to interest rate risk of the trading book and the scenario “rolling effect”.
With regard to the overall performance in 2023, compared to the same period of 2022, there was a marginal increase in the trading managerial VaR mainly attributable to a higher exposure to interest rate risk.

Daily managerial VaR of the trading book - Comparison 2023 – 2022

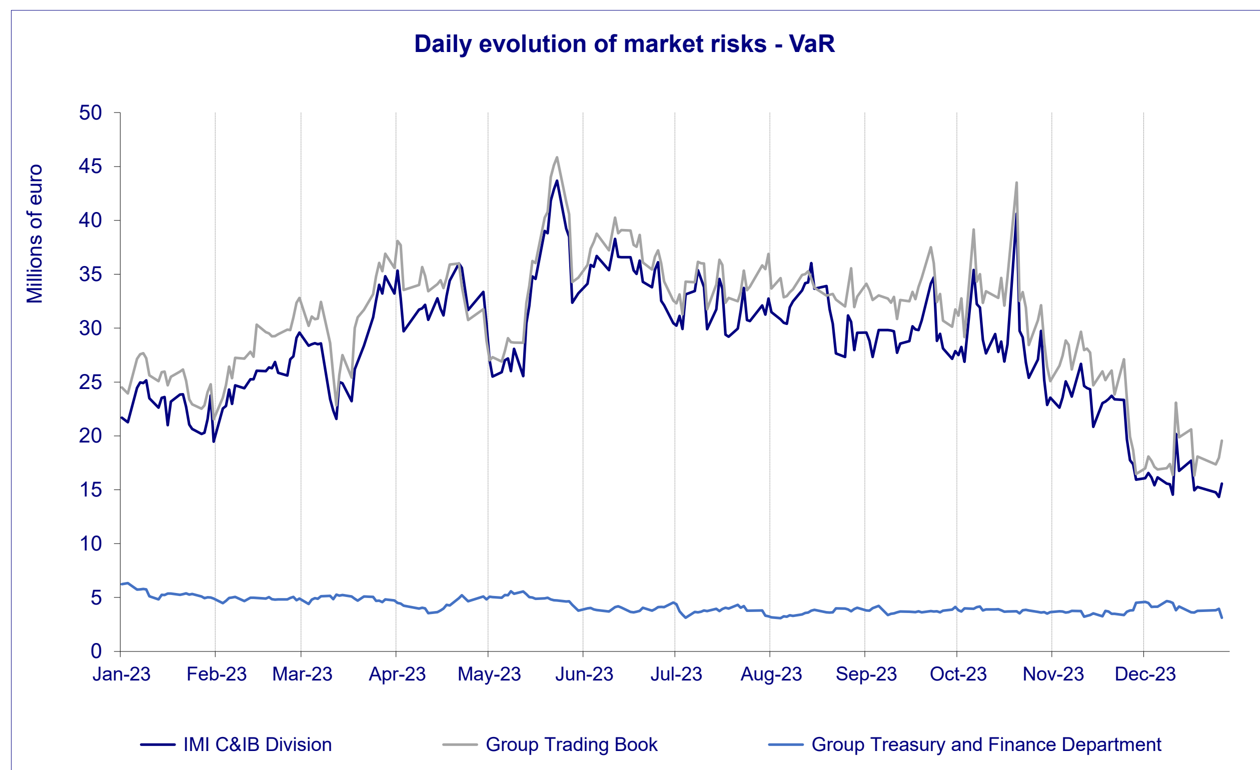
(millions of euro)

	2023				2022		
	average	minimum	maximum	last day	average	minimum	maximum
Total GroupTrading Book (a)	30.8	16.3	45.9	19.6	24.1	15.4	32.5
of which: Group Treasury and Finance Department	*4.2*	*3.1*	*6.3*	*3.1*	*5.9*	*2.4*	*9.4*
of which: IMI C&IB Division	*28.3*	*14.3*	*43.7*	*15.6*	*22.3*	*13.9*	*34.1*

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

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

The trend in the trading VaR in the fourth quarter of 2023 was mainly marked by transactions conducted by the IMI C&IB Division. Specifically, as shown in the chart below, there was a gradual reduction in the managerial market risks mainly related to the management of the exposure to interest rate risk of the trading book and the scenario "rolling effect". The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the fourth quarter of 2023 shows a prevalence of interest rate risk and credit spread risk, accounting for 37% and 33% respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (58% and 33%, respectively) and of interest rate risk and credit spread risk for the IMI C&IB Division (37% and 34%, respectively).

Contribution of risk factors to total managerial VaR

4th quarter 2023	Shares	Rates	Credit spread	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	6%	33%	3%	58%	0%	0%
IMI C&IB Division	15%	37%	34%	6%	4%	4%
Total	**13%**	**37%**	**33%**	**9%**	**4%**	**4%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the fourth quarter of 2023, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

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

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES		INFLATION	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	32	60	-9	8	-18	21	24	13	-4	5	-1	4

In particular:

- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
- for positions in interest rates, there would be potential losses of -9 million euro in the event of a rise in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 basis points would result in an overall loss of 18 million euro;
- for positions in exchange rates, there would be no potential losses either in the event of appreciation or depreciation of the Euro against the other currencies;
- for positions in commodities, there would be a loss of 4 million euro in the event of a fall in prices of commodities other than precious metals;
- lastly, for the inflation-indexed positions, there would be potential losses of 1 million euro in the event of an increase in inflation.

With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the fourth quarter of 2023 from 159 million euro (average managerial VaR third quarter 2023) to 116 million euro (average managerial VaR fourth quarter 2023).

Backtesting

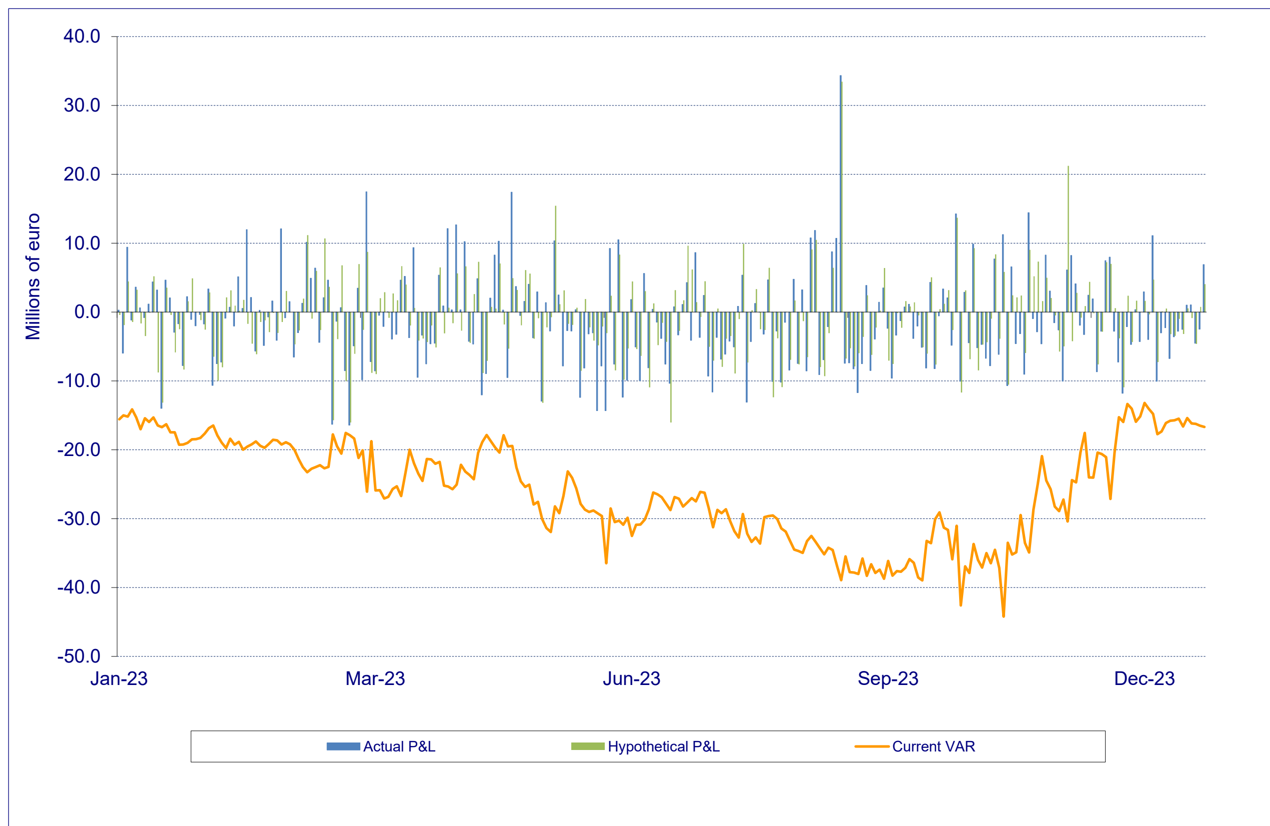
The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

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

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

Comparison of VaR estimates with gains/losses (EU MR4 Reg. 2021/637)

During the last year there were no backtesting exceptions for the regulatory VaR measure.



Issuer risk

Issuer risk in the trading portfolio is analysed through level measures, i.e. in terms of mark to market, with exposures aggregated by rating class and sector, and is monitored through a system of operating limits based on both sector/rating classes and concentration indexes.

Breakdown of exposures by type of issuer

	Total	Of which					
		Corporate	Financial	Emerging	Covered	Government	Securitis.
Group Treasury and Finance Department	0%	0%	0%	0%	0%	0%	0%
IMI C&IB Division	100%	18%	36%	10%	8%	4%	24%
Total	**100%**	**18%**	**36%**	**10%**	**8%**	**4%**	**24%**

The table sets out in the Total column the contribution of the Group Treasury and Finance Department and the IMI C&IB Division to overall issuer risk exposures, breaking down the exposure by type of issuer. The scope corresponds to the trading portfolio with an issuer ceiling (excluding Italian Government bonds, AAA and own bonds) and including CDS.

The breakdown of the portfolio subject to issuer risk, during the fourth quarter, shows an exposure attributable solely to the IMI C&IB Division and mainly in the financial and securitisation segments.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

- **first-level limits (VaR)**: the overall limits of the Group as well as those of the IMI C&IB Division and Group Treasury and Finance Department are included in the Group's Risk Appetite Framework (RAF). At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal. Following approval, these limits are then allocated to the desks of the individual legal entities, considering the proposals by the business units. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risk Committee and Board of Directors within the framework of the Tableau de Bord for the Group's risks;
- **second level limits** (**sensitivity and greeks**): they have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures;
- **other significant limits**: they have the objective of monitoring particular transactions (e.g. limits of negative maximum exposure of the valuation reserve, ceilings for transactions with issuer risk).

Some of these limits may be covered by the RAF rules. See also the paragraph "The internal control system" for a more detailed representation of the risk framework.

Incremental Risk Charge – Summary of 2023 performance

(millions of euro)

	average 4th quarter	4th quarter last one	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	178.1	165.4	134.5	229.4	180.9	201.0	204.5

Impacts of the Russia-Ukraine conflict

There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's trading book.

FAIR VALUE, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUE OF FINANCIAL INSTRUMENTS

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

General fair value principles

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the "Group Guidelines / Rules for Valuation of Financial Instruments at Fair Value", prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the insurance companies.

The "Guidelines for Valuation of Financial Instruments at Fair Value", once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The "Rules for Valuation of Financial Instruments at Fair Value" are reviewed, revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

The "Rules for the Measurement of Unlisted Equity Investments", drawn up by the Group M&A and Equity Investments Head Office Department and approved by the Group Financial Risk Committee, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single Bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.
The Bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:
a. in the principal active market for the asset or liability;
b. in the absence of a major market, in the most advantageous active market for the asset or liability.
The Bank is not required to conduct an exhaustive study of all possible markets to identify the major market or, in the absence of the major market, the most advantageous market, but must take into account all the reasonably available information. If there is no evidence to the contrary, the market that the entity normally operates in to sell the asset or transfer the liability is assumed to be the major market or the most advantageous market, if there is no major market. The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Intesa Sanpaolo Group generally operates.

In accordance with IFRS 13, the Group considers an active market to be a market where transactions in an asset or liability occur with sufficient frequency and volume to provide useful information for determining price on an ongoing basis. More specifically, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In specific cases, governed by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value, and despite being quoted on regulated markets, relevant research is carried out to verify the significance of the official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices must be carried out. A reduction in the volume or the level of activity alone may not indicate that the price of a transaction or the quoted price does not represent fair value or that the transaction in that market is not ordinary. If an entity determines that a transaction price or quoted price does not represent fair value (e.g., non-ordinary transactions) an adjustment to the transaction prices or listed prices is required if the entity uses those prices as the basis for fair value measurement and that adjustment may be significant with respect to the fair value as a whole.

The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm's length exchange motivated by normal business considerations.
The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

Inputs of the valuation techniques

The inputs are defined as the assumptions that market participants would have used to determine the price of the asset or the liability, including assumptions regarding risk, such as, for example, the risk relating to a particular valuation technique used to measure fair value or the risk relating to the inputs of the valuation technique. The inputs may be observable or unobservable.
Observable inputs are those produced using market data, such as publicly available information on operations or actual events, which reflect the assumptions that market participants would use in determining the price of the asset or the liability.
Unobservable inputs are those for which no market information is available and that are produced using the best available information regarding the assumptions that market participants would use to determine the price of the asset or the liability.

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy in which inputs to fair value measurement techniques are divided into three levels. That hierarchy assigns top priority to (unadjusted) quoted prices on active markets for identical assets or liabilities (level 1 data) and the lowest priority to unobservable inputs (level 3 data). Specifically:

- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs (the comparable approach);
- 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, and derivatives for which prices are available on an active market (for example, exchange traded futures and options) and UCITS hedge funds.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.

The following are measured using level 2 input models:
- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (including, among others, ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;
- non-UCITS hedge funds, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured using this method:
- some transactions in derivatives, bonds, or complex structured credit instruments measured using level 3 inputs;
- hedge funds in which the level 3 assets are above a set limit;
- private equity funds, private debt funds, real estate funds and closed-end funds resulting from sales of non-performing loans valued at NAV, with possible discounts;
- shareholdings and other equities measured using models based on discounted cash flows or using equity methods;
- loans whose fair value is determined through the use of a credit spread that does not meet the criteria to be considered level 2;
- loans with underlying equity risk, whose fair value is calculated based on the discounting of expected contractual flows.

The transfer of fair value levels of financial assets and financial liabilities measured at fair value on a recurring basis occurs, as established by IFRS 13, as follows: the transfer between levels 2 and 3 occurs upon a change in the observability or significance of an input to the measurements; and the transfer between levels 1 and 2 or 3 occurs upon a change in the availability of prices in an active market.
For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of observability and significance of the parameters used to determine the risk-free component. The calculation of the counterparty/issuer default risk component may result in a transfer to level 3 when the current exposure is positive for the bank and the counterparty is in non-performing loan status, or when the determination of default risk requires unobservable inputs and the bilateral credit value adjustment (bCVA) component is significant when compared to the overall fair value of the netting set, or when the counterparty's sensitivity to downgrading is significant when compared to the overall fair value of the netting set.
For non-contributed equity instruments, the change of the level occurs:
- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Intesa Sanpaolo Group reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Intesa Sanpaolo Group uses valuation techniques that use unobservable inputs.

Valuation of financial instruments

The valuation of financial instruments entails the following phases:
- identification of the sources for valuation: for each asset class, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used;
- validation and processing of input data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of the measurement methods: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the measurement models used and at determining any adjustments necessary for measurement;
- monitoring and revision of the measurement methods: the monitoring consists of the ongoing checking of the adherence to the market of the valuation model and enables the timely discovery of any gaps, in order to initiate the necessary checks and measures.

Identification, certification and processing of the input data for the measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of measurement techniques, highlight the need to establish univocal principles in the determination of market parameters. To this end, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes needed to identify the market parameters, the contribution sources considered appropriate and how the data must be received (cut-offs) and used for the measurement of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. The same sources are used in measurements carried out for third parties under Service Level Agreements, entered into in advance. The adequacy of the input data for the measurements is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, measuring the contribution bid-ask, and lastly, for OTC products, verifying the comparability of the contribution sources.
The use of all market parameters in Intesa Sanpaolo is subordinated to their certification by the Market and Financial Risk Management Head Office Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Certification of measurement methods

The measurement methods used by the Intesa Sanpaolo Group are certified by the IMI C&IB Risk Management Head Office Department, with the involvement of all relevant structures. The purpose of the certification is to verify the consistency of the methods with current market practice, to highlight any problems or limitations, and to determine any fair value adjustments, in accordance with the applicable regulations. The certification process considers all aspects of the measurement method (basic assumptions, mathematical derivation, any approximations, numerical algorithms used, inputs and outputs) but also all contextual elements that are relevant to the management, including the characteristics of the associated products (payoffs, early termination clauses, etc.), any ancillary agreements (e.g. netting or collateral agreements), the market where the products are traded, and how they are used by end users (e.g. precision vs. performance, calculation of risk measures, etc.). These aspects are subject to qualitative and quantitative analysis and are duly reported in the internal documentation.
The possibility of independent validation issued by high standing financial service companies is also envisaged in highly-complex cases and/or in presence of market turbulence (market dislocation).
At the end of the certification process, the measurement method is recorded in the Rules for Valuation of Financial Instruments at Fair Value.

Monitoring and review of measurement methods

As required by the applicable regulations, the measurement methods used are subject to ongoing monitoring of their performance with respect to the evolution of financial instruments, markets and methodological innovations developed by the scientific community, in order to ensure their continuous alignment to the market, promptly highlight any inadequacies and initiate the necessary checks and actions. The Rules for Valuation of Financial Instruments at Fair Value detail all elements considered for the periodic monitoring and revision of the measurement methods. The functions involved in the monitoring process are the same as those involved in the process of certification of the measurement methods mentioned above and in the IPV process governed by the Guidelines and Rules on Independent Price Verification.

Valuation risk: fair value adjustments

The Intesa Sanpaolo Group defines valuation risk as the risk of losses arising from the valuation uncertainty for the fair value exit price of financial instruments, due to any limitations of the measurement techniques used or particular market conditions.
The main measure of the valuation risk associated with a financial instrument are the fair value adjustments, which are designed to take into account the valuation uncertainty or the difficulty in the disposal of specific financial positions, and may relate to a single financial instrument or to the net position for a particular risk factor. The adjustments may be calculated as add-ons to the valuation or included directly in the valuation. They are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in measurement methods chosen and their implementation.
In particular, the Intesa Sanpaolo Group envisages fair value adjustments for the following categories of measurement uncertainty:

- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.)

generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Rules for the Valuation of Unlisted Equity Investments with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective, consistent and systematic manner possible by the IMI C&IB Risk Management Head Office Department and the Group M&A and Equity Investments Head Office Department. The introduction and release of the fair value adjustments depend on the factors described above. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.

For new products, the decision to apply the adjustments is taken during the new product approval process, upon the proposal of the IMI C&IB Risk Management Head Office Department.

The application of the adjustments is subject to an authorisation procedure that, above a certain warning threshold defined for specific cases, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds, and loans), on the valuation models used.

I. Valuation of non-contributed debt securities

The fair value of non-contributed bonds is measured using the income approach, i.e. by calculating the present value of expected future cash flows using an appropriate risk premium represented by the credit spread, identified on the basis of contributed and liquid financial instruments with similar characteristics. The sources used for this measurement are the following:

- contributed and liquid debt securities of the same issuer;
- credit default swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case, the different seniority of the security to be priced is considered with regard to the issuer's debt structure.

In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.

When applying the spread for the pricing of the non-contributed instrument, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.

Finally, if the instrument includes an optional component, a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and any illiquidity of the underlying assets. This component is calculated based on the type of option, using the corresponding valuation models for derivatives mentioned below.

Similarly, Intesa Sanpaolo's credit spread for the Banking Group's financial liabilities designated at fair value is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market prices and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level. Similarly, the issued certificates are measured at fair value by breaking them down into the following two components: an issued bond, measured as described above, and an option component, measured using the corresponding derivative pricing models described below.

Finally, measurement of the financial liabilities designated at fair value of the insurance companies (mainly liabilities associated with unit-linked investment contracts that do not present significant insurance risk) reflects the market value of the underlying assets, which are determined in application of the various methods described herein.

II. Valuation of loans

Loans are measured at fair value through contributions from info providers when available or by calculating the present value of expected future cash flows using an appropriate credit spread, identified starting from the following sources:

- contributed loans on the market;
- sector/rating-specific loan market curves;
- contributed securities of the same issuer;
- credit default swaps on the same reference entity.

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.
When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.
Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.
In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.
Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.
In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital instruments that may be acquired following the introduction of an equity conversion clause for the position.

III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification and monitoring illustrated above.
The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk:

a. for CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows;
b. for transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black-Scholes, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.

IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).
In this case, the cash flows are obtained from infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.
In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.
After this valuation, credit analyses on underlying assets are fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

V. Valuation of non-contributed equities

Level 2 equities include:

- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions;
- equities measured using relative methods, based on multipliers: implied multiples in transactions in comparable listed or unlisted companies, within a time frame deemed sufficiently short with respect to the time of measurement and under constant market conditions (M&A multiples) or implicit multiples in the stock market prices of a sample of comparable companies (stock market multiples).

Level 3 equities for which the "relative" models described above are not applicable in significant terms, and, therefore, "absolute" valuation models are used, include:

- equities for which analytical models based on flows are used, which determine the value through estimates of the cash or income flows that the company is expected to generate over time, discounted using an appropriate rate based on the level of risk of the instrument;
- equities measured based on net worth criteria such as NAV or Adjusted Net Asset Value (ANAV), which estimates the fair value of the various components of the assets of the investee.

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for

example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.
The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.
This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

VI. The valuation of hedge funds
The fair value of a hedge fund corresponds to the Net Asset Value (NAV) provided by the fund administrator, to which an adjustment can be applied, deriving from a measurement process aimed at capturing the main risk factors that the management of the funds is subject to, which consist of the following two types:
- counterparty (broker) risk, i.e. the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, subject to the risk of default;
- illiquidity risk, i.e. the risk that the assets of the fund are illiquid due to the limited prices available or due to a lack of information on the assessment policies used by the fund.

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.
The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

VII. The valuation of private debt funds
For Private Debt Funds, the investment authorisation process involves an initial due diligence to verify the consistency between each fund's asset valuation policy and the Guidelines and Rules for Valuation of Financial Instruments at Fair Value. The fund is subsequently valued at NAV. The fair value hierarchy level is Level 3.

VIII. Valuation of closed-end private equity funds, real estate funds and closed-end funds resulting from sales of non-performing loans
Closed-end private equity funds are usually valued using the latest Net Asset Value approved by the asset management company (published half yearly or quarterly), adjusted solely to take into account events that have not yet occurred at the reference date of the NAV, such as:
- a material transaction on a portfolio company;
- the bankruptcy or liquidation of a portfolio company;
- the alignment of any listed assets to current prices;
- draw downs and distributions by the fund.

Closed-end real estate funds are valued using the last available Net Asset Value, adjusted for any subsequent call ups or distributions and, where considered necessary, applying a discount calculated using an internal model. Specifically, this model enables the calculation of a discount on the Net Asset Value based on five different factors: (i) the size of the asset management company that manages the fund; (ii) the number of subscribers; (iii) the fund’s historical return; (iv) the fund’s return for the period; and (v) the level of debt. These factors are calibrated differently based on the business model and the fund’s resulting risk profile, distinguishing between core, value added and opportunistic funds.

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators[42].
Where it is not possible to apply the approach mentioned above, for each fund a comparison is made between the expected return of the fund and a benchmark rate, defined using a model that factors in various elements, such as: i) the fund’s valuation policies, verifying whether they are compliant with criteria consistent with the definition of fair value pursuant to IFRS 13, ii) verification that there is an updated business plan and of the performance of the fund compared to the available business plan, iii) the characteristics of the fund’s assets, iv) the level of the cost of funding on the market for issuing liquid instruments, v) the completeness and extensiveness of the information provided by the fund, and vi) the fund management methods. Where the expected return of the fund is higher than the defined benchmark rate, the NAV communicated by the asset management company is used as the fair value measure. Where, instead, the benchmark rate is higher than the expected return of the fund, the fair value is determined based on the NAV minus a discount, which takes account of the spread between the benchmark rate and the expected return of the fund and the average residual life of the fund (Weighted Average Life or WAL).

Valuation of financial assets and liabilities not measured at fair value on a recurring basis
Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:
- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;

[42] See Bank of Italy/Consob/Ivass Document no. 8 “Treatment in the financial statements of sales without recourse of unlikely-to-pay loans in exchange for units of investment funds”, published in April 2020.

- for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-3	4	%	3,152	-3,409
Structured securities and loans	JD model	JD parameters	-43	15	%	279	-651
Structured securities and loans	Two-factor model	Correlation	-29	35	%	14,794	-6,137
ABSs	Discounting Cash Flows	Credit Spread	-3	3	%	580	-626
CLOs Cash	Discounting Cash Flows	Credit Spread	-6	6	%	30	-31
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	0	100	%	794,336	-192,128
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	A	internal rating	130,215	-243,984
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-11	79	%	420,680	-541,132
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	9	76	%	736,682	-2,605,058
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	4	48	%	38,991	-31,799
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-6	64	%	104	-170

General Independent Price Verification principles

The Intesa Sanpaolo Group governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.

The “Guidelines on Independent Price Verification”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The level I and II “Rules on Independent Price Verification” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Intesa Sanpaolo Group governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.

The Intesa Sanpaolo Group has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.

Within the IPV, the level I, II and III control functions have the following main responsibilities:

- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations and consistency between the IPV controls, accounting valuations and additional valuation adjustments (AVA) (carried out, respectively, on the basis of the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value) and supervises the level I controls and performs the level II controls;
- the level III control function carries out internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. In particular:

- the level I controls are aimed at ensuring the validation of the market data entered into the systems and are based on an in-depth analysis of the data obtained from external providers. If the level I controls detect that certain thresholds have been exceeded for the data contained in the systems, or the data is not considered correct by the level I control

functions, a comparison process (challenge) is activated with the involvement of the business function and the level II control functions, in line with the degree of complexity of the report;
- the level II controls are characterized by sequentiality and complementarity in execution with the level I controls and are designed to ensure alignment between management and accounting valuations, based on an in-depth analysis of consensus or counterparty data and, where these are not available, through the application of pricing models associated with the respective instruments.

The results of the IPV process are analysed, assessed and coordinated by the Financial Measurements Working Group, a technical body set up specifically for this purpose, with the aim of facilitating integration and comparison between the business functions and the control functions.

General prudent value principles

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value, which involves the calculation of additional valuation adjustments for prudential purposes, without impacts on the fair value calculated for accounting purposes in accordance with the IFRS.
The Intesa Sanpaolo Group governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.
The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.
In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.
The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:
- market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level;
- close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level;
- model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued;
- unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions;
- investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework;
- concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated;
- future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions;
- early termination: it considers the potential losses arising from non-contractual early terminations of customer trades;
- operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.

The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.
The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.
The “Rules for Prudent Valuation of Financial Instruments” outline, for each AVA, the definition and interpretation, the scope of application, the input data and the detailed calculation method for each class of financial instrument.

Prudent valuation adjustments (PVA) (EU PV1 Regulation 2021/637)

The table required by Regulation (EU) 2021/637 on additional prudent valuation adjustments is provided below.

(millions of euro)

	Category level AVA	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	10	57	3	59	8	3	-	73	50	23
2	Not applicable						-	-			
3	Close-out cost	29	94	8	43	7	10	6	98	83	15
4	Concentrated positions	-	-	-	22	-	-	-	22	6	16
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	25	1	-	37	-	29	8	49	27	22
7	Operational risk	-	-	-	-	-	-	-	1	1	-
8	Not applicable										
9	Not applicable										
10	Future administrative costs	-	2	-	2	-	-	-	4	3	1
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								**247**	**170**	**77**

The table shows the value of the Additional Valuation Adjustment (AVA) that, applying the Capital Requirements Regulation (CRR) to the prudent valuation of assets and liabilities at fair value, represents the amount of necessary additional value adjustments to be deducted from Common Equity Tier 1 for capital requirements purposes. The total value of the AVA came to 247 million euro as at 31 December 2023 (201 million euro as at 31 December 2022). The change was mainly driven by the increase in market price uncertainty and closing costs as a direct contribution from OTC derivatives.
The table also provides the opening of the category level AVA.

Section 14 – Operational risk

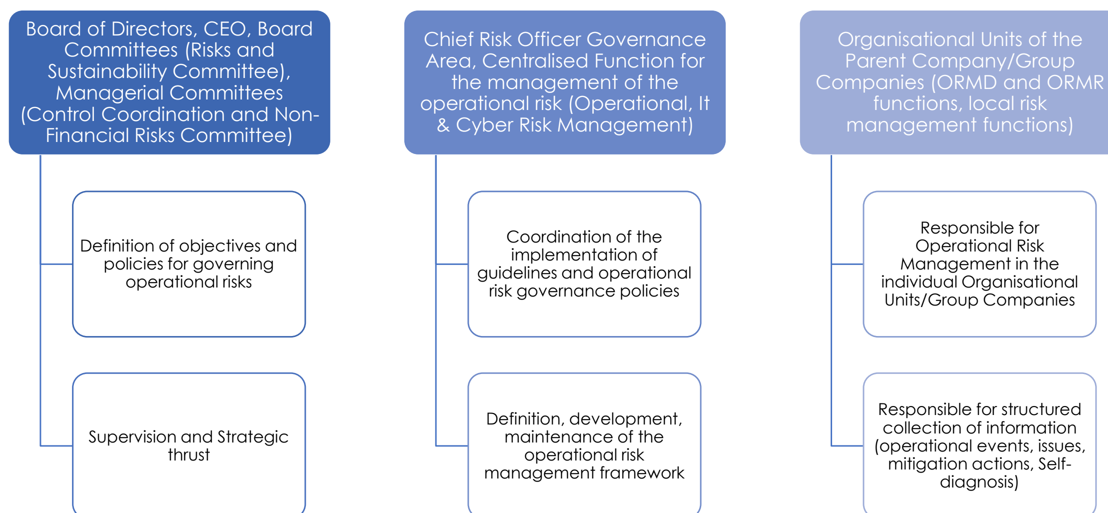
General operational risk management aspects

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[43].
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, ICT and security risk governance framework, by setting up a Group policy and organisational processes for measuring, managing and controlling these risks.

Governance Model

An effective and efficient framework for managing operational, ICT and security 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, head-office/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational, ICT and security risk management process.
The operational, ICT and security risk governance model has been developed with a view to:

- optimising and maximising organisational safeguards, interrelations and information flows between the existing organisational units and integration of the operational, ICT and security risk management approach with other company models developed for specific risks (Business Continuity, IT Security, etc.);
- guaranteeing transparency and spread of the models, methods and criteria of analysis, assessment and measurement criteria used to facilitate the process of cultural diffusion and comprehension of the logic underlying the choices made.



The Group has a centralised management function for operational, ICT and security risk in the form of the Operational, IT & Cyber Risk Management structure, which is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profiles, the verification of mitigation effectiveness and reporting to Top Management. In compliance with current requirements, the individual organisational units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these organisational units to be responsible for Operational, ICT & Security Risk Management (structured collection of information relative to operational events, detection of issues and related mitigation actions, scenario analyses and evaluation of the business environment and internal control factors). In order to support the operational, ICT and security risk management process on a continuous basis, a structured training programme has been implemented for employees actively involved in this process.

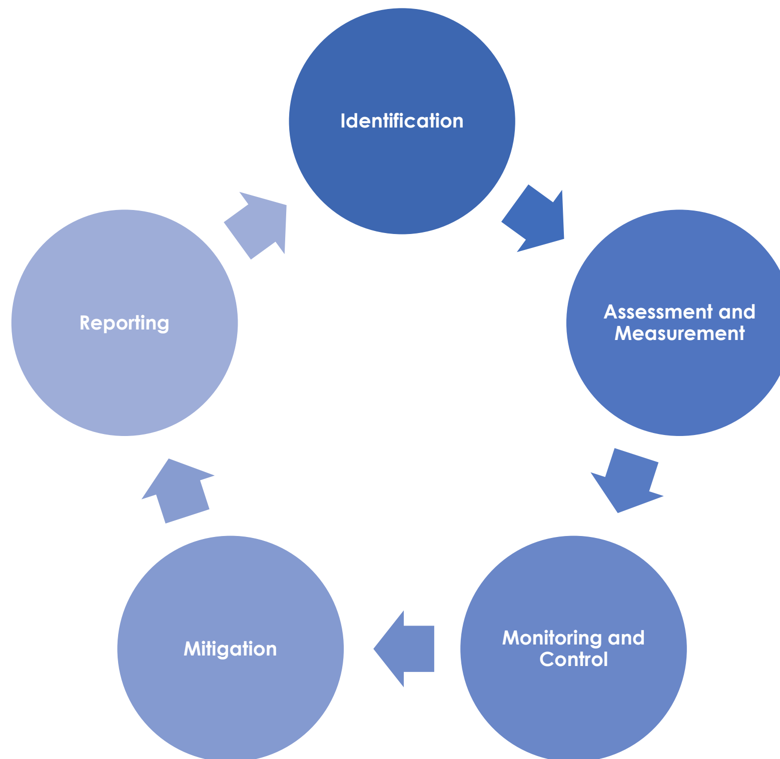
[43] As far as the financial losses component is concerned, the Operational Risk includes the following risks: legal, conduct, compliance, financial crime, fiscal, IT and Cyber, physical security, business continuity, third-party, data quality, fraud, process and employer. Strategic and reputational risk are not included.

ICT and security 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 and security 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 and security risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational, ICT and security risk management process.
In line with the methodological framework established for the governance of operational risks, the ICT and security risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.
ICT and security risk is defined as the risk of incurring losses due to breaches of confidentiality, lack of integrity and inadequacy of systems and data, unavailability of systems and data, or the inability to replace information technology within reasonable time and cost limits, in the event of changes in the requirements of the external environment or the business (agility). It also includes security risk resulting from inadequate or incorrect internal processes or external events, including cyber attacks, or an inadequate level of physical security. In the integrated view of corporate risk for supervisory purposes (ICAAP), this risk is considered, according to specific aspects, as operational, reputational and strategic risk.

Group Operational, ICT and Security Risk Management Process

The Intesa Sanpaolo Group's operational, ICT and security risk management process is divided into the following phases:



Identification

The identification phase includes the collection and classification of qualitative and quantitative information that allows to identify and describe the Group's potential areas of operational, ICT and security risk. Specifically, this phase involves the:

- collection and updating of data on operational events (Loss Data Collection), decentralised to the Organisational Units;
- identification of the company processes and components of the IT system at highest potential risk;
- determination of the applicability and relevance of the operational risk factors defined;
- identification of projects that will involve relevant changes to the IT system or changes to critical components of the IT system;
- identification of significant risk scenarios, also based on the external context (e.g., external loss data, regulatory development, emerging trends, strategic and threat intelligence);
- identification and analysis of issues affecting the Group's areas of operation.

Assessment and measurement
The assessment and measurement phase includes the process of qualitative and quantitative determination of the Group's exposure to operational, ICT and security risks.
It includes:
- at least annual performance of the process of self-assessment of exposure to operational, ICT and security risk (Self-diagnosis);
- performance of preventive analyses of operational, ICT and security risks deriving from agreements with third parties (e.g., outsourcing of activities), business operations or project initiatives, introduction or revision of new products and services, launch of new activities and entry into new markets;
- the definition of the relevance of identified issues;
- transformation of the evaluations collected (e.g., internal and external operational loss data, management levels of risk factors, probability and impact in the event of occurrence of risk scenarios) into synthetic risk measures;
- determination of economic and regulatory capital for operational risk, through the internal model and the simplified methods defined by the regulations.

Monitoring and control
The aim of the monitoring phase is the ongoing analysis and control of:
- the development of the exposure to operational, ICT and security risks on the basis of the structured organisation of the results of the identification, assessment and measurement processes and the observation of indicators that represent a valid proxy of the exposure to operational, ICT and security risks (e.g., limits, early warnings and indicators established within the RAF);
- the development of the risk profile inherent in the use of new technologies or in the implementation of significant changes to existing systems.

Mitigation
The mitigation phase includes activities aimed at containing the exposure to operational, ICT and security risks, defined on the basis of the results of the identification, measurement, assessment and monitoring phases. It includes:
- identification, definition and implementation of the corrective measures (mitigation actions) necessary to solve the identified gaps or to bring back the relevance of the identified issues within the defined risk tolerance;
- promotion of initiatives designed to spread a culture of operational risk within the Group;
- definition of strategies for transferring operational, ICT and security risks, in terms of optimisation of insurance coverage and any other forms of risk transfer adopted by the Group from time to time.

In this regard, in addition to a traditional insurance programme (to protect against offences such as employee infidelity, theft and damage, transport of valuables, computer fraud, forgery, cyber-crimes, fire and earthquake, and third-party liability), the Group has taken out an insurance coverage policy named Operational Risk Insurance Programme, in compliance with the requirements established by the regulations and to have access to the capital benefits provided for by the policy, which provides specific cover for Companies included in the AMA scope, significantly increasing the limits and transferring the risk of significant operational losses to the insurance market.
In addition, with respect to risks relating to real estate and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

Reporting
The reporting phase includes the preparation of appropriate information flows associated with operational, ICT and security risk management, designed to provide disclosures useful, for example, for:
- analysis and understanding of any dynamics underlying the trend in the level of exposure to operational, ICT and security risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

Self-diagnosis
Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational, ICT and security risk. It includes the Operational Risk Assessment and the ICT & Security Risk Assessment, in turn consisting of:
- Business Environment Evaluation (VCO): activities used to identify significant risk factors and assess[44] the related management level, also through level II controls.
- Scenario analysis (SA): a method of prospective analysis that takes the form of a systematic process, which is typically repeated at predefined intervals, but which may also be conducted on an ad hoc basis, and which consists in imagining the occurrence of particular situations (or scenarios) and imagining their consequences. Once scenarios have been identified and appropriately characterised, they must be assessed: i.e., one must determine the probability of occurrence (frequency) and potential impact (average impact and worse case) in the event of occurrence of the situation described in the scenario.

  The 2023 Self-Diagnosis identified a High level of control of operational risk at Group level, in line with previous years, both for the Operational Risk Assessment and the ICT & Security Risk Assessment.

[44] The applicability and significance of risk factors are assessed, in the case of ICT and security risk, by the technical functions, cybersecurity functions and business continuity functions, and, with regard to operational risk, by the Decentralised Operational Risk Management functions.

Methods for calculating Operational Risk

For regulatory purposes, the Group adopts the Advanced Measurement Approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement. As at 31 December 2023, the scope of the Advanced Measurement Approach (AMA) was comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka, VUB Operating Leasing and PBZ Banka.

The capital requirement amounted to 2,278 million euro as at 31 December 2023, up from 2,039 million euro as at 31 December 2022. The increase was mainly attributable to the update of the historical component affected by the deterioration of the risk profile of the Clients, Products and Businesses Practices - Retail category.

Operational risk own funds requirements and risk-weighted exposure amounts (EU OR1 Reg. 2021/637)

(millions of euro)

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	373	405	503	64	801
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,387	1,562	2,050	252	3,153
3	*Subject to TSA*	*1,387*	*1,562*	*2,050*		
4	*Subject to ASA*	*-*	*-*	*-*		
5	Banking activities subject to advanced measurement approaches AMA	17,662	17,423	22,438	1,962	24,517

With regard to the banking activities subject to the Basic Indicator and Standardised approaches, the relevant indicator is determined on the basis of audited financial statement data. For Isybank, given that it was its first year of operations, and as permitted by the regulations, the average has been calculated over two years only, using the relevant accounting indicator as at 31 December 2023 and a management estimate for 2024.

Breakdown of capital requirements by calculation approach

(millions of euro)

Approach	Capital requirement
Advanced Measurement Approach (AMA)	**1,962**
Traditional Standardised Approach (TSA)	**252**
Corporate Finance	41
Trading & Sales	41
Retail Banking	81
Commercial Banking	73
Payment & Settlement	-
Agency Services	2
Asset Management	5
Retail Brokerage	9
Basic Indicator Approach (BIA)	**64**
Total as at 31.12.2023	**2,278**
Total as at 31.12.2022	**2,039**

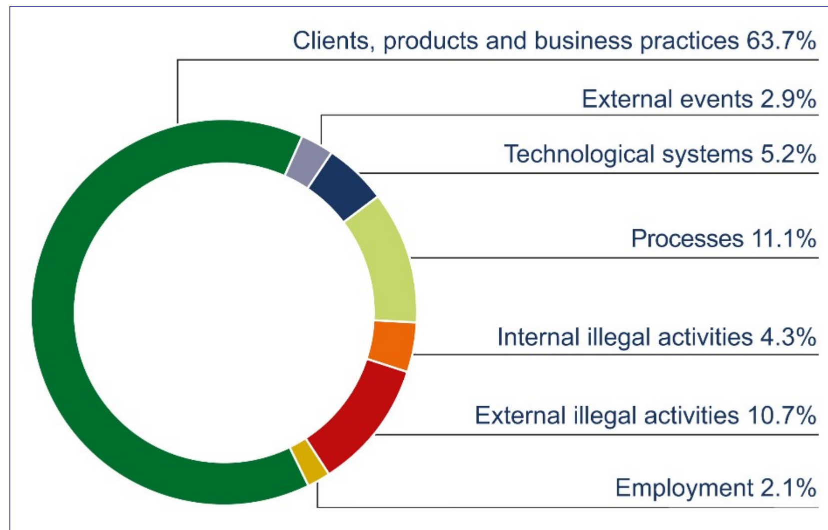
The Intesa Sanpaolo Group's internal model for calculating capital absorption is designed to combine all the main sources of quantitative information (operational losses: internal and external events, estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation), and consists of two components:

- the historical component, based on an analysis of historical data concerning internal events (recorded by the organisational units, appropriately verified by Central Operational Risk Management and managed by a dedicated information system) and external events (provided by the Operational Riskdata eXchange Association - ORX);
- the prospective component (Scenario Analysis), focused on the forward-looking assessment of the risk exposure conducted by the Organisational Units and based on the structured, organised collection of subjective estimates expressed directly by the business experts in the Parent Company's Units and in the Organisational Units of ISP with the objective of assessing the potential economic impact of operating events.

Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case). It is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.
The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

The capital requirement relating to the Advanced Measurement Approach (AMA), amounting to 1,962 million euro, broken down by type of operational event, is shown below.

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



Impacts of the Russia-Ukraine conflict

As regards operational risks, the impacts of the Russia-Ukraine conflict regard several actions implemented to ensure the Group's business continuity operations, particularly the extra costs incurred for Business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone. That information is used to monitor exposure to operational risk, including that regarding the Risk Appetite Framework.

Section 15 - Equity Exposures: disclosures for positions not included in the trading book

Qualitative disclosure

Equity exposures not included in the trading book: differentiation of exposures on the basis of the objectives pursued

Investments in equity instruments present in the Intesa Sanpaolo Group - excluding those subject to line-by-line consolidation and the companies in the Insurance Group - fall into a number of categories, summarised as follows:

- Banking and financial companies;
- Non-financial companies:
  - Functional to the Group's core business: these contribute directly or indirectly to developing retail and corporate banking business, also in the area of and through "new professions";
  - Innovation: development of projects aimed at promoting technological innovation (e.g. digitalisation, AI, applied research, development of innovation ecosystems);
  - Other: equity investments mainly held for sale and other minor equity interests that do not fall within the preceding categories;
- Funds: differentiated by strategic size and product nature (Credit Funds, Real Estate, Social Housing, Private Equity, Infrastructure, Venture Capital, Innovation, Institutional, support to the banking industry).

Recognition and valuation of the equity instruments not included in the trading book

The equity exposures not included in the trading book are classified under the balance sheet items Investments in associates and companies subject to joint control, Financial assets measured at fair value through profit or loss, and Financial assets measured at fair value through other comprehensive income, in accordance with the IAS/IFRS.

For an explanation of the methods for the recognition and measurement of the equity instruments not included in the trading book, please refer to Part A of the Notes to the consolidated financial statements - Accounting Policies, which sets out, for each individual financial statement caption, the accounting criteria applied by the Intesa Sanpaolo Group (A.2 - Main financial statement captions). In particular, paragraphs 1, 2 and 5 set out the criteria for classification, recognition, measurement and derecognition for "Financial assets measured at fair value through profit or loss (FVTPL)", "Financial assets measured at fair value through other comprehensive income (FVOCI)" and "Investments in subsidiaries, associates and companies subject to joint control" respectively; point 17 "Other information" shows the methods for determining impairment losses for investments. For details on the criteria for impairment testing of investments in subsidiaries, associates and companies subject to joint control, reference should be made to Part B of the Notes to the consolidated financial statements (Section 7 - Investments in subsidiaries, associates and companies subject to joint control). Lastly, for a description of the valuation techniques used to calculate fair value, see the discussion of this subject in the section on market risks of this document.

Quantitative disclosure

The tables below show the breakdown of the equity exposures according to their book classification. The figures represent the exposures shown in the consolidated financial statements of the Banking Group, and exclude the amounts of all investments in companies consolidated on a line-by-line basis in the financial statements.

Non-trading book: on-balance sheet equity exposures (*)

(millions of euro)

Exposure type/values	31.12.2023							
	Book value		Fair value		Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	-	2,501	-	X	346	-183	X	X
B. Financial assets measured at fair value through other comprehensive income	458	841	458	841	X	X	93	-570
C. Other financial assets mandatorily measured at fair value	5,578	415	5,578	415	1,248	-406	X	X
Exposure type/values	**31.12.2022**							
	Book value		Fair value		Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	-	2,013	-	X	353	-121	X	X
B. Financial assets measured at fair value through other comprehensive income	513	835	513	835	X	X	115	-373
C. Other financial assets mandatorily measured at fair value	122	349	122	349	12	-42	X	X

(*) This table provides figures pertaining exclusively to the Banking Group.

(**) For Investments, the fair value refers to listed investments only (level 1).

The table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the portfolio of quoted minority stakes, largely classified to the HTCS category.

Non-trading book: impact on shareholders' equity of price risk as at 31 December 2023

(millions of euro)

		Impact on shareholders' equity at 31.12.2023	Impact on shareholders' equity at 30.09.2023	Impact on shareholders' equity at 30.06.2023	Impact on shareholders' equity at 31.03.2023	Impact on shareholders' equity at 31.12.2022
Price shock	10%	52	55	58	65	73
Price shock	-10%	-52	-55	-58	-65	-73

Non-trading book: equity exposures - weighted values

(millions of euro)

	Weighted exposure	
	31.12.2023	31.12.2022
IRB approach	**32,405**	**28,776**
Equity exposures (Simple risk weight approach)	27,598	23,206
- Private equity exposures in sufficiently diversified portfolios	1,785	1,359
- Exchange-traded equity exposures	895	677
- Other equity exposures	24,918	21,170
Equity exposures (PD/LGD approach)	3,768	3,868
Equity exposures (Exposures subject to fixed weighting factors)	1,039	1,702
Standardised approach	**1,244**	**1,197**

Section 16 - Interest rate risk on positions not included in the trading book

Qualitative disclosure

Interest rate risk

The "banking book" is defined as the commercial portfolio consisting of all the 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 economic value and the net interest income of the Group's banking book due to adverse changes in interest rates.
The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.
The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:

- repricing risk, i.e. the risk associated with lags in maturity dates (for fixed-rate positions) or in the interest rate revision date (for floating-rate positions) of the assets, liabilities and off-balance sheet items;
- yield curve risk, i.e. the risk associated with changes in the inclination and shape of the yield curve;
- basis risk, i.e. the risk arising from imperfect correlation in the adjustment of lending and deposit rates on different instruments, but with otherwise similar repricing characteristics. As interest rates change, these differences can lead to unexpected changes in cash flows and yield spreads between assets, liabilities and off-balance sheet positions having similar maturities or rate revision frequencies;
- optionality risk, i.e. the risk associated with the presence of automatic or behavioural options in the Group's assets, liabilities and off-balance sheet instruments.

Intesa Sanpaolo's current measurement system also allows the risk profile to be examined on the basis of two distinct but complementary perspectives:

- **economic value perspective** (EVE – Economic Value of Equity), which considers the impact of interest rate fluctuations and the associated volatility on the present value of all future cash flows;
- **net interest income perspective** (NII - Net Interest Income), which aims to analyse the impact of interest rate fluctuations and their associated volatility on net interest income;

The economic value perspective assesses the medium-to-long term impacts of interest rate fluctuations, while the net interest income perspective provides a short-term assessment.
Interest rate risk is managed by setting limits to both perspectives. Said limits comprise:

- consolidated limits, which are defined in the RAF and approved by the Board of Directors, both in terms of change in EVE (sensitivity of the economic value or ΔEVE) and net interest income sensitivity (ΔNII). The consolidated ΔEVE limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group's EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group's consolidated sensitivity limits EVE and NII are accompanied by two risk indicators, which constitute an "Early Warning" threshold, approved within the RAF, which make 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 Market and Financial Risk Management Head Office Department and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks'/divisions' portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Market and Financial Risk Management Head Office Department performs monthly checks that the limits and Early Warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level. In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group's entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.
The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group's banking book:

1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (ΔNII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **sensitivity of the economic value** measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves.

To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the sensitivities of the positions in the various currencies by applying a parallel shock of +100 basis points to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are set on the basis of an instantaneous and parallel interest rate shock of +/-50 basis points, 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 **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in the market price for credit risk, liquidity and other potential characteristics of credit risk instruments, which is not captured by another existing prudential framework such as the IRRBB or by the expected credit/default risk. The scope of application is all the instruments in the assets and liabilities that have a direct or indirect reference to the market credit spread, the irrespective of their accounting classification. The exposure to the CSRBB is measured in terms of changes in both the economic value and the net interest income.

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 Market and Financial Risk Management Head Office Department.

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The prepayment ratios for Retail mortgages are estimated through a Survival Analysis that expresses the repricing portfolio of each single mortgage, based on several fundamental variables:
- macroeconomic variables (consumer price index (CPI) - inflation, trend in market IRS rates, etc.);
- personal details of the counterparty (age, region of location);
- financial variables (original duration, seasoning, type of rate, unpaid instalments, incentive).

For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.

In order to measure the Group's vulnerability to market turbulence, the interest rate risk measurement system measures the impacts on the bank's economic value and net interest income produced by strains on the market ("scenario analysis"), i.e. sudden changes in the general level of interest rates, changes in the relationships between fundamental market rates (basis risk), in the slope and shape of the yield curve (yield curve risk), in the liquidity of the main financial markets or in the volatility of market rates.
These analyses are conducted by subjecting the portfolio to various interest rate change scenarios:
- regulatory scenarios produced by the Supervisory Outlier Test (SOT), which introduces an Early Warning referring to changes in economic value of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down) and changes in net interest income equal to 5% of Tier 1, calculated solely with reference to the parallel scenarios (parallel shock up and parallel shock down);
- shocks diversified by reference curve of the main risk factors and calculated as the difference between the yields of the curves of the individual factors and those of a curve relating to the selected pivot parameter (basis risk);
- stress scenarios in historical simulation.

Stress tests on behavioural models are also carried out to verify the financial impact of alternative assumptions underlying the behavioural parameters estimated in the models. The methodological assumptions underlying the assumptions contained in the stress scenarios are duly described in the detailed methodologies.

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.

With regard to the changes in net interest income and the changes in economic value calculated using the management metrics, Intesa Sanpaolo, on a monthly basis, defines and verifies compliance with the limits and early warning.

The scenarios used for the verification of the limits are:
- for the control of the exposure in terms of ∆EVE: instantaneous and parallel shock of +100 basis points;
- for the control of the exposure in terms of ∆NII for the next 12 months: instantaneous and parallel shock of ±50 basis points.

The scenarios used for the verification of the early warning are:
- 2 instantaneous and parallel shocks of ±100 basis points;
- 4 non-parallel shocks represented by the BCBS scenarios calibrated to the management shock of +100 basis points.

The ∆NII early warning test is carried out over a three-year horizon, comparing the worst result obtained by applying an instantaneous, parallel shock of +/- 50 basis points with the limits set for the two years following the year when the limit was measured.
The currencies monitored for the consolidated limits are the Euro and the US Dollar ("material currency") for the measurement of ∆EVE.

Interest rate risk hedging is undertaken with the aim of protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales of debt securities and options on interest rates concluded with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, in order to preserve the economic value of a portion of the HTCS portfolio, by protecting the price of the securities against adverse market movements, the Group negotiates forward sales of the debt securities held in portfolio on a fair value hedging basis. Finally, on the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of floating-rate loans and on a portion of fixed-rate loans. For this last type, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics. Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both floating-rate funding, to the extent that the latter finances fixed-rate investments, and on floating-rate investments to cover fixed-rate funding (macro cash flow hedges).
The Financial and Market Risks Head Office Department of the Parent Company is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with the IAS/IFRS.

Impacts of the Russia-Ukraine conflict
There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's banking book.

Quantitative disclosure

Interest rate risk

In 2023, the interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of economic value, averaged -1,064 million euro, with a maximum value of 1,332 million euro reached at the end of August 2023, and a minimum value of -826 million euro, with the latter coinciding with the value at the end of March 2023. The end of December figure amounted to -1,001 million euro, stable compared to figure at the end of December 2022 of -1,016 million euro (+15 million euro).

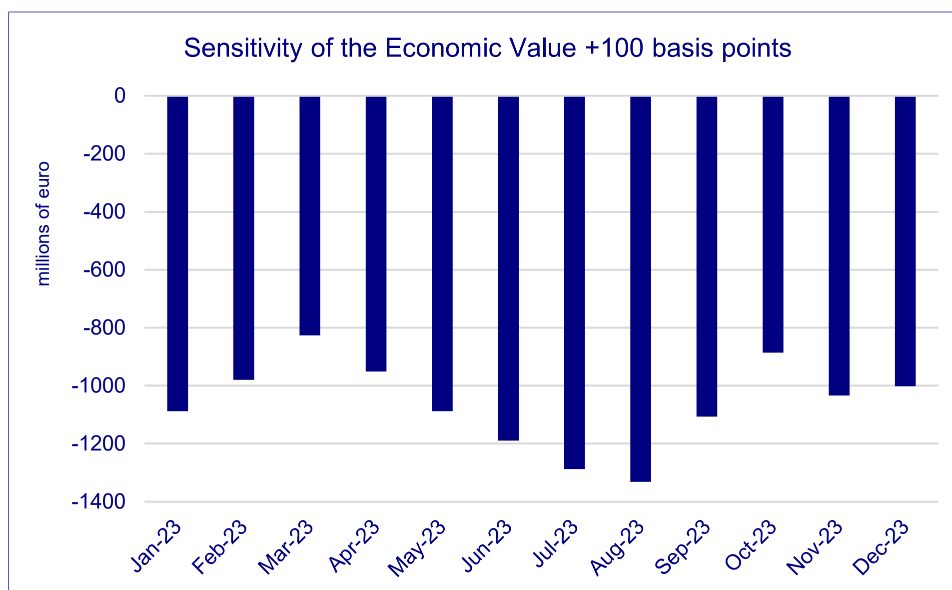
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 350 million euro, -332 million euro and 614 million euro, respectively, at the end of December 2023 based on the new internal reactivity model representing the Bank's best forward-looking estimate of net interest income.

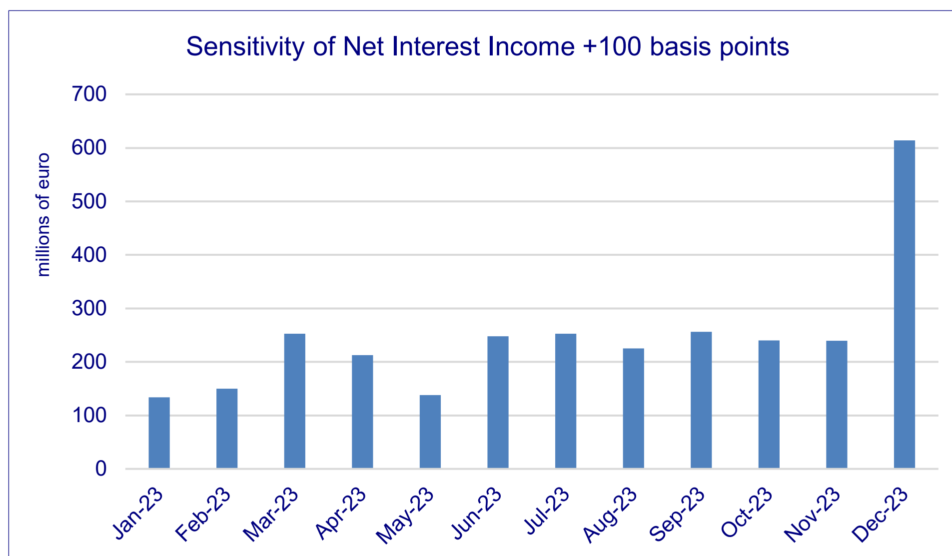
The latter figure was up (+363 million euro) from 251 million euro at the end of 2022, mainly due to the decline in the implicit reactivity of the core deposits from customers, in particular from March. This effect was partly offset by the reduction in volumes of on demand deposits, by new derivatives hedging the core deposits model and by the repricing of floating-rate loans to customers.

The table and charts below provide a representation of the performance of the sensitivity of economic value (or the sensitivity of fair value) and the sensitivity of net interest income.

(millions of euro)

Risk Measures	2023			31.12.2023	31.12.2022
	average	minimum	maximum		
Sensitivity of the Economic Value +100 bp	-1,064	-826	-1,332	-1,001	-1,016
Sensitivity of Net Interest Income -50 bp	-434	-332	-575	-332	-668
Sensitivity of Net Interest Income +50 bp	228	147	495	350	633
Sensitivity of Net Interest Income +100 bp	247	134	614	614	251





Interest rate risk, measured in terms of VaR, averaged 458 million euro in 2023, with a maximum value of 584 million euro, reached at the end of April, and a minimum value of 273 million euro, coinciding with the value at the end of December 2023. The latter figure was down by 169 million euro on 442 million euro at the end of 2022, with the change mainly due to the reduction in the volatility of market interest rates in 2023.

Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 116 million euro in 2023, with a minimum value of 85 million euro and a maximum value of 178 million euro, standing at 118 million euro at the end of December 2023, down by 8 million euro on the value of 126 million euro at the end of December 2022. This change was mainly due to the exit of the Croatian Kuna (HRK) from the scope of structural foreign exchange risk.

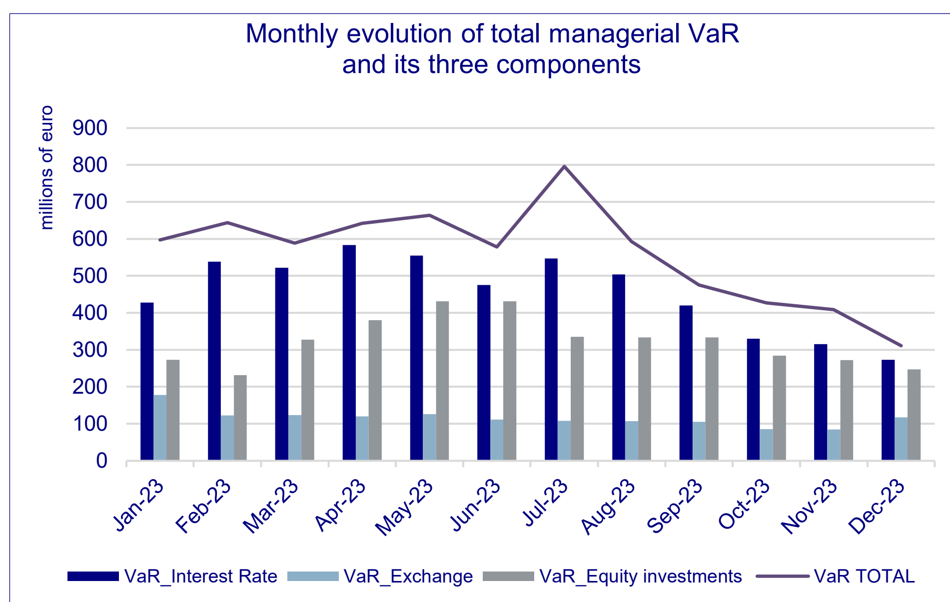
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2023 of 323 million euro, with maximum and minimum values of 431 million euro and 232 million euro, respectively, and came to 247 million euro at the end of December, down by 87 million euro on 334 million euro at the end of December 2022. This change was mainly due to the reduction in the price volatility of the equity portfolio.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity VaR) averaged 560 million euro in 2023, with a maximum value of 796 million euro and a minimum value of 311 million euro, reaching a figure of 311 million euro at the end of December 2023, down by 328 million euro on the value at the end of December 2022 of 639 million euro. This was due to the increase in the benefit of overall diversification, linked to both the recomposition of the portfolio illustrated with regard to single risks (Interest Rate, Foreign Exchange, and Equity Investment risk), as well as the reduction in market volatility.

The table and chart below provide a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

(millions of euro)

	2023			31.12.2023	31.12.2022
	average	minimum	maximum		
Value at Risk - Interest Rate	458	273	584	273	442
Value at Risk - Exchange	116	85	178	118	126
Value at Risk - Equity investments	323	232	431	247	334
Value at Risk complessivo	**560**	**311**	**796**	**311**	**639**



In accordance with Article 448 of Regulation (EU) 2019/876 (CRR II) applicable from 28 June 2021, institutions are required to publish quantitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU.
The table below shows the changes in the economic value of equity calculated under the six prudential shock scenarios defined by the EBA described above (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down) and the changes in net interest income calculated under the two prudential shock scenarios (Parallel shock up and Parallel shock down).

Interest rate risk of non-trading book activities (EU IRRBB1 Reg. 2021/637)

(millions of euro)

Supervisory shock scenarios	ΔEVE		ΔNII	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parallel up	-2,247	-4,307	233	-719
Parallel down	1,010	1,021	-1,793	-2,518
Steepener	-563	-1,746		
Flattener	36	345		
Short rates up	-665	-657		
Short rates down	331	331		
Maximum potential loss	**-2,247**	**-4,307**	**-1,793**	**-2,518**

In relation to the ΔEVE, the maximum potential loss continues to be combined with the Parallel Up scenario, in line with the situation recorded at the end of 2022. The change from the previous measurement was due to the increase in interest rates during the year, which reduced the variability of the prepayment of mortgages to customers, making the measure more linear with respect to less significant shock scenarios. For all the other scenarios, the changes related to the portfolio movements already described in relation to the management scenarios.

With regard to the ΔNII, the maximum potential loss was recorded in the Parallel Down scenario, whose reduction compared to the end of 2022 was due to the portfolio movements already described in relation to the management scenarios. In the Parallel Up scenario, on the other hand, the change in sensitivity was mainly attributable to the decrease in the implicit reactivity of the core deposits, particularly since March.

Section 17 - Encumbered and unencumbered assets

Qualitative disclosure

The total book value of the "encumbered" assets and the reused guarantees received, compared to total assets and the collateral received, measures the "level of encumbrance" on the assets, i.e. the so-called "asset encumbrance ratio". The Supervisory Authorities, Rating Agencies and investors increased the attention to the risk of asset encumbrance over time, which may lead to greater subordination of unsecured creditors and, in the event of an increase in the asset encumbrance ratio, also to greater potential liquidity risks in case of stress.
In the course of its operations, the Intesa Sanpaolo Group carries out a number of transactions involving the encumbrance of own assets or assets received as collateral. The main transactions of this type include:

- repurchase agreements and securities lending;
- assets used against covered bond issues;
- underlying assets of securitisation structures, in which the financial assets have not been derecognised;
- collateralisation agreements such as, for example, collateral given in respect of the market value of derivatives;
- collateralised financial guarantees;
- collateral deposited with clearing systems, with central counterparties (CCPs) and other infrastructure institutions as a condition for access to the service (including incremental and initial margins);
- instruments given as collateral in several respects, for funding from central banks or multilateral development banks.

These types of activities are carried out either to allow the Group to access forms of funding considered favourable at the time a transaction is finalised or because the provision of collateral is the standard condition to access specific markets or types of activities (for example, in transactions with central counterparties). In particular, the guarantees provided in connection with the refinancing operations at the European Central Bank amount to approximately 60.5 billion euro for the owned assets recognised.
The transactions involving encumbered assets are carried out mainly by the Parent Company, also as regards the settlement and trading of derivative contracts carried out within the framework of the centralised services also provided to the other banks of the Group.

The share of encumbered assets is subject to periodic disclosure to the Board of the Parent Company, which has also established an alert threshold when defining the Risk Appetite Framework (RAF), with the aim of preventing any excessive increase in the risk connected to the share of encumbered assets, and a corresponding recovery trigger level. Following the provisions of the Supervisory Provisions on Covered Bonds (effective from March 2023), the Bank has also adopted an internal operating limit on the sale of high quality assets to Covered Bond Programmes.
For information on the issue of covered bonds, please see the Notes to the consolidated financial statements, under the specific point of Part E: "Covered bond transactions".

At the same time, considering this measure, the Group monitors the unencumbered assets by assessing both the Reserves already promptly available, and the availability of new assets usable in the short-term, according to the Contingency Funding Plan and Recovery Plan.

Quantitative disclosure

The Intesa Sanpaolo Group measures the level of encumbrance of its assets by adopting the rules set by the "Implementing Technical Standards" published by the European Banking Authority (EBA). This information is subject to regulatory reporting to the Supervisory Authorities.
Based on the regulations issued by the EBA as a result of the provisions of the CRR (Art. 443), the institutions must indicate the amount of encumbered or unencumbered assets by type of activity. The information below is calculated on the basis of median values of quarterly data (the latter determined in accordance with the specific provisions for supervisory reporting) on a rolling basis over the previous twelve months. The scope of consolidation only refers to the prudential scope. The consolidation scope used for the purpose of defining the eligibility of EHQLA and HQLA liabilities used for the disclosures on asset encumbrance and the scope for the application of the liquidity requirements is, for both types of disclosure, the entire scope of companies in the Banking Group.

Encumbered and unencumbered assets (EU AE1 Regulation 2021/637)

(millions of euro)

	Carrying amount of encumbered assets		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
	Total	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*
Assets of the disclosing institution	**163,965**	**31,196**			**621,756**	**138,935**		
Equity instruments	293	-	290	-	6,611	-	6,607	-
Debt securities	37,883	31,081	35,926	29,373	97,400	65,194	95,253	63,694
of which: covered bonds	*528*	*514*	*526*	*513*	*5,292*	*4,724*	*5,288*	*4,720*
of which: securitisations	*799*	*-*	*739*	*-*	*9,310*	*50*	*9,157*	*50*
of which: issued by general governments	*32,232*	*29,508*	*30,505*	*27,922*	*59,245*	*54,441*	*57,958*	*53,114*
of which: issued by financial corporations	*4,634*	*1,241*	*4,424*	*1,199*	*32,940*	*8,559*	*32,608*	*8,555*
of which: issued by non-financial corporations	*1,057*	*349*	*1,039*	*344*	*5,614*	*2,342*	*5,369*	*2,329*
Other assets	125,805	148			517,338	75,634		

In the table above, any intragroup transactions involving counterparties in the prudential scope of the Intesa Sanpaolo Group are netted during the consolidation process.
The information on encumbered and unencumbered assets is in line with the financial statement recognition criteria.
The entries included in the caption Other assets (encumbered and unencumbered) are mainly comprised of assets relating to loans, derivatives, investments in associates and companies subject to joint control, property, equipment and intangible assets.
Access to the secured market represents an important source of secured medium/long-term funding. In 2023, funding of 1 billion euro was raised through covered bonds placed on the market.
As mentioned in the previous paragraph, the most important forms of encumbrance on the Group's part concern: repurchase transactions, TLTRO, derivative instruments and covered bonds, also broken down in the Table – Sources of encumbrance – EU AE3.
The two Covered Bond Programmes currently outstanding have a contractual overcall level of 5.82% and 7.53% respectively. In any case, the Bank always maintains a higher level of overcall in order to hedge any negative events that could impact the programme's underlying assets (average level of overcall in 2023 of around 28.38%). The Bank has collateral agreements in place with supranational entities. On the occurrence of specific events, it could be necessary to increase the amount of collateral provided to those entities.
Referring to the Table above, Encumbered and unencumbered assets (EU AE1), during the normal course of business, intangible assets (including goodwill), deferred tax assets, property, plant, other fixed assets and derivatives, for example, are not considered available for encumbrance.
As described in this document, the Intesa Sanpaolo Group operates primarily in euro. There are encumbered assets denominated in US dollars, mainly relating to repurchase agreements.
The transactions involving encumbered assets are carried out mainly by the Parent Company, and to a lesser extent by several subsidiaries of the Banking Group (mainly VUB Bank, CIB Bank and Fideuram).

Information on the guarantees received by type of assets is also provided hereunder.

Collateral received and own debt securities issued (EU AE2 Regulation 2021/637)

(millions of euro)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
	Total	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*
Collateral received by the disclosing institution	**13,832**	**10,827**	**26,799**	**7,309**
Loans on demand	-	-	7	-
Equity instruments	321	-	159	-
Debt securities	13,030	10,827	12,443	7,309
of which: covered bonds	*609*	-	*268*	-
of which: securitisations	*318*	-	*1,265*	-
of which: issued by general governments	*11,116*	*10,758*	*8,859*	*7,208*
of which: issued by financial corporations	*1,629*	*59*	*2,901*	*2*
of which: issued by non-financial corporations	*59*	*8*	*286*	*2*
Loans and advances other than loans on demand	-	-	219	-
Other collateral received	479	-	13,799	-
Own debt securities issued other than own covered bonds or securitisations	**22**	**-**	**33,088**	**-**
Own covered bonds and securitisations issued and not yet pledged			**48,293**	**-**
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**177,802**	**42,022**		

Finally, the details of liabilities associated with the received encumbered assets or guarantees are stated below.

Sources of encumbrance (EU AE3 Regulation 2021/637)

(millions of euro)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**130,278**	**157,510**
Derivatives	7,313	11,587
of which: Over-The-Counter	*7,313*	*11,587*
Deposits	95,159	104,607
Repurchase agreements	34,664	36,176
of which: Central banks	-	-
Collateralised deposits other than repurchase agreements	59,096	68,397
of which: Central banks	*46,326*	*56,001*
Issued debt securities	25,935	38,005
of which: issued covered bonds	*25,935*	*38,005*
of which: issued Asset-backed securities	-	-

As at 31 December 2023, the Intesa Sanpaolo Group had encumbered assets (including assets received as collateral) of 180 billion euro and unencumbered assets (including assets received as collateral) of around 655 billion euro, of which 202.2 billion euro can be readily encumbered, mainly comprised of cash, deposits at central banks and highly liquid securities (HQLA) (held in portfolio and received as collateral), as well as other eligible reserves for the ECB (non HQLA).

Section 18 - Leverage Ratio

Qualitative disclosure

The leverage ratio measures the degree to which Tier 1 Capital covers the Banking Group's total exposure. The ratio is calculated by considering off-balance sheet exposures and assets.
The objective of the indicator is to contain the degree of indebtedness on banks' accounts by establishing a minimum level of coverage of exposures with equity. The ratio, which is monitored by the authorities, is expressed as a percentage and is subject to a minimum threshold of 3%. From June 2021, this limit became a Pillar 1 requirement under the provisions of Article 92(1)(d) of Regulation (EU) 2019/876 (CRR II).

The Leverage ratio is calculated quarterly. The indicator is monitored at both the individual and Banking Group level.

The Leverage ratio is calculated as the ratio of Tier 1 Capital to total exposure. The total exposure includes the on-balance sheet exposures, net of deductions and offsetting allowed by the regulations, and the off-balance sheet exposures.

Description of the processes used to manage the risk of excessive leverage

The Intesa Sanpaolo Group shares the regulatory indication of monitoring and containing a leverage ratio to integrate the capital ratios based on risk, and acknowledges their usefulness in order to limit the excessive accumulation of leverage in the banking system, and especially to provide supplementary control against model risk and the possible related measurement errors.
Accordingly, the Leverage ratio is given a high level of attention and, as such, it has been selected as a reference metric within the scope of the Risk Appetite Framework (RAF) for the control of the overall risk and, more specifically, of the Group's capital adequacy. In this regard, it is noted that the governance of the Risk Appetite Framework includes particularly strict escalation mechanisms in the event of breach of the Group's leverage limit, with the requirement for the Board of Directors to rapidly approve a remediation plan that can have a maximum duration of one year.
In line with the previous year, the annual RAF update confirmed both the choice to define its limit by adding a stress buffer to the regulatory minimum set by Article 92(1)(d) CRR II and the decision to also set an Early Warning threshold quantified based on an additional prudential buffer. In line with the limit established at Group level, the individual leverage ratio limits have also been set for the subsidiaries Fideuram-ISPB Group and Isybank and for all 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 Tableau de Bord of Group Risks and reported to the Risks and Sustainability Committee and the Board of Directors on a quarterly basis.
Lastly, it is noted that the Group has one of the best leverage ratios in comparison to the main European banking groups and, in view of the operations carried out, the management of the risk of excessive leverage, although it is subject to the utmost attention from Top Management, is not a significant constraint for the Group's strategic planning.

Description of the factors that had an impact on the Leverage ratio during the period

As at 31 December 2023, the leverage ratio was 5.8%, compared to 5.7% in the previous period, as a result of the following changes during the half year:

- increase in the capital level (Tier 1 capital), which more than mitigates the increase in the denominator. See the Own Funds section of this document for more details;
- increase in the total Exposure, mainly attributable to an increase in on-balance sheet exposures (excluding Securities Financing Transactions - SFTs and derivatives), derivatives exposures and SFTs, partially offset by a decrease in off-balance sheet exposures. See the figures in the tables below for more details.

Quantitative disclosure

The disclosure of the leverage ratio of the Intesa Sanpaolo Group as at 31 December 2023, provided in accordance with the regulatory principles of the CRR amended by Regulation (EU) No 2019/876 (CRR II) and set out according to the provisions of Regulation 2021/637, is presented below.

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

The table shows the leverage ratio as at 31 December 2023 and the breakdown of the total exposure into the main categories, according to the provisions of Article 451(1)(a, b and c) and Article 451(3) of the CRR II.

(millions of euro)

	On-balance sheet exposures (excluding derivatives and SFTs)	31.12.2023	30.06.2023
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	732,804	723,218
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-10,520	-10,858
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-10,501	-10,450
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**711,783**	**701,910**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	8,189	8,031
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	9,385	10,085
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	2	1
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	39,758	75,745
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-33,136	-74,730
13	**Total derivatives exposures**	**24,198**	**19,132**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	25,593	22,758
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-6,419	-5,107
16	Counterparty credit risk exposure for SFT assets	8,000	5,348
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**	**27,174**	**22,999**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	292,161	299,091
20	(Adjustments for conversion to credit equivalent amounts)	-201,264	-201,640
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	**Total other off-balance sheet exposures**	**90,897**	**97,451**

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

(millions of euro)

	Excluded exposures	31.12.2023	30.06.2023
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)	-3,334	-2,983
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(*)	(Central bank exposures exempted pursuant to Article 429a(1)(n) of the CRR)	-	-
EU-22k	**(Total exempted exposures)**	**-3,334**	**-2,983**
	Capital and total exposure measure		
23	**Tier 1 capital**	**49,183**	**47,822**
24	**Total exposure measure (sum of lines 7, 13, 18, 22 and EU-22k)**	**850,718**	**838,509**
	Leverage ratio		
25	Leverage ratio	5.78%	5.70%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.78%	5.70%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.78%	5.70%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	*of which: to be made up of CET1 capital*	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully loaded	Fully loaded
	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	22,138	17,400
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	19,174	17,651
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)	853,682	838,258
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)	853,682	838,258
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.76%	5.70%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.76%	5.70%

(*) Caption added to reflect the exclusion of certain exposures to the European Central Bank in application of Decision (EU) 2021/1074.

LRSum – Summary reconciliation of accounting assets and leverage ratio exposure (EU LR1 Reg. 2021/637)

The table shows the reconciliation between total exposure (the denominator of the ratio) and the information disclosed in the financial statements in accordance with the provisions of Article 451(1)(b) of CRR II.

(millions of euro)

	Table of synthetic composition	31.12.2023	30.06.2023
1	Total assets as per published financial statements	963,570	955,205
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-172,066	-173,244
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	3	2
8	Adjustments for derivative financial instruments	-8,328	-18,877
9	Adjustment for securities financing transactions (SFTs)	1,581	241
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	90,897	97,451
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 (*)	-24,939	-22,269
13	**Total exposure measure**	**850,718**	**838,509**

(*) "Other adjustments" mainly include amounts related to assets deducted for the calculation of Tier 1 Capital, the deductions of receivables assets for the cash variation margin provided in derivatives transactions and the excluded guaranteed parts of exposures arising from export credits.

LRSpl table – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3 Reg. 2021/637)

For exposures other than derivatives and SFTs, the table provides a breakdown by counterparty, in accordance with the provisions of Article 451(1)(b) of CRR II.

(millions of euro)

		CRR leverage ratio exposures	
		31.12.2023	30.06.2023
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**730,303**	**722,194**
EU-2	Trading book exposures	14,888	16,335
EU-3	Banking book exposures, of which:	715,415	705,859
EU-4	*Covered bonds*	*7,040*	*5,257*
EU-5	*Exposures treated as sovereigns*	*222,470*	*203,092*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns*	*10,010*	*10,853*
EU-7	*Institutions*	*42,272*	*44,282*
EU-8	*Secured by mortgages of immovable properties*	*142,430*	*142,927*
EU-9	*Retail exposures*	*49,156*	*52,618*
EU-10	*Corporate*	*159,497*	*165,522*
EU-11	*Exposures in default*	*5,965*	*6,396*
EU-12	*Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)*	*76,575*	*74,912*

Section 19 – Disclosure of remuneration policy

The specific information required by Article 450 of the CRR - Disclosure of remuneration policy, as detailed in Regulation (EU) No. 2021/637 (as amended), is provided below.
That information is illustrated in greater detail within the 2023 Remuneration and Incentive Policies of Intesa Sanpaolo Group, which forms integral part of Section I of the Report on Remuneration and compensation paid for that year, in compliance with the provisions of Article 123-ter of the Consolidated Law on Finance. With reference to listed companies, that article provides for the obligation to prepare and make available to the public a specific report on remuneration, divided into two sections (the first illustrating the company's policy in relation to remuneration and the procedures used for the adoption and implementation of this policy, the second providing information on the compensation paid), to be drawn up including the information set out in the Issuers' Regulation, and to be submitted to the Shareholders' Meeting resolution. Also in terms of the self-governance of listed companies, remuneration is regulated by the Corporate Governance Code, which in January 2020 was superseded by the new "Corporate Governance Code", applicable from the first financial year after 31 December 2020.

Qualitative disclosure

a. Information relating to the bodies that oversee remuneration

a.1 The name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year

The main bodies responsible for supervising the Group's Remuneration and Incentive Policies (hereinafter "the Group Policies" or "the Policies") include:

– the Board of Directors, which is tasked with drawing up, submitting to the Shareholders' Meeting and reviewing the Policies at least once a year.
  The Board of Directors currently consists of 19 members, 14 of whom are independent, 1 executive and 5 elected by the minority. During 2023, this Body met on 6 occasions to examine issues relating to remuneration;
– the Remuneration Committee, which proposes, advises and enquires on compensation and on remuneration and incentive systems supports the Board of Directors in all activities related to remuneration. The Remuneration Committee currently consists of 5 members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association. The latter include the Chair, who also holds the office of Deputy Chair of the Board of Directors and is enrolled with the Register of Statutory Auditors having practised as auditor for at least three years. In 2023, the Remuneration Committee held 18 meetings.

The Board of Directors, having acquired the report prepared by the Remuneration Committee, resolves on the Group Policies for the purpose of their subsequent presentation to the Shareholders' Meeting which has the ultimate responsibility for their approval.

a.2 Any external consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework

During 2023, the Remuneration Committee relied on a leading external consulting firm in the context of:

– the analyses of the remuneration benchmarks of the Managing Director and CEO (hereinafter, "CEO"), of the Group Top Risk Takers and of the members of the Board of Directors;
– the recognition of trends relating to Performance Management systems and processes for the Group's top management;
– the review of the Group Peer Group;
– the analysis of market practices for the determination of the bonus pool and the benchmarking of the total amounts awarded as bonuses to the Risk Takers;
– the annual preparation of the Fairness Opinion on the Performance Management approach adopted by the Group for the CEO and Group Top Risk Takers.

a.3 A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries

The Policies apply to all Group personnel, including branches located in third countries. In addition, on the basis of specific sector regulations as well as the local regulatory context, the various Group entities (where required) draw up their own Remuneration and Incentive Policies prepared in line with the Group Policies where they are not in contrast with local or sector regulations.

a.4 A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

The Intesa Sanpaolo Group identifies the Risk Takers (i.e. personnel whose professional activities have a material impact on the entity's risk profile) based on the "Rules for identifying Risk Takers" (the "Rules"), which form an integral part of the Group Policies.
These Rules were defined in accordance with the identification criteria laid down by the CRD V Directive and by Regulation (EU) 923/2021 and also include specific additional criteria defined by the Group in order to reflect the risks undertaken on the basis of the peculiarities of the business and of the organisational structure.
Based on the aforementioned Rules, the Group identifies the employees that have a material impact on the Group's risk profile (so-called Group Risk Takers) and, among them, the Group's Top Risk Takers, namely:

– the Managing Director and CEO;

- the Heads of the Business Divisions (Asset Management, Banca dei Territori, Insurance, IMI Corporate & Investment Banking, International Subsidiary Banks and Private Banking) as well as the Deputy to the Head of the IMI Corporate & Investment Banking Division;
- the Chief Operating Officer, Chief IT, Digital & Innovation Officer, Chief Cost Management Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Risk Officer, Chief Compliance Officer, Chief Institutional Affairs & External Communication Officer and Chief Audit Officer;
- the Head of the Strategic Support Head Office Department who reports directly to the Managing Director and CEO;
- the Head of the Administration and Tax Head Office Department in his capacity as the Manager responsible for preparing the Company's financial reports.

Furthermore, again based on the Rules, the following clusters are identified:

- the Sub-consolidating Groups Risk Takers, i.e. the personnel whose professional activities have a material impact on the risk profile of Intesa Sanpaolo subsidiary Groups.
- the Legal Entity Risk Takers (including the Legal Entity Intesa Sanpaolo), i.e. the personnel whose professional activities have a material impact on the risk profile of the individual Group companies. It should be noted that these Risk Takers are identified only in Legal Entities where the Risk Takers' identification is required by local or sector regulations.

The Top Risk Takers are also differentiated within each of the abovementioned clusters and solely with reference to significant Banks[45], including Intesa Sanpaolo.

b. Information relating to the design and structure of the remuneration system for identified staff

b.1. An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting)

The Group Policies aim to align the management's and personnel's behaviour with the interests of all Stakeholders, guiding their action towards the achievement of sustainable medium-long term objectives within the framework of a prudent assumption of current and prospective risks, as well as to contribute to making the Group an "Employer of choice" for its ability to attract, motivate and retain top resources.

In particular, the Policies are based on the following principles: correlation between remuneration and risks undertaken, orientation towards medium-long term objectives, taking into account the Group Risk Tolerance, merit, fairness and gender neutrality, sustainability to limit expense deriving from application of the policies to values compatible with the available economic and financial means, and compliance with regulatory requirements.

The main features of the Group Policies are summarised below:

- personnel segmentation that allows the operational adaptation of the aforesaid principles in order to suitably differentiate the total remuneration and arrange mechanisms of payment that are specific for the various personnel clusters. In applying these logics, three macro-segments are identified: (i) key personnel, i.e. Risk Takers (at Group, Sub-consolidating Group and Legal Entity level); (ii) Middle Managers, or the Heads of Organisational Units not already included in the Risk Takers clusters and (iii) Professionals;
- gender neutrality of the policies insofar as they ensure, for the same activity carried out, that the personnel have an equal level of remuneration, also in terms of the conditions for its recognition and payment;
- breakdown of the personnel remuneration into fixed or recurrent component (that is stable and irrevocable in nature and determined on the basis of pre-established and non-discretionary criteria)[46] and variable or non-recurrent component (linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed)[47];
- adoption of a pay mix - i.e. the weight of the fixed and variable components expressed as a percentage of total remuneration - suitably balanced in order to allow the reduction in the variable component, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base, and discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risks (see point d);
- provision of mechanisms capable of ensuring the economic and financial sustainability of the incentive systems through gateway conditions aimed at verifying the capital strength, liquidity and financial sustainability of the variable component, as well as through a structured process for the definition of a bonus pool (see point c and e.4).
  Furthermore, any bonus accrued can be corrected ex post through the application of demultipliers according to the risks undertaken (see point c), and it is subject to mechanisms for the correction of behaviours and monitoring of the effects of the managerial action over time (see points c and f.2);
- definition of an annual Incentive System for the Risk Takers[48] aimed at guiding the behaviour and managerial actions towards reaching the objectives set in the Business Plan and rewarding the best annual performance assessed with a view to optimising the risk/return ratio (see point e.1), as well as incentive initiatives dedicated to either specific clusters or highly profitable[49] and relevant business segments inside the strategy defined at Business Plan level (see point e.1);
- allocation of Long-Term Incentive Plans differing according to their respective clusters;
- identification of specific methods for payment of the short-term variable remuneration (with particular reference to the deferral period and the settlement in financial instruments and cash) differing according to their respective cluster and related amount of this remuneration (see point f.1);
- definition of the principles for the calculation of the remuneration paid in the event of early termination of employment contract or office (so-called severance) inspired to both the correlation between severance pay and ongoing performance rendered over time and the control of potential litigation risks (see point b.5).

[45] Reference is made to banks considered significant pursuant to art. 6, paragraph 4, of Regulation (EU) 1024/2013 (the so-called Single Supervisory Mechanism Regulation).
[46] In this document, "fixed component" or "fixed remuneration" means the "fixed remuneration" of employees and the "recurring remuneration" of the Financial Advisors.
[47] In this document, "variable component" or "variable remuneration" means the "variable remuneration" of employees and the "non-recurring remuneration" of the Financial Advisors.
[48] This System is also addressed to Middle Managers.
[49] The Incentive Systems dedicated to the highly profitable business segments also include the Incentive System for the Relationship Managers of the Private Banking Division's International Sales Networks and the Incentive System for the Non-Employee Financial Advisors of the Private Banking Division, also dedicated to individuals who within these clusters are identified as Risk Takers.

The Shareholders’ Meeting, on proposal of the Board of Directors, is called to approve:
- the Remuneration Policies for members of the Board of Directors;
- the Group's Remuneration and Incentive Policies (employees and collaborators not linked by subordinate employment relationships) which also include the Rules for identifying key personnel;
- the incentive plans based on financial instruments;
- the criteria for the determination of any amounts to be awarded in the event of early termination of the employment agreement or early termination of the office (severance), including the limits established for said amounts in terms of fixed annual remuneration and the maximum amount arising from the application of such limits;
- with the qualified majorities, if applicable, as defined by the regulations in force, a variable-to-fixed remuneration cap higher than 100%, but not exceeding the maximum cap established by the regulations;
- solely for the Group’s key staff identified in the asset management companies (SGR entities), SICAVs and SICAFs and that work exclusively for those companies, if applicable, a variable-to-fixed remuneration cap exceeding 200%.

b.2. Information on the criteria used for performance measurement and ex ante and ex post risk adjustment

The annual Incentive System for the Risk Takers aims to guide the behaviour and managerial actions towards reaching the objectives set in the Business Plan and reward the best annual performance assessed with a view to optimising the risk/return ratio (for details, see point e.1).

In order to align the incentive systems with prudent risk management policies and ensure long-term solidity and business continuity, the annual Incentive Systems take into account the Group's Risk Appetite and Risk Tolerance as expressed in the RAF.

This close correlation, which guarantees both ex ante and ex post adjustment of the performance based on the risks undertaken, is structured on three levels:
- activation and bonus funding phase (see points c and e.4);
- Performance Scorecard definition phase (see point e.1);
- bonus payment phase (see points c and f.2).

b.3. Whether the management body or the remuneration committee where established reviewed the institution’s remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration

The Group Policies were reviewed and updated in 2023, albeit drawn up in substantial continuity with the 2022 Policies.

In light of a stable regulatory environment compared with the past year, the changes made for 2023 are aimed primarily at supporting the achievement of Business Plan goals and strengthening the attraction and retention of Group staff.

In particular, please find below the changes that also apply to the Risk Takers:
- the sources of funding for the Group's bonus pool were expanded and diversified, resulting in the introduction of a new source of funding – alongside the usual mechanism that correlates the financial resources made available for bonuses with the Group Gross Income, which remains the method of funding for the majority of the incentive systems adopted – which is exclusively dedicated to incentive systems intended for employees operating in the networks of the Wealth Management & Protection businesses, where the bonus amount that may be available for these systems is funded by a portion of the commissions generated by sales to customers (bottom-up approach);
- to implement the amendments introduced in the December 2022 revision of the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of the Consolidated Law on Finance, it was provided that carried interest (potentially payable to personnel of the “Investments” area of the asset management companies that manage AIFs) will not be included in the ratio between the variable and fixed components of remuneration and that, taking into account the conditions provided for its payment, it may be paid upfront and in cash, after the liquidation of the AIFs, in accordance with the ESMA Guidelines on sound remuneration policies under the AIFM Directive;
- the toolbox for enhancing the attraction of new personnel was enriched by the buy-out, provided for by Regulations, but so far not adopted by the Group. This enables to pay to new employees – by way of indemnification – the deferred variable remuneration reduced or cancelled by the previous employer due to the termination of the contract.

b.4. Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee

The short- and long-term Incentive Systems for personnel belonging to the Company Control Functions do not require the allocation of economic-financial KPIs in order to guarantee the independence of the personnel who hold these functions with respect to the results achieved by the areas subject to their control, as well as to avoid sources of possible conflicts of interest. With particular reference to the annual Incentive System, the KPIs present in the Performance Scorecards of the Company Control Functions are typically of a project nature or are linked to requests from the Supervisory Authority (including but not limited to: Effective management of the 2023 EU wide EBA Stress Test; Developments in Audit Processes and Procedures; ENIF - Implementation of the 2023 programme to strengthen the Group’s Anti Financial Crime controls; and Data plan – Accounting, Financial Statements and Reports: activation of the new financial reporting engine and the Regulatory Thematic Area).

b.5. Policies and criteria applied for the award of guaranteed variable remuneration and severance payments

No forms of guaranteed variable remuneration are envisaged.

However, in compliance with the Supervisory Provisions, in order to attract new personnel, it is possible to award:
- a one-off welcome bonus, subject to a detailed assessment and analysis of market practices, which is not subject to any requirement applicable to variable remuneration, including variable remuneration cap and pay-out schemes, if awarded in a single instalment (known as welcome bonus). It should be noted that the mentioned bonus can be assigned only once to the same staff member at Group level;
- a bonus as indemnification for the deferred variable remuneration reduced or cancelled by the previous employer due to termination of the contract. This type of bonus (buy-out) cannot, however, compensate new personnel for reductions or

cancellations of remuneration due to malus or clawback mechanisms and is in any case subject to all the rules governing variable compensation, including those on variable remuneration cap and pay-out schemes.

With regard to the payment agreed in any way and/or form in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the legal or the National Collective Bargaining Agreement (CCNL) provisions concerning the indemnity in lieu of notice where envisaged, the Group, in line with the request from the Supervisory Provisions, defined ex ante the related limits and criteria approved by the Shareholders' Meeting. Specifically, the Group has set a maximum limit equal to 24 months of the fixed remuneration for compensation paid as severance. The adoption of this limit can lead to a maximum disbursement of 5.2 million euro.

As required by Regulations on remuneration, the compensation paid as severance is included in the calculation of the ratio between the variable remuneration due and the fixed remuneration of the last year of employment at the company.

Specifically, the compensation paid as severance is added to the bonus due for the last year of employment at the company, excluding the mandatory amounts paid pursuant to national labour legislation and the amounts agreed and granted:

- based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
- within an agreement reached in order to settle a current or potential dispute (wherever reached), if calculated according to a predefined calculation formula approved by the Shareholders' Meeting in advance.

Intesa Sanpaolo adopts a formula differentiated by personnel cluster (i.e. employees who within the Group internal position weighting system have been assigned a specific job title based on the level of complexity/responsibility assigned, and the remaining personnel) and indexed to the number of years of employment at the company (i.e. up to 2 years of employment, over 2 and up to 21 years, over 21 years).

The components included in the severance are considered similar to the variable remuneration and, as such, are subject to the payment methods defined in line with the Supervisory Provisions and depending on the cluster of personnel, the amount and its weight compared to the fixed remuneration.

In the Intesa Sanpaolo Group, the principles for severance definition are inspired to both the correlation between severance pay and ongoing performance rendered over time and the control of potential litigation risks.

Please also note that the same gateway (see point e.4), individual access (see point e.4), malus and clawback conditions (see point f.2) set for variable remuneration for each cluster are applied to severance.

Moreover, the Group envisages that individual ex ante agreements may be reached to define the remuneration to be granted in the event of early termination of the relationship, it being understood that such agreements must comply with all the conditions set out in the Remuneration Policies and Supervisory Provisions; in 2022, following a resolution passed by the Board of Directors, on the proposal of the Remuneration Committee and taking into account the Chief Compliance Officer opinion, in line with the practices commonly used among competitors and the leading Italian listed companies, an agreement containing specific conventional regulations on the termination of the employment relationship was entered into with the Managing Director and CEO.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration

As part of the Group's annual Incentive Systems, ex ante risk monitoring is guaranteed both in the bonus pool activation phase and in the Performance Scorecard definition phase as part of the annual Incentive System for Risk Takers.

With reference to the bonus pool activation phase, this monitoring is ensured by mechanisms designed to monitor capital and liquidity risk, as well as mechanisms aimed at guaranteeing the financial sustainability of the variable component. Therefore, the bonus pool is activated only if the following minimum conditions required by the Regulator are met:

- Capital strength conditions: Common Equity Tier 1 (CET1) Ratio and Leverage Ratio ≥ "hard" limits stipulated by the Group RAF; Minimum own funds and eligible liabilities (MREL) ≥ Early Warning envisaged by the Group RAF; Verification of ICAAP outcome and recommendations on distributions by competent authorities and European supervisory authorities;
- Liquidity condition: Net Stable Funding Ratio (NSFR) ≥ "hard" limit set by the Group RAF;
- Sustainability condition: no Loss and Positive Gross Income.

With reference to the Group Top Risk Takers alone, an additional gateway condition is envisaged to verify that the Liquidity Coverage Ratio (LCR) is higher than or equal to the limits set by the Group RAF (liquidity condition).

For those Legal Entities which calculate their limits of capital strength and liquidity, failure to respect these limits constitutes a non-activation condition for all the Incentive Systems destined to the resources operating in the Legal Entity, also when those of the Intesa Sanpaolo Group and any related sub-holding company may be positively respected.

Once the gateway conditions have been met, in order to ensure financial sustainability, the incentive systems are funded by a structured bonus pool mechanism.

Specifically, the Group bonus pool consists of the following two portions:

- a larger portion correlated with the performance of a Group economic indicator consisting of the Group Gross Income, intended to finance most of the Group's annual Incentive Systems and the one for the Risk Takers (so-called "gross income-based bonus pool");
- a (smaller) portion that is self-funded, in that the amount is determined as a percentage of the commission earned by the network employees in the context of the Wealth Management & Protection activities (so-called "commission-based bonus pool"). This mechanism is applied, among others, in the Incentive System for the Relationship Managers (including those identified as Risk Takers).

With regard to the gross income-based bonus pool, it:

- increases progressively starting from when it exceeds the so-called Access Threshold (i.e. the minimum Gross Income target which, though lower than the budget, is deemed acceptable) up to a predefined cap;
- decreases significantly, in both absolute and relative terms, in the event of failure to reach the Access Threshold, and determines the payment of the bonuses accrued only to certain clusters of personnel.

The bonus pool defined as described above is allocated, ex ante in primis, to the various Incentive Systems funded by the Group and, in the case of Incentive Systems that involve cross-functional clusters (as in the case of the annual Incentive System for the Risk Takers), it is subsequently configured at individual Division/Governance Area level.

In line with the principle of financial sustainability, the actual figure (ex post) of the bonus pool initially attributed to each Division is "modulated" depending on the level of the Gross Income reached, with respect to the Access Threshold, by each Division (for the Governance Areas the Access Threshold is the same as that for the Group). Specifically, if:
- the gross income achieved by both the Group and the Division is equal to or higher than the Access Threshold, the Group Top Risk Takers and all the other Risk Takers are eligible for the annual Incentive System;
- the gross income achieved by the Group is equal to or higher than the Access Threshold and the gross income of the Division is positive but lower than the Access Threshold (or vice versa), the Risk Takers (excluding the Group Top Risk Takers) are eligible for the annual Incentive System.

In all other cases, no Risk Takers are eligible for the annual Incentive System.
The commission-based bonus pool, on the other hand, is determined based on the commissions generated by the specific sales network.
Both portions of the bonus pool are subject to the following correction mechanisms:
- reduction in the event of failure to comply with the limits set in the RAF, both Group and Division, for non-financial risks, i.e. Risk related to Operational Losses and Integrated Risk Assessment, with an impact in terms of a 10% reduction in case the "hard" limit set in the RAF for Operating Losses is exceeded or in case of a residual risk equivalent to level 4 for the Integrated Risk Assessment and/or, only in the latter case, a 5% reduction in the event of residual risk equivalent to level 3. This reduction may lead to a maximum reduction of 20% for each level it is applied to;
- 10% reduction according to the degree of deviation from the Division Economic EVA (Economic Value Added) target. More in detail, this mechanism acts as a demultiplier if target level is exceeded beyond a certain tolerance level (i.e. 90% of the Economic EVA target assigned at budget level to the individual Division[50]).

With regard to the Incentive Systems for the Financial Advisors of the Private Banking Division, these are self-financing because the non-recurring remuneration of these categories of personnel is represented by commissions set as a percentage of gross revenues earned by the Company to which they belong. In any event, the correction mechanisms for non-financial risks (with some specifications) and for the degree of deviation from the target EVA apply.
Instead, in the Performance Scorecard definition phase, risk monitoring is ensured through the allocation of KPIs defined according to the Cost of risk/Sustainability strategic driver and aimed at an express risk reduction and/or mitigation as defined by the RAF. Thus, the process used to identify these KPIs involves the Chief Risk Officer Governance Area, in order to ensure the consistency of the KPIs with the limits set in the Group's RAF.
The ex post monitoring of risks is guaranteed by corrective mechanisms applied to bonuses associated with excessive risk-taking. These mechanisms, according to the risks undertaken and the respective cluster segment[51], act as demultipliers of the bonus. In particular, a bonus demultiplier is envisaged linked to:
- residual risk of each structure (Q-Factor) for all the Risk Takers;
- failure to reach the expected Capital Adequacy (CET 1) level set in the RAF for Business and Governance Group Top Risk Takers;
- failure to meet a predetermined operating cost containment target set in the budget for non-Business Group Top Risk Takers, the Head of the Strategic Support Head Office Department reporting to the CEO and the Heads of the structures reporting to the aforementioned persons;
- non-compliance with the limits set by the Group RAF related to market risk, Italian public sector risk, and interest rate risk for the Business Group Risk Takers (including the Deputy to the Head of the IMI CIB Business Division identified as a Top Risk Taker);
- failure to meet the expected mandatory training attendance levels for all Risk Takers.

Moreover, regardless of the respective macro-segment, the payment of the individual bonus is, in any case, subject to the verification, in the bonus payment phase, of the absence of the so-called individual compliance breaches, i.e. the individual access conditions for conduct risk monitoring.
Finally, tools are adopted to correct behaviours and monitor the effects of managerial actions over time through:
- the possible reduction, up to zero, of the deferred components of the allocated bonus (malus conditions - see point f.2);
- the repayment of bonuses already paid following the occurrence of specific conditions (claw-back mechanisms - see point f.2).

d. The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD

The Intesa Sanpaolo Group, in full compliance with regulatory indications, traditionally adopts an appropriately "balanced" pay mix in order to allow flexible management of labour costs as the variable part may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base, and to discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risks.
It is standard Group practice to establish ex-ante balanced limits on variable remuneration for all clusters of Group personnel, by setting specific caps on bonuses in the event of any over-performance. This cap to the variable remuneration was determined in general in 100% of the fixed remuneration with the exception of the roles belonging to the Company Control Functions and those similar[52] to them who are assigned a cap of 33% of the fixed remuneration.
As approved by the Shareholders' Meeting with a qualified majority, the variable remuneration cap set in the general criteria was increased:
- up to 200% of fixed remuneration for Group Risk Takers[53] and specific and limited high-profitability professional categories and business segments;

[50] It should be noted that this KPI is not defined at Legal Entity level.
[51] It should be noted that the Incentive System for the Relationship Managers and the Incentive System for the Financial Advisors include specific correction mechanisms for the bonus.
[52] Similar roles include the Manager responsible for preparing the Company's financial reports and the Head of the Group Administrative Governance and Controls structure.
[53] Those belonging to the Company Control Functions and similar roles, the non-executive members of the Board of Directors of Intesa Sanpaolo and the Group Risk Takers operating in countries where the local regulations allow a maximum limit of 100% represent an exception.

- up to 400% of fixed remuneration for personnel of the "Investment" category of the Group's Asset Management Companies (SGR entities) that carry out their activities exclusively for the same Asset Management Company, in compliance with the right granted by the Supervisory Provisions[54].

e. Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration

e.1 An overview of main performance criteria and metrics for institution, business lines and individuals

The annual Incentive System for the Risk Takers is formalised through Performance Scorecards which include both economic-financial KPIs and non-financial KPIs. More specifically, the economic-financial KPIs are clustered within 4 drivers (Growth, Profitability, Productivity and Cost of Risk/Sustainability - with reference to the personnel of the Company Control Functions, the non-economic-financial quantitative KPIs allocated are linked solely to the last two drivers), while the non-financial KPIs are divided into strategic actions or projects that represent the enabling factors for the achievement of the financial KPIs or contribute to the achievement of the Strategic Plan objectives and promote or act as an incentive for good conduct, especially with reference to businesses and areas that involve direct customer relationships.

Identification of KPIs, on which incentives granting is based, is carried out by the competent functions, considering the most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level, as well as at division and/or business unit level.

The Performance Scorecards have a three-fold structure in order to measure performance on multiple levels. In particular:

- the Group section contains at least one quantitative KPI measured on the Group scope and common to all the Scorecards, except those intended to the Company Control Functions and similar roles. For 2023, in line with the previous year, the Net Income was assigned as Group KPI. Moreover, in the Group Governance Areas, for the Group Risk Takers and those reporting directly to the Chief, also the objective to minimise the Group's Cost/Income was provided;
- the structure section presents KPIs that are consistent with the levers applied by the individual and reported at the Division/Governance Area level or, in any case, area of responsibility. Below is a non-exhaustive list of KPIs for each driver:
  - growth: Net inflows, Medium-Long-Term Disbursements, Income from Non-Life Insurance Business;
  - profitability: Operating Income/average RWAs, Revenues/Assets, and Total Income from Non-Life Insurance Business/Mathematical Reserves;
  - productivity: Cost/Income, Reduction in operating costs, Full Combined Ratio;
  - cost of risk/sustainability: gross NPL ratio, Concentration Risk, Gross flows from performing loans to NPEs, Operational Losses/Operating Income, Maximisation of LCR target levels, and Strengthening of the level of health and safety risk control.
- the qualitative section, including KPIs relating to the taking of actions envisaged by the Business Plan or the measurement of managerial skills (possibly also individual), whose reporting is usually objectified by identifying project milestones and/or subject to evaluation by the Head based on supporting drivers defined ex ante. For 2023, in continuity with previous financial years, the Group cross-functional KPI "Environmental, Social and Governance (ESG)" was identified as one of the strategic actions. Furthermore, for the Company Control Functions, for 2023, in keeping with 2018, a cross-functional KPI was confirmed that lies within the objective of "Risk Culture – Promoting awareness at all levels of the organisation regarding *emerging* risks, with a particular focus on the risks related to climate change and technological innovation, by means of educational, awareness raising and training initiatives".

Each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective, and no more than 30% to guarantee appropriate weighting of the numerous objectives. The performance evaluation period (accrual period) is annual.

Among the incentive initiatives dedicated to highly profitable business segments established by the Group, the Incentive System for the Relationship Managers of the Private Banking Division's International Sales Networks and the Incentive System for the Non-Employee Financial Advisors of the Private Banking Division also include individuals identified as Risk Takers within these clusters.

Specifically, these Systems are aimed at supporting the achievement of the Company's sales and economic-financial targets, taking into account the actual needs of customers and in line with their risk profile. The performance is measured through both economic-financial KPIs that reflect the value generated and non-financial KPIs that include measures to guide behaviour towards customer satisfaction, compliance with the principles of fairness in customer relations and reduction of operational risks.

e.2. An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance

The total amount due to the Risk Takers is allocated annually based on the evaluation of the results of the individual performance scorecard which, as illustrated in the previous point, has a three-fold structure which includes, among other things, both KPIs linked to the performance of the Intesa Sanpaolo Group and KPIs linked to the performance of the respective Division/Governance Area.

It should be noted that the bonus is defined with different calculation methods depending on the cluster.

In particular, this calculation is deterministic for the Group Top Risk Takers, is ranking-based for the other Group Risk Takers and is connected to the evaluation of the results for the remaining Risk Takers.

e.3. Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration portion to be settled in financial instruments are Intesa Sanpaolo shares (see paragraph f.1). Exceptions to this general rule are envisaged in compliance with the specificities of the sector (e.g. Assets under management) and local (e.g. Slovakia, Brazil, etc.) regulations.

Coinciding with the launch of the 2022-2025 Business Plan, the Risk Takers, including the Managing Director and CEO, the remaining Group Top Risk Takers, in the context of the PSP (Performance Share Plan) Long-Term Incentive Plan, were assigned the right to accrue a certain number of Performance Shares upon the expiration of the Plan, as long as specific

[54] Update of 26 October 2018 of Bank of Italy Circular 285/2013.

gateway conditions are fulfilled and certain performance targets are achieved, and taking into account correction mechanisms based on sustainability targets that act as a demultiplier of the number of shares accrued at term (if any).
Lastly, for non-employee Financial Advisors of the Fideuram, Sanpaolo Invest and IW SIM Networks identified as Risk Takers, a specific Long-Term Incentive Plan for 2022-2025, also based on performance shares, was provided.
Infine, per i Consulenti Finanziari non dipendenti delle Reti Fideuram, Sanpaolo Invest e IW SIM identificati come Risk Taker, è stato previsto uno specifico Piano di Incentivazione a Lungo Termine 2022-2025 anche esso basato su performance share.

e.4. Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics. In accordance with point (n) of Article 94(1) CRD, to be paid or vested the variable remuneration has to be justified on the basis of the performance of the institution, the business unit and the individual concerned. Institutions shall explain the criteria/thresholds for determining that the performance is weak and that does not justify that the variable remuneration can be paid or vested

The measures implemented by the Group to adjust the variable component of the remuneration in the event that the performance measurement metrics are weak impact both the bonus pool and the bonus accrued by each individual.
With regard to the Bonus Pool, as mentioned in point c, this (and consequently also the annual Incentive System for the Risk Takers) is activated only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met and if the economic and financial sustainability condition is in place.
Furthermore, the gross income-based bonus pool funding at Group level (quantum) is defined with a top-down approach, it is destined to fund the majority of the Group annual Incentive Systems, including the one for the Risk Takers, and is based on the available resources deriving from the economic-financial results achieved in terms of meeting the Gross income target at the Group and/or Division level, adjusted for the non-financial risks undertaken (see point c). Therefore, in the event of "weak" performance at Group and/or Division level (i.e. Gross income below the Access Threshold, breach of the economic EVA target beyond a certain tolerance level), the bonus pool decreases significantly, in both absolute and relative terms, thereby impeding the payment of the bonuses accrued to certain clusters of personnel, first of all (conceptually) also the Risk Takers.
With regard to the commission-based bonus pool, it is determined based on the commissions generated by the specific sales network and therefore incorporates the modulation based on any "weak" performance (in any case it is subject to correction if the economic EVA target is exceeded beyond a certain tolerance level).
Finally, any "weak" performance at Group level in terms of failure to meet the malus conditions (see point f.2) result in the possible reduction, up to zero, of the deferred components of the allocated bonus.

f. Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance

f.1. An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff

Illustrated below are the methods for the payment of the variable remuneration adopted by the Intesa Sanpaolo Group according to the personnel category, the amount of variable remuneration and the incidence of variable remuneration in relation to fixed remuneration.

- For the Group Top Risk Takers and all those who accrue a "particularly high" amount of variable remuneration[55], regardless of the respective macro-segment:
  - 60% of the variable remuneration is deferred for a period of 5 years;
  - the portion paid in financial instruments is equal to 60% if the variable remuneration exceeds 100% of the fixed remuneration or 55% in the case of variable remuneration equal to or lower than 100% of the fixed remuneration.
- For the Top Risk Takers of Sub-consolidating Groups and Legal Entities (including those who are also identified as Group Risk Takers):
  - 50% of the variable remuneration is deferred for a period of 5 years if the variable remuneration exceeds 100% of the fixed remuneration;
  - 40% of the variable remuneration is deferred for a period of 5 years if the amount exceeds the materiality threshold[56] but is equal to or lower than 100% of the fixed remuneration;
  - the portion paid in financial instruments is equal to 60% in the first case and to 55% in the second.
- For the other Risk Takers:
  - 50% of the variable remuneration is deferred for a period of 4 years if the amount exceeds the materiality threshold and is above 100% of the fixed remuneration;
  - 40% of the variable remuneration is deferred for a period of 4 years if the amount exceeds the materiality threshold but is equal to or lower than 100% of the fixed remuneration;
  - the portion paid in financial instruments is equal to 50% of the variable remuneration.

Regardless of the relevant macro segment, the variable remuneration is entirely paid in cash if the amount is equal to or lower than the materiality threshold and 100% of the fixed remuneration.
For all clusters, the variable remuneration (both the up-front and the deferred portion) paid in financial instruments is subject to a retention period of one year.
Conversely, specific payment schedules apply to the personnel of asset management companies.

f.2. Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law)

Each deferred portion of variable remuneration is subject to an ex-post adjustment mechanism – the so-called malus conditions – according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions

[55] For the three-year period 2022-2024, the variable remuneration exceeding 400,000 euro is considered particularly high.
[56] The Intesa Sanpaolo Group has defined its materiality threshold, differentiated by clusters of personnel, beyond which the variable remuneration is considered "significant". Specifically, for Risk Takers, in accordance with the applicable regulations, the variable remuneration is considered "significant" if it exceeds the amount of 50,000 euro or if it represents more than one third of the total remuneration.

set by the Regulator regarding the capital strength and liquidity, as well as the achievement of the financial sustainability condition.
These malus conditions, which are symmetrical to the gateway conditions, are:
- Capital strength conditions: Common Equity Tier 1 (CET1) Ratio and Leverage Ratio ≥ "hard" limits stipulated by the Group RAF; Minimum own funds and eligible liabilities (MREL) ≥ Early Warning envisaged by the Group RAF; Verification of ICAAP outcome and recommendations on distributions by competent authorities and European supervisory authorities;
- Liquidity condition: Net Stable Funding Ratio (NSFR) ≥ "hard" limit set by the Group RAF;
- Sustainability condition: No Loss and Positive Gross Income.

With reference to the Group Top Risk Takers alone, an additional gateway condition is envisaged to verify that the Liquidity Coverage Ratio (LCR) is higher than or equal to the limits set by the Group RAF (liquidity condition).
Similarly to the provisions on the gateway conditions, it is specified that for those Legal Entities which calculate their limits of capital strength and liquidity, failure to respect these limits and to meet the sustainability conditions constitutes the malus condition of all the Incentive Systems destined to the resources operating in the Legal Entity, also when those of the Intesa Sanpaolo Group may be positively met.
In case one of the conditions of capital strength or of liquidity does not occur individually, the deferred portion is reduced to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%.
Furthermore, the company reserves the right to activate clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of:
- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel;
- violations of the obligations imposed under Article 26 of the Consolidated Law on Banking or, where the entity is a stakeholder, Article 53(4) et seq. of the Consolidated Law on Banking or of remuneration and incentive obligations;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct from which a "significant loss" derived for the Company or the customer.

These mechanisms may be applied in the 5 years following the payment of the individual portion (up-front or deferred) of variable remuneration.

f.3. Where applicable, shareholding requirements that may be imposed on identified staff
It should be noted that no minimum shareholding requirements are defined for any clusters.

g. The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR

Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments
For information on the specific performance indicators used to determine the variable remuneration components, see point e.1.
The variable remuneration for the Risk Takers, if it is higher than the materiality threshold or 100% of the fixed remuneration, is paid according to specific payment schedules (see point f.1) and settled partly in cash and partly in financial instruments.
In compliance with the Supervisory Provisions, for the Risk Takers, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration portion to be settled in financial instruments are Intesa Sanpaolo shares (see point f.1). Exceptions to this general rule are envisaged in compliance with the specificities of the sector (e.g. Assets under management) and local (e.g. Slovakia, Brazil, etc.) regulations.
Coinciding with the launch of the 2022-2025 Business Plan, the Risk Takers, including the Managing Director and CEO, the remaining Group Top Risk Takers, in the context of the PSP (Performance Share Plan) Long-Term Incentive Plan, were assigned the right to accrue a certain number of Performance Shares upon the expiration of the Plan, as long as specific gateway conditions were fulfilled, certain performance targets were achieved and taking into account correction mechanisms based on sustainability targets that act as a demultiplier of the number of shares accrued at term (if any).
Lastly, for non-employee Financial Advisors of the Fideuram, Sanpaolo Invest and IW SIM Networks identified as Risk Takers, a specific Long-Term Incentive Plan for 2022-2025, also based on performance share, was provided.

h. Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, as referred to in point (j) of Article 450(1) CRR

Please see the tables represented at the end of this Section.

i. Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR

For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration

It should be noted that the Intesa Sanpaolo Group benefits from the exemption pursuant to article 94, paragraph 3, letter b), of the CRD.

Consequently, the annual bonus for 2023 accrued by the Risk Takers, if it is of an amount not exceeding 50,000 euro and does not account for more than one third of its total annual remuneration, is:

– entirely paid in cash, if the amount is less than 100% of the fixed remuneration;
– deferred for a period of 2 years for a portion amounting to 40% paid in cash, only for the Financial Advisors (identified as Risk Takers) who have the accessory assignment of Area Manager belonging to the Fideuram – Intesa Sanpaolo Private Banking Group, if the amount is equal to or less than 100% of the recurring remuneration.

(euro)

	MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
Number of Identified Staff	-	-	-	148
% Risk Takers who benefit from the derogation	-	-	-	16%
Fixed remuneration	**-**	**-**	**-**	**34,092,463**
Variable remuneration	**-**	**-**	**-**	**4,812,077**
Of which deferred	-	-	-	*28,258*
Total remuneration	**-**	**-**	**-**	**38,904,540**

(*) So-called Key Managers.

(**) So-called Risk Takers.

j. Large institutions (the ISP Group is a "large institution") shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members, as referred to in Article 450(2) CRR

Please see the tables represented at the end of this Section.

Quantitative disclosure

The quantitative information on the remuneration policy is provided below, as required by Regulation (EU) 2021/637 in application of Article 450 of the CRR.

Remuneration awarded for the financial year to staff whose professional activities have a material impact on Bank' risk profile (EU REM1 Reg. 2021/637)

(euro)

			MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
1	Fixed remuneration	Number of identified staff (a)	18	1	19	863
2		**Total fixed remuneration**	**5,350,000**	**2,727,237**	**19,641,846**	**243,192,481**
3		Of which: cash-based	5,350,000	2,620,000	18,591,398	234,196,320
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms (b)	-	107,237	1,050,448	8,996,161
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	1	19	782
10		**Total variable remuneration**	**-**	**4,585,000**	**24,638,600**	**136,279,457**
11		Of which: cash-based	-	1,834,000	9,903,800	68,047,426
12		Of which: deferred	-	917,000	4,974,000	28,030,831
EU-13a		Of which: shares or equivalent ownership interests	-	2,751,000	13,845,600	63,302,840
EU-14a		Of which: deferred	-	1,834,000	9,214,800	34,083,758
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments (c)	-	-	-	1,206,302
EU-14b		Of which: deferred	-	-	-	482,521
EU-14x		Of which: other instruments (d)	-	-	889,200	3,063,850
EU-14y		Of which: deferred	-	-	592,800	1,642,670
15		Of which: other forms (e)	-	-	-	659,039
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**5,350,000**	**7,312,237**	**44,280,446**	**379,471,938**

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) It should be noted that the number of risk takers does not include 14 resources who were terminated during the year belonging to the “Other identified staff” cluster.

(b) Non-discretionary benefits (please note that in order to calculate the ratio between variable and fixed remuneration such forms of remuneration are not considered).

(c) Portions of bonuses assigned in ISP Phantom Shares.

(d) Portions of bonuses assigned as (i) UCITS or phantom UCITS to Risk Takers belonging to significant asset management companies, as required by Joint Bank of Italy – Consob Regulation issued on 27 April 2017 and subsequently confirmed by the Regulation implementing articles 4-undecies and 6, par.1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance and (ii) VUB Banka Certificates to Risk Takers belonging to this Bank in compliance with the local regulation.

(e) Value of the bonuses awarded as part of the financial advisors' business contests.

With reference to the trend of remuneration between 2023 and 2022, generally, certain differences can be observed in each personnel cluster. Namely, with reference to:

– the “Management Body - Supervisory function”, the total fixed remuneration of the members of the Board of Directors of Intesa Sanpaolo declined slightly due to the combined effect of: (i) the lower number of attendance fees paid for a lower number of sessions held during the year by the Board Committees of Intesa Sanpaolo; (ii) the reduction in the number of positions in subsidiaries and associates held by some members of the Board of Directors of Intesa Sanpaolo, following the renewal of their Bodies and, consequently, of the related compensation and attendance fees received;

– the "Management Body - Management Function" (i.e. Managing Director and CEO), the fixed remuneration is essentially in line. The slight increase is due to the impact on the entire year (and not pro rata as for 2022) of the alignment with Group standards of the company's contribution to the supplementary pension scheme, as resolved by the Board of Directors at its meeting on 3 February 2022. Instead, the variable remuneration is unchanged in relation to the achievement by the CEO of the maximum performance levels equal to those of 2022 (i.e. 120% of the Performance Scorecard); the 2023 bonus, in application of the cap regulatory provision, corresponds to the maximum annual variable remuneration that can be accrued (i.e. 175% of the fixed remuneration – see "The 2023 Incentive System for the Managing Director and CEO in his capacity as General Manager");
– the "Other senior management", the total fixed remuneration is essentially in line. The slight increase is due to the impact on the entire year (and not pro rata as in 2022) : (i) of the salary increases awarded during 2022, in conjunction with the launch of the 2022-2025 Business Plan, to support the motivation of the Group Top Risk Takers; (ii) of the realignment to the Group standards of the company's contribution to the supplementary pension scheme, in line with the resolutions passed by the Board of Directors on 3 February 2022. In addition, the total variable remuneration is increasing as a result of the improved results achieved in 2023 compared to 2022;
– the "Other identified staff", the comparison of remuneration data with the previous year is partially significant against the increase in the number of Risk Takers mainly due to: (i) the organisational reviews carried out in 2023, including that of the IMI Corporate & Investment Banking Division; (ii) the greater number of subjects identified in accordance with the quantitative criteria.

Special payments to staff whose professional activities have a material impact on institutions' risk profile (EU REM2 Reg. 2021/637)

(euro)

		MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
	Guaranteed variable remuneration awards (a)				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	3
2	Guaranteed variable remuneration awards -Total amount	-	-	-	245,000
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	245,000
	Severance payments awarded in previous periods, that have been paid out during the financial year (b)				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	6	23
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	1,220,000	2,100,234
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	10
7	Severance payments awarded during the financial year - Total amount	-	-	-	2,017,000
8	Of which paid during the financial year (c)	-	-	-	1,196,700
9	Of which deferred	-	-	-	820,300
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap (d)	-	-	-	1,071,667
11	Of which highest payment that has been awarded to a single person	-	-	-	400,000

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) I.e. Entry bonus.

(b) Please note that the data reported refers to severance awarded in previous financial years to Risk Takers, in particular to 6 Top Risk Takers (i.e. Key Managers) and to 23 other Risk Takers.

(c) Of which (i) 250,350 euro assigned up-front as ISP Shares and subject to a year of holding period, (ii) 45,000 euro assigned up-front as UCIT units and subject to a year of holding period and (iii) 673,750 euro paid in cash at the beginning of 2024, but pertaining to the 2023 financial year, as 6 subjects left the Group on 31.12.2023.

(d) I.e. amounts agreed and paid (i) based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration and (ii) calculated according to the predefined calculation formula approved by the Shareholders' Meeting of Intesa Sanpaolo. It should be noted that of the amount indicated, only 565,834 euro were paid during the year (of which 162,917 euro assigned up-front as ISP Shares and subject to a year of holding period and 312,917 euro paid out in cash at the beginning of 2024 for the subjects who left the Group on 31.12.2023).

It should be noted that the bonuses awarded under the guaranteed variable remuneration relate to 3 entry bonuses and are lower compared to last year both in terms of the number of beneficiaries and of the total amount. With regard to the "Employee termination indemnities awarded in previous periods and paid during the financial year" (so-called severance), there was an increase in the recipients of these payments compared to 2022 due to the agreements signed in previous years. The total

amount disbursed is related to the payment schedules set out in the Policies in force at the time of the award. Instead, with regard to the severance amounts paid during the year, mainly linked to the voluntary exit of personnel as a result of the agreements entered into in 2020 and 2021 with the Trade Unions aimed at facilitating generational change, a trend was recorded in line with 2022 in terms of beneficiaries, while there was a significant reduction in the total amount compared to the previous year.

Deferred remuneration (EU REM3 Reg. 2021/637)

(euro)

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**5,960,840**	**1,776,440**	**4,184,400**	-	-	**-92,909**	**1,576,458**	**1,110,100**
8	Cash-based	2,690,010	496,820	2,193,190	-	-	26,922	560,202	-
9	Shares or equivalent ownership interests	3,270,830	1,279,620	1,991,210	-	-	-119,831	1,016,256	1,110,100
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management (*)**	**29,551,436**	**8,512,388**	**21,039,048**	-	-	**-219,827**	**5,729,413**	**4,845,952**
14	Cash-based	13,132,358	2,109,920	11,022,438	-	-	77,462	1,926,398	-
15	Shares or equivalent ownership interests	15,425,680	6,011,670	9,414,010	-	-	-307,176	3,457,566	4,507,070
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments (a)	993,398	390,798	602,600	-	-	9,887	345,449	338,882
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff (**)**	**113,417,435**	**38,208,106**	**75,209,329**	-	-	**-298,739**	**26,689,597**	**17,254,292**
20	Cash-based	59,926,283	15,756,393	44,169,890	-	-	128,443	14,101,866	-
21	Shares or equivalent ownership interests	50,920,244	21,260,069	29,660,175	-	-	-451,437	11,722,443	16,342,856
22	Share-linked instruments or equivalent non-cash instruments (b)	308,363	154,182	154,181	-	-	9,687	93,087	99,007
23	Other instruments (c)	2,262,545	1,037,462	1,225,083	-	-	14,568	772,201	812,429
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**148,929,711**	**48,496,934**	**100,432,777**	-	-	**-611,475**	**33,995,468**	**23,210,344**

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) Portions of bonuses assigned as UCITS to Risk Takers belonging to significant asset management companies, as required by the Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and subsequently confirmed by the Regulation implementing Articles 4-undecies and 6, paragraph 1, letter b) and c-bis) of the Bank of Italy Consolidated Law on Finance.

(b) Portions of bonuses assigned as ISP Phantom Shares.

(c) Portions of bonuses assigned as (i) UCITS or phantom UCITS to Risk Takers belonging to asset management companies, as required by Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and subsequently confirmed by the Regulation implementing Articles 4-undecies and 6, paragraph 1, letter b) and c-bis) of the Bank of Italy Consolidated Law on Finance and (ii) VUB Banka Certificates to Risk Takers belonging to this Bank in compliance with the local regulation.

With reference to the above table, it should be noted that the trend in the deferred portions compared to 2022 is partially comparable taking into account (i) the increase in the number of Risk Takers and (ii) the application of the payment schedules of the annual incentive systems and the 2018-2021 LTIP Plan for Financial Advisors.

Remuneration of 1 million EUR or more per year (EU REM4 Reg. 2021/637)

	EURO	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	41
2	1,500,000 to below 2,000,000	7
3	2,000,000 to below 2,500,000	8
4	2,500,000 to below 3,000,000	6
5	3,000,000 to below 3,500,000	1
6	3,500,000 to below 4,000,000	3
7	4,000,000 to below 4,500,000	-
8	4,500,000 to below 5,000,000	-
9	5,000,000 to below 6,000,000	-
10	6,000,000 to below 7,000,000	-
11	7,000,000 to below 8,000,000	1

The table above lists, by remuneration brackets, the number of employees classified as Risk Takers whose total remuneration paid during the year is equal to or greater than 1 million euro. It should be noted that the calculation took into account both the fixed and variable remuneration pertaining to the year. Compared to 2022, a reduction can be observed in the number of subjects included in this cluster following the exit of the Financial Advisor Risk Takers who were included last year against the payment of the 2018-2021 long-term incentive system, which is not offset by the entry of employee Risk Takers due to the increase in variable remuneration for the improvement of 2023 performance.

Information on remuneration of staff whose professional activities have a material impact on Bank' risk profile (EU REM5 Reg. 2021/637)

(euro)

		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff (a)	18	1	19	76	185	11	256	127	227	**901**
2	Of which: members of the MB	18	1	19							**19**
3	Of which: other senior management (*)				1	3	1	8	4	2	**19**
4	Of which: other identified staff (**)				75	182	10	248	123	225	**863**
5	Total remuneration of identified staff	5,350,000	7,312,237	12,662,237	39,995,976	76,394,796	8,621,746	119,868,242	37,983,325	140,888,299	**436,414,621**
6	Of which: variable remuneration	-	4,585,000	4,585,000	18,876,030	33,359,252	4,203,600	58,666,141	6,209,296	39,603,738	**165,503,057**
7	Of which: fixed remuneration	5,350,000	2,727,237	8,077,237	21,119,946	43,035,544	4,418,146	61,202,101	31,774,029	101,284,561	**270,911,564**

(*) So-called Key Managers.

(**) So-called Risk Takers identified both at ISP Group level and at sub-consolidating Groups or subsidiary Banks in European Union countries level.

(a) It should be noted that the number of risk takers does not include 14 resources who were terminated during the year belonging to the "Other identified staff" cluster.

Please note: the remuneration data of the Business Areas shown in the table can be partially compared with the information reported in the 2022 Disclosure in view of the increase in the number of Risk Takers mainly due to: (i) the organisational reviews that took place in 2023, including the one affecting the IMI Corporate & Investment Banking Division; (ii) the greater number of subjects identified in accordance with the quantitative criteria.

For the purposes of the requirements of Article 450 CRR (paragraph 1 j) and paragraph 2) mentioned in this Section, the disclosure is reported below in accordance to the format established in Annex 3 (Company information) to the ConsobIssuers' Regulation.

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 1 of 6)*

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
							Bonuses and other incentives (x)	Profit-sharing
Gros-Pietro Gian Maria	Chair of the Board of Directors	01/01/2023	31/12/2023	800.0	-	-	-	-
	Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
	Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
Colombo Paolo Andrea	Deputy Chair of the Board of Directors	01/01/2023	31/12/2023	150.0	-	-	-	-
	Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
	Chair of the Remuneration Committee	01/01/2023	31/12/2023	60.0	-	45.0	-	-
	Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
Messina Carlo	General Manager	01/01/2023	31/12/2023	2,000.0	-	-	1,834.0	-
	Managing Director and Chief Executive Officer	01/01/2023	31/12/2023	500.0	-	-	-	-
	Member of the Board of Directors/ Executive Board Member	01/01/2023	31/12/2023	120.0	-	-	-	-
Ceruti Franco	Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
	Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
	Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
	a) INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chair and Director	01/01/2023	31/12/2023	130.0	-	-	-	-
	a) INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2023	31/12/2023	25.0	-	-	-	-
	b) SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chair and Director	01/01/2023	31/12/2023	-	-	-	-	-
Tagliavini Paola	Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
	Chair of Risks and Sustainability Committee	01/01/2023	31/12/2023	60.0	-	115.0	-	-
	Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	30.0	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 2 of 6)*

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gros-Pietro Gian Maria	Chair of the Board of Directors	01/01/2023	31/12/2023	-	-	800.0	-	-
	Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
	Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
Colombo Paolo Andrea	Deputy Chair of the Board of Directors	01/01/2023	31/12/2023	-	-	150.0	-	-
	Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
	Chair of the Remuneration Committee	01/01/2023	31/12/2023	-	-	105.0	-	-
	Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
Messina Carlo	General Manager	01/01/2023	31/12/2023	107.2	-	3,941.2	3,313.2	-
	Managing Director and Chief Executive Officer	01/01/2023	31/12/2023	-	-	500.0	-	-
	Member of the Board of Directors/ Executive Board Member	01/01/2023	31/12/2023	-	-	120.0	-	-
Ceruti Franco	Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
	Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
	Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
	a) INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chair and Director	01/01/2023	31/12/2023	-	-	130.0	-	-
	a) INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2023	31/12/2023	-	-	25.0	-	-
	b) SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chair and Director	01/01/2023	31/12/2023	-	-	-	-	-
Tagliavini Paola	Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
	Chair of Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	175.0	-	-
	Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	30.0	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 3 of 6)*

(thousands of euro)

Surname and Name		Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
								Bonuses and other incentives (x)	Profit-sharing
Logiurato Liana		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
		Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	30.0	-	-
Nebbia Luciano		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
	a)	EQUITER S.p.A. – Deputy Chair	01/01/2023	31/12/2023	35.0	-	-	-	-
Picca Bruno		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
		Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
Pomodoro Livia		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Chair of the Nominations Committee	01/01/2023	31/12/2023	60.0	-	20.0	-	-
Stefanelli Maria Alessandra		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	25.0	-	-
Parigi Bruno Maria		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
Zamboni Daniele		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Chair of the Committee for transactions with related parties	01/01/2023	31/12/2023	60.0	-	30.0	-	-
		Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
Mazzarella Maria		Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
		Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
		Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	30.0	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 4 of 6)*

(thousands of euro)

Surname and Name		Office	Office held since	End of office	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Logiurato Liana		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
		Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	30.0	-	-
Nebbia Luciano		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
	a)	EQUITER S.p.A. – Deputy Chair	01/01/2023	31/12/2023	-	-	35.0	-	-
Picca Bruno		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
		Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
Pomodoro Livia		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Chair of the Nominations Committee	01/01/2023	31/12/2023	-	-	80.0	-	-
Stefanelli Maria Alessandra		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	25.0	-	-
Parigi Bruno Maria		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
Zamboni Daniele		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Chair of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	90.0	-	-
		Member of the Risks and Sustainability Committee	01/01/2023	31/12/2023	-	-	115.0	-	-
Mazzarella Maria		Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
		Member of the Nominations Committee	01/01/2023	31/12/2023	-	-	20.0	-	-
		Member of the Committee for transactions with related parties	01/01/2023	31/12/2023	-	-	30.0	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 5 of 6)*

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
							Bonuses and other incentives (x)	Profit-sharing
Gatti Anna	Member of the Board of Directors	01/01/2023	31/12/2023	120.0	-	-	-	-
	Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
Mosca Fabrizio	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	260.0	-	-	-	-
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	260.0	-	-	-	-
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	260.0	-	-	-	-
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	260.0	-	-	-	-
	Chair of the Management Control Committee	01/01/2023	31/12/2023	65.0	-	-	-	-
Franchini Roberto	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	260.0	-	-	-	-
Vernero Paolo	Full Member of the Surveillance Board	01/01/2023	31/12/2023	25.0	-	-	-	-
	Chair of the Surveillance Board	18/05/2023	31/12/2023	6.25	-	-	-	-
Cortellazzo Andrea	Chair of the Surveillance Board	01/01/2023	17/05/2023	3.75	-	-	-	-
	Full Member of the Surveillance Board	01/01/2023	31/12/2023	25.0	-	-	-	-
Dalla Sega Franco	Full Member of the Surveillance Board	01/01/2023	31/12/2023	25.0	-	-	-	-
	(a) BANCOMAT S.p.A. – Chair	01/01/2023	31/12/2023	70.0	-	-	-	-
Key Managers (*)	Total remuneration and attendance fees awarded by Intesa Sanpaolo	01/01/2023	31/12/2023	17,741.0 c)	-	-	8,677.4	-
	Total remuneration and attendance fees awarded by subsidiaries and associates	01/01/2023	31/12/2023	850.0 d)	-	-	1,226.4	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 6 of 6)*

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gatti Anna	Member of the Board of Directors	01/01/2023	31/12/2023	-	-	120.0	-	-
	Member of the Remuneration Committee	01/01/2023	31/12/2023	-	-	45.0	-	-
Mosca Fabrizio	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	-	-	260.0	-	-
Motta Milena Teresa	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	-	-	260.0	-	-
Zoppo Maria Cristina	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	-	-	260.0	-	-
Pisani Alberto Maria	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	-	-	260.0	-	-
	Chair of the Management Control Committee	01/01/2023	31/12/2023	-	-	65.0	-	-
Franchini Roberto	Member of the Board of Directors and of the Management Control Committee	01/01/2023	31/12/2023	-	-	260.0	-	-
Vernero Paolo	Full Member of the Surveillance Board	01/01/2023	31/12/2023	-	-	25.0	-	-
	Chair of the Surveillance Board	18/05/2023	31/12/2023	-	-	6.25	-	-
Cortellazzo Andrea	Chair of the Surveillance Board	01/01/2023	17/05/2023	-	-	3.75	-	-
	Full Member of the Surveillance Board	01/01/2023	31/12/2023	-	-	25.0	-	-
Dalla Sega Franco	Full Member of the Surveillance Board	01/01/2023	31/12/2023	-	-	25.0	-	-
	(a) BANCOMAT S.p.A. – Chair	01/01/2023	31/12/2023	-	-	70.0	-	-
Key Managers (*)	Total remuneration and attendance fees awarded by Intesa Sanpaolo	01/01/2023	31/12/2023	995.0	-	27,413.4 c)	12,401.7	-
	Total remuneration and attendance fees awarded by subsidiaries and associates	01/01/2023	31/12/2023	56.0	-	2,132.4 d)	1,686.3	-

(a) Remuneration/Attendance fees in subsidiaries and/or associates.

(b) The amount does not include the remunerations for the office equal to euro 10,000 as they have been waived.

(c) The data reported does not include other remunerations for offices in company subsidiaries and/or associates and equal to euro 689,123, since entirely transferred to the parent company.

(d) The data reported does not include other remunerations recognized for offices in company subsidiaries and/or associates and equal to euro 98,750 since entirely waived/transferred to subsidiaries companies.

(*) Remuneration refers to No. 19 Key Managers.

(x) The data reported refers to the portions of bonus assigned, both upfront and deferred, awarded following 2023 performance (for further details please see table 3B).

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers *(Tab. 1 of 2)*

(thousands of euro)

			Options held at the beginning of the year			Options awarded during the year					
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Surname and Name	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair Value at the awarding date (x)	Awarding date	Market share price of the shares underlying the award of options
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) (**)	16,466,726	2.4937	10/03/2023	-	-	-	-	-	-
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo		73,634,192	2.4937	10/03/2023	-	-	-	-	-	-
	Total Remuneration awarded by subsidiaries		8,550,030	2.4937	10/03/2023	-	-	-	-	-	-

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers *(Tab. 2 of 2)*

(thousands of euro)

			Options expired during the year			Options held at end of the year	Options for the year	Options held at the beginning of the year
A	B	(1)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Surname and Name	Office	Plan	Number of options	Exercise price	Market share price of the shares underlying the exercise date	Number of options	Number of options	Fair value
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) (**)	-	-	-	16,466,726	-	-
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo		-	-	-	73,634,192	-	-
	Total Remuneration awarded by subsidiaries		-	-	-	8,550,030	-	-

(x) The overall Fair Value, intended as an employee benefit, is determined considering also the probability of completion of the service period in the Company, the Fair Value adjustments due to non-negotiability, deferral of the instruments assignment and unavailability constraints on the shares received according to the Plan schedule.

(*) Remuneration refers to No. 19 Key Managers.

(**) The POP Plan, approved on 27/04/2018 and subsequently amended by the resolution of 29/04/2021, ended in 2022. Specifically, the Plan was not activated as on the Exercise Day (i.e. 10 March 2023) the POP Option was “under water” as the share price of 2.006 euro – determined as the average Intesa Sanpaolo share price during the Averaging Period (11 March 2022 – 10 March 2023) – was lower than the strike price of 2.4937 euro. For further details please see page 97 of the 2023 Report on remuneration policy and compensation paid.

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers *(Tab. 1 of 2)*

(thousands of euro)

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year				
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surname and Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price at award date
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2017	-	-	-	-	-	-	-
		Incentive 2018	153,359	May 2024	-	-	-	-	-
		Incentive 2019	74,734	May 2025	-	-	-	-	-
		Incentive 2020	97,310	May 2025 - May 2026	-	-	-	-	-
		Incentive 2021	454,768	May 2025 - May 2027	-	-	-	-	-
		PSP Plan	2,031,322 [x]	June 2022 - June 2031	-	-	-	-	-
		Incentive 2022	731,056	May 2025 - May 2028	-	-	-	-	-
		Incentive 2023	-	-	(*)	2,751	May 2024 - May 2029	(*)	(*)
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2017	-	-	-	-	-	-	-
		Incentive 2018	460,611	May 2024	-	-	-	-	-
		Incentive 2019	438,229	May 2024 - May 2025	-	-	-	-	-
		Incentive 2020	513,173	May 2024 - May 2026	-	-	-	-	-
		Incentive 2021	2,090,345	May 2024 - May 2027	-	-	-	-	-
		PSP Plan	11,228,862 [x]	June 2022 - June 2031	-	-	-	-	-
		Incentive 2022	3,591,002	May 2024 - May 2028	-	-	-	-	-
		Incentive 2023	-	-	(*)	12,895	May 2024 - May 2029	(*)	(*)
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2017	-	-	-	-	-	-	-
		Incentive 2018	4,099.93 [3]	May 2024	-	-	-	-	-
		Incentive 2019	13,805	May 2024 - May 2025	-	-	-	-	-
			4,108.33 [3]		-	-	-	-	-
		Incentive 2020	28,931	May 2024 - May 2026	-	-	-	-	-
			2,710.47 [3]		-	-	-	-	-
		Incentive 2021	142,430.00	May 2024 - May 2027	-	-	-	-	-
			7,883.26 [3]		-	-	-	-	-
		PSP Plan	1,434,330 [x]	June 2022 - June 2031	-	-	-	-	-
		Incentive 2022	226,093	May 2024 - May 2028	-	-	-	-	-
			16,439.40 [3]		-	-	-	-	-
		Incentive 2023	-	-	(*)	1,840 [4]	May 2024 - May 2029	(*)	(*) -

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers *(Tab. 2 of 2)*

(thousands of euro)

			Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments for the year
A	B	(1)	(9)	(10)	(11)	(12)
Surname and Name	Office	Plan	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2017	-	134,179	326	326
		Incentive 2018	-	153,359	373	373
		Incentive 2019	-	85,408 [1]	208	208
		Incentive 2020	-	51,899 [1]	126	126
		Incentive 2021	-	194,900 [1]	474	474
		PSP Plan	-	-	-	-
		Incentive 2022	-	365,527 [1]	889	889
		Incentive 2023	-	-	-	917
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2017	-	244,444	594	594
		Incentive 2018	-	538,784	1,313	1,313
		Incentive 2019	-	275,563 [1]	670	670
		Incentive 2020	-	161,524 [1]	393	393
		Incentive 2021	-	708,627 [2]	1,723	1,723
		PSP Plan	-	-	-	-
		Incentive 2022	-	1,395,696 [1]	3,394	3,394
		Incentive 2023	-	-	-	4,314
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2017	-	2,866.01 [3]	124	124
		Incentive 2018	-	4,099.92 [3]	113	113
		Incentive 2019	-	15,774 [1]	38	38
			-	2,191.11 [3]	65	65
		Incentive 2020	-	15,430 [1]	38	38
			-	1,414.16 [3]	44	44
		Incentive 2021	-	61,041 [1]	148	148
			-	3,941.63 [3]	228	228
		PSP Plan	-	-	-	-
		Incentive 2022	-	113,046 [1]	275	275
			-	-	-	-
		Incentive 2023	-	-	-	613 [5]

(*) The information related to the shares that will be granted as an incentive for the performance of financial year 2023 will be available following the resolutions of the Ordinary Shareholders' Meeting called on 24 April 2024.

(**) Remuneration refers to 19 Key Managers.

(x) The indicated number represents the assigned rights on Performance Shares. Each one assigns the right to receive No. 1 Intesa Sanpaolo Share at the end of the PSP Plan, conditioned upon the verification of the gateway conditions, of the level of achievement of the performance objectives and of the possible application of de-multipliers. Such number was calculated for each cluster of beneficiaries by dividing the value of the initial grant (for the Managing Director and CEO equal to 100% of the fixed remuneration at the launch of the Plan) by the market price at grant date determined by applying some Fair Value adjustments – based on the valuation models certified in the Group's Fair Value Policy - due to sale and availability constraints (please see the Report of the Board of Directors, Ordinary Part – Point 3f of the agenda of 15 March 2022).

1) Shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

2) Of which 612,977 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

3) Assigned in UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, in his capacity as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

4) Of which 889 thousand euro assigned in UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, in his capacity as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

5) Of which 296 thousand euro assigned in UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, in his capacity as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

Note: this information refers to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

A	B	(1)	(2)			(3)			(4)
Surname and Name	**Office**	**Plan**	**Bonus of the year**			**Bonus from previous years**			**Other bonuses**
			(A) Payable / Paid	**(B) Deferred**	**(C) Deferral period**	**(A) No longer payable**	**(B) Payable / Paid**	**(C) Still deferred**	
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2017	-	-	-	-	412 [1)]	-	-
		Incentive 2018	-	-	-	-	-	325	-
		Incentive 2019	-	-	-	-	91	387	-
		Incentive 2020	-	-	-	-	58	303	-
		Incentive 2021	-	-	-	-	-	758	-
		Incentive 2022	-	-	-	-	917	917	-
		Incentive 2023	917	917	May 2024 - May 2029	-	-	-	-
Key Managers (*) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2017	-	-	-	-	1,030 [1)]	-	-
		Incentive 2018	-	-	-	-	-	1,160	-
		Incentive 2019	-	-	-	-	401	1,688	-
		Incentive 2020	-	-	-	-	261	1,370	-
		Incentive 2021	-	-	-	-	-	3,180	-
		Incentive 2022	-	-	-	-	4,185	4,231	-
		Incentive 2023	4,314	4,361	May 2024 - May 2029	-	-	-	3 [2)]
Key Managers (*) (Remuneration awarded by subsidiaries)		Incentive 2017	-	-	-	-	154 [1)]	-	-
		Incentive 2018	-	-	-	-	-	98	-
		Incentive 2019	-	-	-	-	48	203	-
		Incentive 2020	-	-	-	-	33	172	-
		Incentive 2021	-	-	-	-	-	467	-
		Incentive 2022	-	-	-	-	563	563	-
		Incentive 2023	613	613	May 2024 - May 2029	-	-	-	-

(*) Remuneration refers to 19 Key Managers.

1) An appreciation of 7% was calculated on the portions paid, in line with market rates.

2) Remuneration refers to the former Banco Ambrosiano Veneto fidelity bonus accrued by the Head of the Banca dei Territori Division.

Section 20 – Disclosure of environmental, social and governance risks (ESG risks)

Qualitative disclosure

Introduction

This section contains the specific disclosures required by Article 449a of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR) – Disclosure of environmental, social and governance risks, as set out in detailed templates and instructions in Regulation (EU) 2021/637 (as amended, in particular, by Regulation (EU) 2022/2453)[57].
In accordance with the above-mentioned regulatory requirements, the Pillar 3 document is required to contain, on a half-yearly basis starting from 31 December 2022, three qualitative sections (below "Tables") and – when fully implemented – a total of ten quantitative disclosures (below "Templates"), of which four are dedicated to climate change transition risk and one to climate change physical risk, and five provide quantitative information on the actions that institutions are implementing to mitigate climate change related risks, including information on actions aligned with the taxonomy (Green Asset Ratio – GAR and Banking Taxonomy Alignment Ratio – BTAR) and on any other mitigation actions.
Regulation (EU) 2022/2453 provides for a phase-in period for certain more complex information in terms of data collection and related risk measurement methodology, such as, in particular, information related to emissions reporting and alignment metrics, i.e. the disclosure of the GAR. This information is incorporated into the Pillar 3 document according to the timing established in the Regulation. In addition, this Regulation requires the disclosure, on a voluntary basis, of the BTAR from 31 December 2024.
This qualitative disclosure describes the integration of environmental, social and governance (ESG) risks into strategic and governance decisions, business processes and risk management.
The topics of Strategy, Governance and Risk Management are then broken down for these types of risk (E, S and G), with references, where necessary, to paragraphs that already provide an exhaustive description of the required content.

Qualitative information on environmental risk (Table 1 Reg. 2022/2453)

Business strategy and processes

a) Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning

Based on the results achieved during the current Business Plan, in line with the main trends that are influencing and will influence the financial and insurance sector, Intesa Sanpaolo continues its commitment to generating value for all stakeholders while building the Bank of the future: profitable, innovative and sustainable.
The 2022-2025 Business Plan is based on four main pillars, one of which is the "Significant ESG Commitment". The Group aims to further strengthen its leading position in ESG with a world-class position in Social Impact and strong focus on climate.
To this end, the Plan includes commitments aimed at protecting and restoring natural capital and biodiversity, as well as indicators relating to the reduction of CO_2 emissions. In particular, the work continued on the Target Setting project, aimed at setting the 2030 financed emissions targets to be pursued for the priority sectors of the Net-Zero Banking Alliance – NZBA (additional to those indicated in the Business Plan) together with the related monitoring, and preparing the documentation to be submitted for validation to the Science Based Targets Initiative – SBTi[58].
In addition, the Group is gearing its lending strategy towards the achievement of its ESG objectives and implementing the new Credit Framework, which includes ESG metrics, with the following levels of granularity:

- ESG sectoral strategy assessment by sector and micro-sector;
- internal ESG score at counterparty level;
- Sustainable Products Framework;
- ESG and Reputational risk clearing process at operations level.

Intesa Sanpaolo's climate strategy includes a strong commitment to financing the energy transition and is oriented towards the creation and promotion of sustainable financial products and services, also in consideration of the EU Taxonomy.

[57] Information on environmental, social and governance risks is also reported, on a consistent basis, in the Intesa Sanpaolo Group's Consolidated Non-Financial Statement (CNFS) and Climate Report.
[58] Partnership between Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), World Resources Institute (WRI) and WWF.

Intesa Sanpaolo is committed over the course of the 2022-2025 Business Plan to providing strong support to the green and circular economy, as well as the green transition, by providing dedicated loans that include both those governed by the internal sustainable products framework and those aligned to the European Taxonomy. A total of 88 billion euro of new loans were made available as follows:

- 76 billion euro, out of a total of more than 400 billion euro, in relation to the application areas of Mission 2 of the National Recovery and Resilience Plan (NRRP)[59]. Eight billion euro specifically dedicated to financing the circular economy;
- 12 billion euro to private individuals (mainly green mortgages).

In addition, the "Own Emissions Plan" – included in the 2022-2025 Business Plan – was published in 2022, which identifies specific actions to reduce consumption of natural gas, diesel and conventional electricity with the goal of carbon neutrality on own emissions by 2030.

b) Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information about the design of business strategy and processes

c) Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities

Intesa Sanpaolo has joined the Net-Zero alliances covering all the Group's main business lines and set the first environmental climate targets.
Specifically, the Group has included targets in its 2022-2025 Business Plan for the reduction of financed emissions aligned to Net-Zero by 2030 in the Oil&Gas, Power Generation and Automotive sectors and the exit from the coal mining sector by 2025.
In addition: i) targets were set for the Iron&Steel and Commercial Real Estate sectors; and ii) work continued for the submission by the first quarter 2024 of the documentation necessary to obtain the SBTi validation.
Other targets have been set in relation to environmental protection, through the commitment to the preservation of natural capital, and the 2022-2025 Business Plan provides for the development of a specific biodiversity policy and a major reforestation and natural capital preservation project, called Think Forestry, aimed at promoting environmental sustainability and the transition to a zero-emissions economy, with the overall goal of planting and preserving 100 million trees through the joint action of the Bank and its corporate customers.
In addition, work continued on the EU Taxonomy Green Enhancement project, which introduced rules and processes for classifying lending transactions in line with the regulatory requirements of the EU Taxonomy and for actively steering the loan portfolio, in order to improve the Green Asset Ratio.
With regard to the circular economy, Intesa Sanpaolo is a strategic partner of the Ellen MacArthur Foundation, with which it has renewed its partnership agreement for the three-year period 2022-2024. The Foundation is one of the leading international promoters of the systemic transition to the circular economy.
On the Asset Management and Wealth Management front, after having joined the Net-Zero Asset Managers Initiative (NZAMI), Eurizon Capital SGR, Fideuram Asset Management SGR and Fideuram Asset Management Ireland Dac set their respective interim targets, including a 50% reduction of in-scope portfolio financed emissions by 2030. The first annual reporting on progress towards the interim targets took place between June and September 2023, and, in fulfilment of the Alliance's disclosure requirements, Eurizon AM and Fideuram ISPB contributed, as signatories, to the Principles for Responsible Investment (PRI) Transparency and Assessment reporting.
The Intesa Sanpaolo Vita Group, after having joined the Net-Zero Asset Owner Alliance (NZAOA), also contributed to the annual publication in 2023 of the Third Progress Report with respect to its targets.
Intesa Sanpaolo's commitment has continued with the above-mentioned "Own Emissions Plan", in which it intends to achieve carbon neutrality and 100% energy purchased from renewable sources by 2030 (level already achieved in the branches and buildings in Italy in 2021). The own emissions reduction target also meets the requirements of the SBTi.

d) Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks

Intesa Sanpaolo is placing increasing importance on its practices of direct and indirect engagement with counterparties, particularly with regard to ESG, environmental and climate-related issues.
The Bank has regular interactions with various ESG investors through targeted meetings, ESG conferences (through both investor meetings and participation in panels) and dedicated road shows. Furthermore, the frequency of interactions increased, as well as the requests for formal engagement on ESG, environmental and climate-related issues from large funds. The focus on climate issues was further explored by investors with structured questionnaires and surveys.
The Group's projects aimed at customers include the initiatives related to the ESG Labs and the Circular Economy Lab.
Intesa Sanpaolo also supports the sustainable transition of Small and Medium Enterprises through the ESG Labs, envisaged in the Business Plan. These are physical and virtual meeting places designed to assist Italian companies in their sustainable transition and map out a development trajectory aimed at promoting long-term growth and generating a positive ESG impact. The Labs, together with the local participating institutions, promote dialogue and raise awareness among companies and their production and supply chains, through in-depth sessions and workshops that also cover environmental issues. The goal is to support customers in taking the first steps towards initiatives that improve their sustainability profile, with positive repercussions for the development of their business. A total of 68 events, both physical and online, were held in 2023, which covered numerous topics related to the enhancement and protection of the environment.
In addition, as noted below under in point c) "Qualitative information on social risk", the work is continuing of the dedicated Skill4ESG initiative.
The Circular Economy Lab (CE Lab) is an initiative of Intesa Sanpaolo Innovation Center[60], a Group company, in partnership with Cariplo Factory, aimed at supporting and accompanying the transformation of the Italian economic system and

[59] 2021-2026.

[60] Intesa Sanpaolo Innovation Center is the Intesa Sanpaolo Group company dedicated to frontier innovation. It explores future scenarios and trends, develops multidisciplinary applied research projects, supports start-ups, accelerates the business transformation of companies according to the criteria of

disseminating new models of value creation for the collective interest, to accelerate the transition towards the circular economy. Through direct and indirect engagement with stakeholders, the CE Lab strategy revolves around three pillars:
– Connection - Initiatives geared towards creating an open dialogue on the circular economy, involving an extensive national and international network of companies, institutions, universities, research centres and other partners;
– Innovation - Innovative, highly customisable advisory services aimed at accelerating the process of transformation of companies (SMEs and Corporates) towards circular economy models;
– Education - Training courses aimed at companies to disseminate knowledge of the circular economy and its opportunities, particularly in terms of business, competitiveness and resilience.

In addition, Intesa Sanpaolo Innovation Center, in synergy and coordination with the Banca dei Territori and IMI Corporate & Investment Banking Divisions, provides advisory and non-financial services, offering customers transformation pathways towards innovation/circular economy. The service includes the assessment of the technical and financial aspects of the investment and its sustainability.

The IMI Corporate & Investment Banking Division provides a full range of advisory services to customer companies, especially in relation to transition financing. It analyses customers' sustainability strategies, annual financial statements and capex plans, in addition to assisting them as an ESG structuring advisor in identifying targeted loans (including green, sustainability and sustainability-linked loans). This is accompanied by the advisory services provided by the Industry Coverage desks (e.g. Automotive, Power Generation, and Oil & Gas), staffed with sustainability experts who provide customers technical and financial advice on the best solutions for financing the transition.

The Banca dei Territori Division provides a similar offering mainly aimed at SMEs, helping to provide specialist advice to its customers through specific collaborations. It has also signed partnership agreements with the leading industry, trade and craft associations, aimed at collaborating on initiatives to support their member companies in making sustainable investments through dedicated loan products. The ESG questionnaire, which was introduced in 2022 and initially released on the Inbiz channel, was integrated into the new ESG Platform at the end of 2023, with shared access for customers and enterprises relationship managers. The questionnaire allows customers to assess their own sustainability performance and receive a report on their positioning in this regard. The report is also aimed at supporting customers in developing initiatives to improve their ESG profile.

To provide effective support to customers in their transition to Net-Zero, Intesa Sanpaolo, as part of the commitments made in joining the NZBA, has developed a framework for the structured analysis of the Transition Plans of its counterparties, conducting sectoral benchmarking and analysing the counterparty's progress in achieving the climate targets set. Large, long-term exposures to specific sectors are included in the scope of this framework. This methodology is designed to assess the presence of a climate strategy and the consistency of the Transition Plans and to support customers in improving their alignment with industry best practices and the guidelines for the path to Net-Zero. Customers' transition plans are then assessed on three different levels: overall greenhouse gas reduction, technical feasibility, and economic and financial impact. The assessment of the Transition Plan involves the analysis of its potential impacts on the counterparty's financial and capital solidity. Therefore, from a creditworthiness perspective, the credit granting proposal will include the impacts on the cost and capex components arising from the application of the decarbonisation strategies.

The results of these assessments are taken into account both during the origination discussions with customers and in the loan approval process. Where there is a lack of consistency in the Transition Plan, the Bank will engage with customers to review the plan (corrective measure), where necessary considering an adjustment to the terms and conditions of the loans.

Intesa Sanpaolo's commitment also extends to the Group's asset management and insurance companies, which published their individual engagement and stewardship targets in 2022, in accordance with their respective Glasgow Financial Alliance for Net Zero (GFANZ).

Eurizon Capital SGR's stewardship target, in accordance with the NZAMI, includes a commitment to establishing robust plans of engagement with investees, with the aim of incentivising them to implement effective decarbonisation paths. To this end, Eurizon intends to conduct engagement activities with 48 companies (representing 70% of the financed emissions of the In-Scope Portfolio) by 2025 and with a further 107 companies by 2030 (to cover 90% of the financed emissions), focusing on issuers belonging to sectors considered "material" for decarbonisation.

The asset management company's commitment to achieving Net-Zero includes Eurizon's participation in the following collective engagement initiatives:
– "Net-Zero Engagement Initiative" promoted by the Institutional Investors Group on Climate Change (IIGCC), as Lead and Co-Signer;
– "CDP Non-Disclosure Campaign", which promotes greater transparency by companies recognised as particularly exposed to risks related to climate change, deforestation and water use, as Co-Signer;
– "CDP Science-Based Targets Campaign", which promotes the adoption of science-based decarbonisation targets by issuers.

The Company is also a member of the following international working groups:
– IIGCC Bondholder Stewardship Working Group, aimed at developing guidelines for fixed income investor engagement;
– IIGCC Proxy Advisor Engagement, aimed at engaging proxy advisors in the development of guidelines for assessing climate-related governance best practices;
– IIGCC Sovereign Bond and Country Pathways, aimed at establishing guidelines for assessing the pathways and progress of countries in achieving Net-Zero by 2050;
– IIGCC Index Investing Working Group, to develop supplementary guidance to the Net Zero Investment Framework for Passive Investing in order to promote and expand the global shift of passive capital towards the transition to Net-Zero;
– Principles for Responsible Investment – PRI Listed Equity Working Group, aimed at identifying the best valuation approaches for equity investments in listed companies;
– PRI Circular Economy Reference Group, with the aim of raising investor awareness of the risks and opportunities associated with the transition to a circular economy.

Fideuram Asset Management and Fideuram Asset Management Ireland have set Stewardship and Engagement targets, in

open innovation and the circular economy, promotes the development of innovative ecosystems and spreads the culture of innovation, in order to make the Intesa Sanpaolo Group the driving force of a more aware, inclusive and sustainable economy.

accordance with the IIGCC Net-Zero Investment Framework, aimed at using alignment or engagement activities to cover 70% of financed emissions by the end of 2025 and 90% by the end of 2030.
Eurizon Capital SGR and Fideuram Asset Management SGR and Fideuram Asset Management Ireland have initiated the individual and collective engagement process by joining the Net-Zero Engagement Initiative (NZEI), Climate Action 100+ and Nature Action 100.

Governance

e) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels[61]
g) Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels

The main ESG responsibilities of Intesa Sanpaolo's Bodies are detailed below.

<table>
<tr><td>Board of Directors</td><td>With the support of the Risks and Sustainability Committee, the Board of Directors approves:
– the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the fight against climate change – taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders;
– the Consolidated Non-Financial Statement (CNFS), ensuring that it is prepared and published in accordance with the applicable regulations, as well as any other significant reporting in this area, and monitoring the Group's sustainability performance, also in relation to the fight against climate change;
– this Pillar 3 disclosure, that includes qualitative and quantitative sections devoted to ESG topics;
– the Group's Code of Ethics and Code of Conduct. The Code of Ethics stresses that:
o for the Group, protecting the environment and combating climate change are key elements of its commitment, to support the transition to a sustainable, green and circular economy also by actively participating in international initiatives on environmental sustainability, pursuing Net-Zero aligned goals and managing its environmental footprint and its influence on the activities and behaviour of its stakeholders;
o the Group's responsibility towards the environment and society extends to the entire supply chain and therefore Intesa Sanpaolo commits its suppliers and subcontractors to orienting their policies towards environmental protection and respect for human and workers' rights, and combating all forms of slavery, child and forced labour.
Climate-related and environmental risks are included in the framework for determining risk appetite and are assessed by the Board of Directors in relation to the Group's strategic and sustainability objectives. Therefore, the Board approves both the Risk Appetite Framework and the list of ESG-Sensitive sectors relevant to the lending activities, assessing them based on the analysis of the external environment and in accordance with the Group's strategic and sustainability objectives.
The Board of Directors also verifies the proper implementation of risk governance strategies and policies, also in relation to ESG risks.</td></tr>
<tr><td>Risks and Sustainability Committee</td><td>The Risks and Sustainability Committee supports the Board of Directors: in the assessment and investigation of the sustainability issues (ESG) associated with the performance of the Bank's activities and in the approval of the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, contributing to ensuring more efficient risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders; in approving the list of ESG-sensitive sectors for the purposes of the Group's loan activity; in approving the updates to the Code of Ethics and reviewing the Annual Report on the Code of Ethics; in approving the CNFS, analysing, in particular, the potentially most relevant sustainability issues, as well as any other report of particular importance in this area submitted to the Board of Directors; in verifying the Group's positioning with respect to national and international best practices in sustainability, with particular reference to Intesa Sanpaolo's participation in the main sustainability indices.</td></tr>
<tr><td>Management Control Committee</td><td>The Management Control Committee, with the support of the competent sustainability (ESG) and internal audit departments, supervises compliance with the principles and values of the Code of Ethics; with reference to the CNFS, it monitors compliance with the provisions set out in Italian Legislative Decree 254/2016 and reports on this in the annual report to the Shareholders' Meeting.</td></tr>
</table>

[61] For point f) see the paragraph below.

Managing Director and CEO	The Managing Director and CEO governs sustainability performance and has the power to submit proposals to the Board for the adoption of resolutions within its remit.
Steering Committee	The Steering Committee is a Group management body with a decision-making, reporting and consulting role, composed of the Managing Director and CEO, who chairs the committee, and the top management, including the heads of Governance Areas and Divisions. The Committee, Business Plan and Sustainability (ESG) Session, collaborates in the identification of sustainability (ESG) issues that are potentially relevant for the definition and updating of the material issues. It collaborates, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders, in defining the strategic guidelines and sustainability (ESG) policies, including the social and cultural responsibility model and the fight against climate change, which the Managing Director and CEO submits to the competent Board Committees and the Board of Directors. And it reviews the Consolidated Non-Financial Statement, the Climate Report(*) and any other relevant reports on sustainability issues prior to submission to the Board of Directors. The Committee meets at least quarterly, within the Business Plan and Sustainability (ESG) session, to review sustainability (ESG) issues and initiatives in the context of the international markets. It is also tasked with guiding the consistency of technological development with the Group's ethical principles, particularly with specific reference to artificial intelligence/machine learning, with the Group's ethical principles.
ESG Control Room	The ESG Control Room is chaired by the Chief Financial Officer (CFO) Area and the Strategic Initiatives and Social Impact Department and relies on the Sustainability Managers, identified in each Governance Area and Division, who guarantee an overall and integrated supervision of ESG initiatives for the relevant scope and contribute to the Group's strategic proposition on these issues. It was introduced as part of the ISP4ESG Programme and has been operational since October 2020. The ESG Control Room supports the Steering Committee – Business Plan and Sustainability (ESG) Session – in the strategic proposition relating to ESG issues; it performs operating coordination duties for the implementation of the most relevant ESG initiatives and assesses the opportunity and solidity of any new initiatives in this area.

* Previously Task Force on Climate-related Financial Disclosures (TCFD Report).

f) Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions

The responsibilities related to climate and the environment are included in the management roles of the Group's various structures, down to division and business unit level:

– the Steering Committee, which is a managerial committee chaired by the Managing Director and CEO and includes the heads of the Governance Areas and Divisions, performs a key role in relation to ESG issues, as detailed in the points above, within a dedicated session: Business Plan and Sustainability (ESG) Session;
– the ESG Control Room, chaired by the CFO Governance Area and the Strategic Initiatives and Social Impact Head Office Department, supports the Steering Committee – Business Plan and Sustainability (ESG) Session – in the strategic proposition relating to ESG issues and uses the Sustainability Managers, identified in each Governance Area and Division, to ensure the supervision of the initiatives.

In the Chief Financial Officer (CFO) Governance Area:

– within the Financial Market Coverage Head Office Department, the ESG & Sustainability function supports the Top Management in drawing up sustainability strategies and policies, aimed at generating value for all the stakeholders. In addition, it updates the Code of Ethics before its approval by the Board of Directors and monitors its implementation, with the support of the Internal Audit Department; it prepares the CNFS and the Climate Report[62], which also takes into account the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Report, and other publications on ESG and sustainability issues; and it oversees relations with the financial community and stakeholders on sustainability and climate-related issues. Lastly, it is responsible for the Group's sustainability-related communication and training activities;
– the Administration and Tax Head Office Department is responsible for the regulatory interpretation of the European Taxonomy Rules and the calculation of the GAR regulatory indicator;
– within the Financial Market Coverage Head Office Department, the ESG Scoring function is responsible for developing and managing a common scoring model for the banking book portfolios, aimed at determining the current and future sustainability positioning of the corporate counterparties of the Parent Company and the subsidiary banks based on ESG criteria;
– the Active Credit Portfolio Steering Head Office Department is responsible for drawing up and monitoring the Credit Strategies aimed at steering the loan origination activities of the Bank's divisions towards sustainable growth in line with the Risk Appetite Framework, which has been expanded with specific ESG and climate-related statements and indicators;
– the Group Treasury and Finance Head Office Department is involved in the origination and structuring of the Group's bonds related to sustainable finance (including green, sustainability and social bonds) for institutional investors;
– the Planning and Control Head Office Department oversees the collection, consolidation and analysis of management data related to ESG reporting, the monitoring of the relevant ESG KPIs for the achievement of the Business Plan targets, and the budget process for the ESG KPIs.

[62] Previously called TCFD Report.

The Chief Risk Officer Governance Area (CRO) ensures the measurement and control of the exposure to ESG risks and, in particular, environmental and climate change risks. The CRO also provides quarterly updates to the Risks and Sustainability Committee on the monitoring of the loan portfolio's exposure to business sectors with higher ESG risk, with particular emphasis on climate and environmental risks. Within the Chief Risk Officer Governance Area:

- the Enterprise Risk Management Head Office Department draws up, among others, the proposed Risk Appetite Framework. It is responsible for the design, development and maintenance of the Group's internal ESG (including climate change) risk management and assessment system. In addition, it draws up and annually updates the Climate/ESG Materiality Assessment within which the Climate/ESG risk levels are assigned to each economic sector/loan portfolio and the sectors most exposed to those risks are identified. Within the Enterprise Risk Management Head Office Department, the Risk Clearing function is the competence centre for climate-related and ESG risk management (including climate change) and oversees the ESG and reputational risk clearing process;
- the Market and Financial Risk Management Head Office Department proposes the guidelines and rules for the management, measurement and control of valuation, market, counterparty, interest rate, exchange rate, equity investment and liquidity risks at Group level, contributing to the monitoring of ESG risks within its areas of responsibility;
- the IMI Corporate & Investment Banking Risk Management Head Office Department and the Banca dei Territori Risk Management Head Office Department define the Credit Risk Appetite, also with regard to ESG and climate-related risks, and the Credit Risk Management Head Office Department, as part of the development and management of internal credit risk measurement models, verifies the significance of the ESG factors, their basis of integration and potential contribution.

The Chief Lending Officer (CLO) Governance Area supports the integration of the ESG metrics, including those related to climate factors, into the credit granting process.

The CFO, CRO and CLO governance areas collaborate in the application of Intesa Sanpaolo's credit strategy framework, one of the pillars of which is the assessment of the ESG sectoral strategy.

Within the Intesa Sanpaolo Innovation Center, the Circular Economy function develops and provides advisory services to corporate customers aimed at the transition towards the Circular Economy, with the objective of establishing new offer platforms and new methods for assessing circularity. It also provides specialist support to the Business Units through technical opinions issued following the analysis of credit facility applications as part of the circular economy credit line[63].

The Strategic Initiatives and Social Impact Head Office Department, reporting directly to the CEO, performs the following tasks, among others:

- develops the Group's overall ESG strategy, together with the Chief Financial Officer Governance Area, and supports the Steering Committee and Corporate Bodies in preparing a proposal for the strategic ESG guidelines;
- co-chairs the ESG Control Room together with the Chief Financial Officer Governance Area;
- coordinates the relevant specific interdivisional and interfunctional projects, through the Strategic Initiatives function, to ensure consistency and develop synergies in line with the Group's strategic guidelines. This function, together with the CFO Governance Area, is responsible for managing the ISP4ESG Programme (see below) with a dedicated PMO;
- ensures the monitoring of the direction and governance of the social activities carried out by the Group, dealing with the development and implementation of the specific projects and initiatives in this area, in collaboration with the relevant Group functions.

Within the Chief Operating Officer Governance Area, with regard to the Group's environmental footprint, the Occupational Safety, Environment and Energy Head Office Department ensures the control of compliance risk, performing the role of specialist function, with respect to the environmental regulations pursuant to Legislative Decree 152/2006, and identifies the actions, measures and procedures necessary to promote rational energy use. The Department is responsible for the Health, Safety and Environment (HSE) Integrated Management System and related policies. The System is applied in all branches and buildings in Italy and certified by an international third party according to ISO 45001, 14001 and 50001. In addition, the Department contributes to the management of climate change risks, assessing climate-related risks for the Bank's assets, promoting adaptive behaviour and developing a prevention-oriented culture.

Within the Chief Audit Officer area, the Audit Global & Strategic Risks Head Office Department ensures "cross-cutting" oversight of the strategic risk and ESG-related risks, including climate change. Internal Auditing is also responsible for assessing the control system for the ESG component and annually prepares the "ESG Audit Programme", which gathers together the main ESG-related audit measures and facilitates a uniform approach. Within its activity plan, drawn up from a risk-based perspective, it also monitors the action plan on climate-related and environmental risk management, including with regard to alignment with the expectations of the European Central Bank.

In accordance with the compliance risk management model set out in the Group Compliance Guidelines, the Chief Compliance Officer Governance Area ensures that compliance risks related to ESG issues are also monitored and ensures that, during the alignment to changes in external regulations, the legal and regulatory liability risks are duly taken into account and effectively integrated into the relevant business processes.

Through the Chief Institutional Affairs and External Communication Officer Governance Area, Intesa Sanpaolo also regularly monitors the regulatory framework relating to climate change at international, European and national level.

The handling of the main ESG issues is aided by the ISP4ESG Programme, a wide-ranging high-impact initiative launched in 2019 with the objective of integrating ESG into the Bank's business model and strategy, also through the management of the activities related to the functioning of the ESG Control Room.

Several strategic and important sustainability-related projects for the Group were managed in 2023, including: i) the activities of the Target Setting project for the Net-Zero targets, which during 2023 focused, as required by the NZBA, on the intermediate targets for 2030 for the additional sectors to those indicated in the Business Plan and on the preparation of the documentation to be submitted for validation by the SBTi; ii) the supervision of the activities related to the other Net-Zero alliances subscribed to by the Group, specifically the NZAMI, NZAOA and Net-Zero Insurance Alliance (NZIA); iii) the continuation of the EU Taxonomy Green Enhancement project, which introduced rules and processes for classifying lending transactions in line with the regulatory requirements of the EU Taxonomy and for actively steering the loan portfolio, also with a view to improving the Green Asset Ratio (GAR); and iv) the implementation of the ESG-Climate Credit Framework project

[63] Plafond, dedicated to circular and green economy, which involves specific incentives.

for the application of ESG factors in the valuation of the Group's loan portfolio for non-financial companies.
The Group's major sustainability-related initiatives also include the multi-year ESG Reporting project launched in 2021, aimed at creating an integrated and transversal approach to the Group's ESG Reporting able to address the new regulatory requirements and emerging best practices. In 2023, the project focused on the development of fully operative solutions for the preparation of the Templates required by Article 8 of the EU Taxonomy Delegated Act and the quantitative Templates and qualitative Tables required by Pillar 3 in relation to ESG; the operational implementation of the related indicators, including the GAR (with a view to alignment with the taxonomy); the preparation of internal rules for the preparation of disclosures (e.g., Pillar 3, PRB Report, TCFD Report[64]); and, lastly, the development of fully operative solutions for the activities in the Managerial Reporting workstream. Ahead of the 2024 reporting in accordance with the CSRD, a high-level gap analysis was carried out within the ESG Reporting project that took into account all the ESRS in order to perform an initial assessment of the degree of alignment of the Group's current non-financial reporting (in particular the CNFS) with those standards. In view of the complexity and impact on the current reporting process, at the end of 2023 a series of preparatory activities were carried out for the new Corporate Sustainability Reporting Directive (CSRD) project (including the definition of the overall project governance, divided into various workstreams), which was launched in 2024.

h) Lines of reporting and frequency of reporting relating to environmental risk

Intesa Sanpaolo's governance is designed to maintain a high and precise level of reporting and communication between the various functions, with the Board of Directors and with the other corporate bodies.
The Chief Financial Officer and the Chief Risk Officer – and the structures within their respective Governance Areas – report directly to the Managing Director and CEO and provide regular updates at the Risks and Sustainability Committee meetings.
The Board of Directors and the Risks and Sustainability Committee review the:

- periodic reports submitted by the corporate control functions with their Tableau de Bord, which also include sustainability-related (ESG) risks;
- Tableau de Bord for the Group's risks;
- Group Integrated Tableau de Bord of the corporate control functions and the Manager responsible for preparing the Company's financial reports, which also contain the main critical concerns identified in relation to ESG and the related corrective measures;
- Report on the Code of Ethics and on the principles of social and environmental responsibility.

In addition, the Board of Directors reviews the quarterly reporting produced by the Steering Committee.
It is also important to note the frequency of the Committee meetings:

- the Steering Committee, Business Plan and Sustainability (ESG) Session, met 15 times in 2023 and climate-related issues were discussed at 9 meetings;
- the ESG Control Room met 11 times during 2023, including two sessions dedicated to Sustainable Investment and one to ESG Sectorial Color Coding, and each meeting included climate-related topics.

i) Alignment of the remuneration policy with institution's environmental risk-related objectives

The Remuneration and Incentive Policies of the Intesa Sanpaolo Group (below also Policies) – which are an integral part of the Report on remuneration policy and compensation paid, available on the website – aim to align the management's and personnel's behaviour with the interests of all Stakeholders, guiding their action towards the achievement of sustainable medium-long term objectives within the framework of a prudent assumption of current and prospective risks.
Specifically, with regard to environmental risks, the Group establishes a link to them in both the short-term and long-term incentive plans through a comprehensive ESG KPI that also specifically includes the environmental dimension.
In particular, in line with the Bank's growing commitment to social, cultural and environmental sustainability and with the aim of creating long-term value for its people, customers, the community and the environment, since 2021 this KPI has been included in the annual Incentive System for the Group's Risk Takers and Middle Management and, in 2023, it was assigned within the scorecards for the CEO and around 3,000 of the Group's managers (in Italy and abroad).

[64] Renamed Climate Report from 2023.

The establishment of this KPI is also in line with the increasing attention on these issues by Regulators, Proxy Advisors, Shareholders and Stakeholders of the Group.
The ESG KPI is assessed according to specific drivers.
In particular, for the CEO (weight 15%):

- Presence of Intesa Sanpaolo in the sustainability indices of specialist companies (no. of presences);
- Promotion of an inclusive work environment through the identification and implementation of targeted management actions, with a particular focus on meeting the commitments in terms of gender balance assigned to each Division/Governance Area, i.e.: i) in annual hires; and ii) in the pool of candidates for first appointment to managerial roles;
- Group ESG initiatives:
  - support for the green economy and circular economy: i) development of ESG-related commitments; ii) number of sectors assigned an emissions reduction target; iii) reduced exposures to sectors with ESG risk; and iv) implementation of the Climate Credit Framework integration model within the credit granting process;
  - growth in Sustainable Investments: ESG investments as a proportion of total Assets under Management (AuM);
  - “Giovani e Lavoro” programme.

For the remaining population, the ESG KPI assessment (weight 10/15%) takes place:

- both at Group level, to recognise the Bank’s overall commitment in terms of Intesa Sanpaolo’s presence in sustainability indices of specialised companies;
- and at Governance Area/Division level, in order to enhance the areas of action of the individual structures. In particular, specific ESG-related projects/actions are assessed, as well as the promotion of an inclusive work environment through the identification and implementation of targeted management actions, with a particular focus on meeting commitments in terms of gender balance.

The ESG component, albeit based on different mechanisms, has been included in the two new Long-Term Incentive Plans aligned to the 2022-2025 Business Plan.
Specifically, the Performance Share Plan (PSP) for Management – around 3,100 beneficiaries (including the Managing Director and CEO, the remaining Group Top Risk Takers, and the other Group Risk Takers) – is based on shares awarded in the future upon achievement of specific economic and financial performance targets and includes an ESG KPI composed of a sub-KPI for each of the three ESG (Environmental, Social and Governance) factors whose target level is set in the 2022-2025 Business Plan[65]. This KPI, from the perspective of sustainability, acts as a demultiplier, reducing the number of shares by 10/20%, based on the degree of achievement.
On the other hand, the LECOIP 3.0 Plan was launched for all the Professionals in Italy (45,629 people have subscribed to the Plan) based on certificates with Intesa Sanpaolo shares as underlyings, which pays a minimum return (of 4%) on the capital initially allocated upon the Group’s achievement of the same composite ESG KPI as the PSP Plan. If the indicator is not achieved, the amount that would have been paid to employees will be invested by the Bank in ESG projects that contribute to the achievement of the ESG objectives concerned.
For both Plans, the sub-KPI referring to the Environmental component of the composite ESG KPI, which is given a weight of 40%[66], relates to the new lending for the green/circular economy and green transition with a focus on supporting the transition of Corporates/SMEs.

Risk management

j) Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

To assess and represent the short-, medium- and long-term effects of climate and environmental risk factors, also in general terms and in line with the regulatory Pillar 3 disclosure requirements, the following climate-related time horizons are considered in the assessment and representation of the effects of climate and environmental risk factors: Short-term (ST): 0 to 5 years; Medium-term (MT): 5 to 10 years; and Long-term (LT): 10 to 30 years. This breakdown is contained in the representation provided in Template 5 of the quantitative disclosure document.

For operational purposes, these general time horizons are specified in more detailed and refined within the Group’s Business Environment Scans, which incorporate strategic guidelines (i.e. Business Plan) and existing managerial controls. In this context, the time horizons considered by the Group are:

- short-term: until 2027, in line with the ICAAP and ILAAP and the targets set by the Business Plan;
- medium-term: until 2030, in line with the developments that are added to the Business Plan over time and establish the guidelines for the drafting of the subsequent plan;
- long-term: until 2050, in relation to the commitments resulting from the Group’s adherence to the principles of achieving the 2050 Net-Zero emissions targets.

[65] The Social sub-KPI (number of employees who successfully completed re-skilling training and were employed in a job in line with their newly acquired skills, or who completed up-skilling training) has a weight of 40%; the Governance sub-KPI (% of women newly nominated in senior positions, i.e. -1 and -2 organisational levels below the CEO) has a weight of 20%.
[66] See the previous note.

The table below provides a breakdown of the potential impacts of climate change risks for the different risk categories, assessed over the short, medium and long term. See point r) of this section for more information.

Risks Concerned	Physical		Transition
	Climate-related	Environmental	Climate-related Environmental
	- *Extreme weather events* - *Chronic weather patterns*	- *Decline in ecosystem services (e.g. reserves, soil quality, etc.)*	- *Economic policies and regulation* - *Technology* - *Market sentiment* - *Preferences and expectations of consumers and investors*
Credit risks	Credit risks increase if climate and environmental risks reduce creditors' ability to repay debt (income effect) or banks' ability to fully recover the value of a loan in the event of default (wealth effect). The estimated Probability of Default (PD) and Loss Given Default (LGD) of exposures within sectors or geographies vulnerable to physical risk may be affected by physical events that impact the counterparties' assets (with consequent effects on the financials) or the collateral securing the loans		Significant adjustment costs and lower business profitability may lead to an increase in the PD and a decrease in the value of collateral or less efficient recovery actions (LGD). Energy efficiency standards will, on the one hand, lead to high adaptation costs with possible strains on the profitability indicators and a consequent increase in PD; on the other hand, properties that do not adapt will have a lower value with a consequent impact on the value of the collateral
Market risks	Severe physical events may lead to shifts in market expectations and could result in sudden risk reassessment, higher volatility and losses in asset values on some markets		Transition risk factors may generate impacts, also sudden in nature, on the prices of financial instruments, similar asset classes or market sectors, as well as significant increases in the volatility associated with those instruments
Liquidity risks	Climate-related and environmental risks may have direct impacts in determining cash outflows (e.g. cash withdrawals from accounts by customers to finance damages) or indirect impacts, for example as a result of potential strains in financial markets		Transition risk factors may, directly and indirectly, adversely affect the expected cash flows, i.e. they may affect the available liquidity reserves, making some assets less liquid or reducing their value, with an adverse impact on the Bank's overall liquidity position
Reputational risks	Extreme weather events or the integrity of ecosystems may result in disruptions to the Group's operations, with possible repercussions in terms of image. Reputational risk factors may arise if the Group fails to adhere to or meet the sustainability and carbon neutrality targets set for its operations		Negative perceptions or deterioration of the Group's image because the expectations of customers, counterparties, investors or Supervisory Authorities regarding the management of climate-related and environmental risks are not met, may result, for example, from: – failure to comply with international standards/objectives the Group has subscribed to – complaints from customers concerning climate-related and environmental issues – media campaigns or NGO initiatives related to the funding of environmentally controversial activities
Non-financial risks - Operational risks	The Group's operations may be interrupted due to material damage to properties as a result of extreme weather events		Evolving consumer awareness of climate-related issues may lead to legal liability risks for the Group due to scandals caused by the funding of environmentally controversial activities
Other Types of Risk (strategic risk)			These may affect the financial sustainability of certain lines of business and generate strategic risk for certain business models in the absence of the necessary adaptation or diversification measures

The range of risks and opportunities related to climate change is analysed by the various corporate functions, in order to include them in the ordinary processes of risk identification, assessment and monitoring, in the Group's credit strategies and commercial offering.

k) Definitions, methodologies and international standards on which the environmental risk management framework is based

Intesa Sanpaolo has developed its own control framework for ESG risks on the basis of the principles set out by international best practices and the developments promoted and issued by the Supervisory Authorities at international level.
The **reference framework** is the European regulatory framework and the **guidelines** are provided by the main supranational partnerships that guide financial institutions in the transition to Net-Zero.

European regulatory framework	Objective
European Parliament Resolution on Sustainable Finance (29 May 2018)	set out the relevant aspects and possible regulatory interventions at European level in relation to sustainable finance
EBA - Action Plan on sustainable finance (6 December 2019)	set out the EBA's roadmap for publications and activities in relation to ESG factors and risks
EBA - Guidelines on loan origination and monitoring (29 May 2020)	specify the governance and credit and counterparty risk controls relating to loan origination and monitoring
ECB - Guide on climate-related and environmental risks (27 November 2020)	description of the expectations regarding the management of climate-related and environmental risks under the current prudential framework and the transparency of the disclosure on these aspects
EBA - Report on management and supervision of ESG risks for credit institutions and investment firms (23 June 2021)	provide common definitions of ESG risks and transmission channels, identify risk management, and integrate these risks into business, governance and risk management strategies
Regulation (EU) 2019/2088 - Sustainable Finance Disclosure Regulation	ensure transparency of disclosure on the sustainability of financial products in the financial services sector
Regulation (EU) 2020/852 - Taxonomy Regulation	establish the criteria an economic activity must meet to qualify as environmentally sustainable
Delegated Regulation (EU) 2021/2139	identify the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives
Regulation (EU) 2021/1119 - European Climate Law	establish the goal of climate neutrality in the EU by 2050 and set up a framework for achieving progress in pursuit of the global adaptation goal
Delegated Regulation (EU) 2021/2178	specify the information to be disclosed by financial and non-financial undertakings on the proportion of environmentally sustainable economic activities
Delegated Regulation (EU) 2022/2453	specify the Pillar 3 disclosure requirements regarding environmental, social and governance risks required by Article 449a CRR
International Guidelines	
UNEPFI - Guidelines for Climate Target Setting for Banks	outline key principles to underpin the setting of credible targets in line with the achievement of the objectives of the Paris Agreement
SBTi - Financial Sector Science-Based Targets Guidance	support Financial Institutions in setting science-based targets to align their lending and investment activities with the Paris Agreement

Intesa Sanpaolo is also committed to observing the principles of sustainable development and has subscribed to important international initiatives (e.g. UN Global Compact, UN Environment Program Finance Initiative, Principles for Responsible Banking, Principles for Responsible Investment, Principles for Sustainable Insurance, and Equator Principles) aimed at promoting dialogue between enterprises, supranational bodies and civil society and pursuing respect for the environment and human rights, in addition to supporting associations that promote the dissemination of a culture of sustainability and transparency (e.g. TCFD, Global Reporting Initiative).

The **internal regulatory framework**, developed taking into account the above-mentioned regulations, is made up of documents providing guidelines, principles and definitions, together with more operational documents.

Internal regulatory framework	Objective
Group guidelines for the governance of environmental social and governance (ESG) risks	define the roles and responsibilities of the corporate functions and corporate bodies, the macro-processes controlling ESG risks, and the most exposed sectors
Guidelines for the Governance of the Group's Most Significant Transactions	establish an adequate system of monitoring and controls for the assessment of transactions of particular importance that could potentially have a significant impact on the Group's risk profile
Self-regulatory policy	set the limits and exclusions in relation to operations in sectors most exposed to ESG risks
Rules concerning the Equator Principles	establish rules on the implementation of the Equator Principles and ensure their application by the Group
Rules for the classification of sustainable credit products and lending transactions	improve transparency with regard to products and transactions classified as "sustainable"
Rules for Valuation of Financial Instruments at Fair Value	identify criteria for the valuation of financial instruments with clauses that affect the contractual cash flows upon the achievement of ESG objectives
Investment Guidelines for the Corporate portfolios of the IMI Corporate & Investment Banking Division	identify sectoral and counterparty exclusion criteria and targets with sustainability criteria. The sustainability criteria are currently structured in terms of sectoral and counterparty exclusion criteria (set in line with the Guidelines for the governance of ESG risks), inclusion criteria based on the use of ESG scores at counterparty level, and average ESG profile targets summarised by the portfolio ESG score
ESG scoring rules	establish the rules for the development, management and maintenance of approaches and instruments for assessing the current and future positioning of Intesa Sanpaolo's corporate customers and the structured finance transactions with respect to sustainable business development criteria
Rules on credit strategies	establish the rules and procedures for the application of the Credit Strategy Framework within the credit steering processes for the Group, also considering the sustainability of the portfolio from an ESG perspective
Market Risk Charter	describe the development principles, processes and methodological rules for the management, measurement and control of market and counterparty risks

With specific regard to climate change risk, the **taxonomy adopted** by Intesa Sanpaolo divides climate change risks into physical and transition risks.
Physical risks represent the negative financial impact from climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss, and deforestation. These types of risks – which can usually arise in both the short/medium and long term – can be broken down into acute and chronic risks:

- **acute physical risks** refer to specific events that have the potential to create significant physical damage (e.g. flooding of rivers and oceans, tropical storms). These events are occurring more frequently, on both a regional and global basis;
- **chronic physical risks** involve a series of physical impacts of considerably longer duration than those posed by acute risks. They are identifiable as processes of change rather than single events. In most cases, the impacts are localised (e.g., drought) but chronic risks are likely to become more significant in the long term.

Transition risks are the negative financial impacts that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy, arising from:

- **public policy and legal risks**: this category includes policies that attempt to limit actions that contribute to the negative effects of climate change or political actions that seek to promote adaptation to climate change and the legal risk arising from the inability of organisations to mitigate/adapt to climate change;
- **technological developments**: these include innovations that support the transition to a low-carbon and energy-efficient economic system;
- **consumer preferences**: changes in the demand and supply of certain goods, products and services;
- **reputational risk** arising from changes in customer or community perceptions of an organisation's contribution to the transition to a low-carbon economy.

Climate change risk may be broken down in terms of its impact on financial risks through the relevant transmission channels. See point r) of this section for a detailed discussion of this topic.

The likelihood and magnitude of the impact of climate-related risk factors may be influenced by a number of additional variables such as the industry sector concerned, business model, and geographical location of the company or asset. The interactions and interdependencies between transmission channels and climate-related risk factors may result in an amplification of the related impacts. The above also applies in relation to the broader category and the transmission channels of environmental risks, where the main sources of risk for Intesa Sanpaolo's counterparties and, consequently, for the Group arise from:

- impacts on nature: changes in the state (quality and quantity) of natural capital caused by an organisation's activities that may result in changes in nature's ability to provide social and economic functions. Impacts can be positive or negative;
- dependence on nature: ecosystem services that an organisation relies on for the functioning of its business processes (e.g. the ability of ecosystems to regulate water flow).

l) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels

Proper risk management and control are essential to ensuring reliable and sustainable value generation and protecting the Group's financial strength and reputation. To this end, specific processes and responsibilities have been defined and set up to also identify, manage and monitor environmental/climate-related risks within the Group's risk management framework, in order to ensure long-term solidity and business continuity, extending the benefits to the Group's stakeholders. The main methodologies and processes implemented to determine the materiality and potential impacts of these risks for the Group, and how they are monitored and managed, are described below.

With regard to the **identification and assessment of environmental risks** in particular, the ESG risk governance framework includes:

- a **materiality analysis** (ESG/Climate Materiality Assessment), aimed at assessing the relevance of ESG risk factors with respect to different risk portfolios and categories, discussed below;
- a process for the identification and assessment of ESG and reputational risks in the **Group's credit granting processes, investment processes and supplier management processes**, through the application of sectoral and counterparty assessment metrics (ESG Sectoral Assessment, ESG Sectoral Color Coding, Counterparty ESG Score, and ESG & Reputational Risk Clearing), detailed below;
- **climate scenario analysis**, discussed in more detail in points n) and o) of this section;
- the integration of specific risk controls for the **assessment of ESG risks for each risk category** (e.g. credit, market, liquidity), with a particular focus, within environmental risks, on climate change risk, discussed in more detail in point r) of this section.

The **materiality assessment** is a granular analysis of the potential impacts of ESG risks, and in particular climate-related risks, for the Group. The aim of this analysis, which uses qualitative and quantitative forward-looking approaches, is to identify business sectors, geographic areas and portfolios (e.g. corporates, households and sovereigns) with higher vulnerability to these risks and consequently to correctly prioritise the implementation of the risk controls.
The results of the Materiality Assessment provide the basis for:

- updating the mapping of the various climate and ESG risk factors, their transmission channels and the impact on other risk categories;
- setting the limits and Key Risk Indicators (KRIs) within the Risk Appetite Framework;
- calibrating and performing stress tests on specific climate and ESG risk factors;
- guiding the sectoral credit policies and strategies (ESG Sectoral Color Coding) and establishing specific actions aimed at mitigating ESG risks.

In 2023, assessment metrics (at sector/counterparty and individual transaction level) were added to the **credit granting process**, aimed at limiting the loans granted to counterparties identified as having a negative ESG/climate impact.

Within the corporate credit granting, the ESG & Reputational Risk Clearing process can be triggered by particular values of the ESG Sectoral Color Coding and Counterparty ESG Scores, which are also fundamental for determining the Credit Strategies, with the former contributing to the determination of the sectoral attractiveness and the latter acting as a differentiation parameter for the application of strategic price adjustments.
Specifically:

- the ESG Sectoral Color Coding is a sectoral classification differentiated based on ESG risk and opportunity. This classification is broken down into clusters (color coding);
- the Counterparty ESG Score is a model for assessing the qualitative/quantitative counterparty ESG profiles of a customer company or structured finance deal and takes into account both the risks the company is exposed to and the opportunities that may arise in those contexts. Its main purpose is to provide a better understanding of the ESG profile of customers in order to mitigate the risks and enable the pursuit of sustainable transition opportunities. The data used to calculate the ESG Score comes both from internal data sources, derived from knowledge of customers, and from external data sources via a panel of leading data providers, and, from 2023, with the aim of improving the database, these have also been accompanied by ESG questionnaires completed by corporate customers. Specifically, a programme was initiated for gathering information through a specific ESG questionnaire for the corporate customers of Banca dei Territori and IMI C&IB, in order to supplement the database already available for the Group, offering a positioning report to all the participating companies in return for completing the questionnaire. This positioning report allows companies to objectively assess their sustainability performance based on quantitative metrics (e.g. greenhouse gas emission intensity or water consumption) compared with the average, at both sector and overall level, of Intesa

Sanpaolo's corporate customers included in the benchmark. Further developments are underway to assess the sustainability performance of institutional customers and to extend the coverage of the model to other international subsidiary banks of the International Subsidiary Banks Division.

The aim of the ESG & Reputational Risk Clearing is to represent the potential ESG & Reputational risk profiles associated with a specific transaction/counterparty or initiative, enabling informed assumption of risk in the related decision-making processes. This process is applied on a proportional basis and in a differentiated manner according to the complexity of the counterparties/transactions and has escalation mechanisms differentiated according to the ESG/reputational risk class assigned to the transaction/counterparty. The process is divided into two levels of control:

– a first level performed by the line functions aimed at an initial analysis of the main ESG & Reputational risk factors and performed by the structure that manages the relationship with the counterparty;
– a second level, activated based on the outcome of the first level, aimed at examining and assessing any critical concerns that may have emerged from the first level, and also involving an expert analysis of these risk profiles. Generally, the outcome of the assessment is an advisory opinion that includes an assessment of the main critical concerns identified, the related mitigators and the level of risk assigned based on proprietary metrics. Escalation mechanisms are triggered when there are risk classes that are not consistent with the Bank's risk appetite.

Within the ESG & Reputational Risk Clearing process, particular importance is also given to the application of the Equator Principles, which are international guidelines, for all countries and all industrial sectors, applicable to the financing of infrastructure and industrial projects (e.g. power plants, petrochemical plants, mines, transport and telecommunications infrastructure) that due to their nature may have adverse effects on people and the environment. In compliance with these guidelines, applied on a voluntary basis by Intesa Sanpaolo, transactions governed by the Equator Principles are subject to a specific analysis of the ESG risks related to the project and subsequent monitoring over the course of its implementation. In addition, for sectors considered to have high transition risk (e.g. oil&gas), an analysis of the transition plans is required for counterparties from those sectors.

The **Group's investment activity includes a process** for identifying and assessing ESG profiles, which enables the classification of the internal ESG sectoral assessment metrics, such as, for example, the ESG Sectoral Assessment and the ESG Sectoral Color Coding, and external ones (e.g. ESG score/rating), with the aim of identifying specific risk controls, also taking into account the materiality of the exposures. In principle, the indicators used for assessing the ESG risks associated with the investment activity enable the establishment of negative/positive screening criteria and strategies, taking into account the specific characteristics of the different asset classes concerned, such as instruments issued by corporate counterparties and instruments issued by government or supranational counterparties.
Intesa Sanpaolo has also updated its "Rules for the provision of advisory and other investment services" establishing the procedures for the classification of financial products for ESG purposes and developing the related service model. As signatories of the Principles of Responsible Investment promoted by the United Nations, the Group's **asset management companies**, Eurizon Capital SGR and Fideuram Asset Management SGR, also focus particular attention on the environmental, social and corporate governance policies implemented by the issuers they invest in.
The asset management companies have developed specific selection and monitoring methods aimed at integrating sustainability risks into the Investment Process for their assets under management. These methods are tailored to the characteristics of the products and their classification under the SFDR and can be summarised into three "Macro Strategies":

– Negative screening, which involves the application of limits relating to issuers (i) operating in sectors considered "not socially responsible" (SRI Binding screening) and (ii) critical, i.e. with a high exposure to sustainability risks (ESG Binding screening);
– Positive screening, which involves, in compliance with good governance practices: (i) the integration of ESG factors into the analysis, selection and composition of the assets under management (ESG Integration) or (ii) the pursuit of sustainable investment objectives. These objectives are pursued through investment selection methodologies aimed at: (a) contributing to sustainable development objectives through selection processes based on sustainable investment criteria pursuant to the SFDR ("SDG Investing"); and (b) generating a social or environmental impact together with a measurable financial return ("Impact Investing");
– Stewardship, which involves proactive and systematic interaction with subsidiaries through the exercise of intervention and voting rights and dialogue, encouraging effective communication with the Management staff of the companies (Active ownership – engagement).

In addition, Eurizon assesses the negative impacts generated by the investments of its managed assets with respect to the main environmental, social and governance indicators established by Regulation (EU) 2019/2088. The company has adopted a proprietary score, called the "Eurizon ESG Score", which integrates environmental, social and governance factors, as an additional assessment component supporting the investment decisions by the managers. The proprietary model consists of a comprehensive system of assessment differentiated according to (i) corporate issuers and (ii) government issuers, through the analysis of specific KPIs that assess environmental, social and corporate governance components.
The Intesa Sanpaolo Vita Insurance Group has also established methods for selecting and monitoring financial instruments, designed to integrate the analysis of sustainability risks into its investment process by applying exclusion or restriction criteria in the investment of the managed assets for issuers operating in sectors considered "not socially responsible" or "critical", i.e. companies with a low ESG sustainability rating. The Insurance Group's efforts focus on expanding the product offering and developing investment options and services with sustainability features, through the placement of pension and insurance investment products and the addition of detailed information to the documentation provided to customers.

Intesa Sanpaolo is aware that procurement relations and policies can create the conditions to foster economic development that is mindful of environmental protection and respect for human rights, and pays attention to the sourcing, qualification and monitoring of suppliers, which are centralised within the Parent Company. Accordingly, in addition to the economic-financial and technical-organisational characteristics of each supplier, **the supplier assessment process** takes into account the checks on business ethics and respect for human rights, labour rights and the environment, based on the declarations made

when completing specific questionnaires and/or the possession of particular certifications. If the result of this assessment is positive, the suppliers are admitted to the Group Supplier Register and can be invited to procurement events. The Procurement Head Office Department oversees the procurement process, ensuring the correctness and consistency of procurement with respect to the guidance laid down in the relevant policies and internal regulations.
The planned developments for the supplier qualification systems include the determination of the counterparty ESG Score within the systems.

With regard to the **monitoring and reporting** process, the ESG risk governance framework provides for quarterly **reporting** within the Group Tableau de Board for Risks. The subject of this reporting relates in particular to:
– monitoring of the limits/attention thresholds and indicators established in the Risk Appetite Framework (see point q) of this section);
– representation of the exposure to the sectors most exposed to ESG risks based on the results of materiality analysis.

m) Activities, commitments and exposures contributing to mitigate environmental risks

At Intesa Sanpaolo, the containment of environmental risks is based on a structure that includes limits and processes for risk management and mitigation for the most relevant ESG risk exposures, with a focus on climate change risks.
As discussed in point b) of this section, Intesa Sanpaolo has developed a regulatory framework that provides for the definition, preparation and implementation of sectoral rules that limit credit operations in specific economic sectors/micro-sectors. In particular, it has approved exclusion policies for the coal and unconventional oil & gas sectors and established objectives and commitments in line with the Net-Zero target. The Group's strategic objectives are then also implemented through controls in the risk management processes with particular regard to the Risk Appetite Framework and the credit framework (see points l) and q) of this section), which involve the identification of remedial actions in the event of breaches of the ESG limits. In addition, a prior assessment of the risk profiles is carried out for all transactions of particular relevance (that could have a significant impact on the Bank's risk profile) for the purposes of reputational and ESG-Climate change risks.
The pursuit of ESG objectives also includes an offering of sustainable products aimed at supporting customers in their process of transition to a more sustainable, low-carbon economy (see point a) of this section).
The prevention activities described above are accompanied by the dissemination of the principles of the Code of Ethics and the culture of sustainability in order to promote the reduction of the exposure to environmental risks.

The potential impacts, the related time horizon (short, 8medium and long-term) and the actions identified for each observed potential risk, which are updated annually, for both indirect and direct risks, are set out in the tables below.

INDIRECT RISKS

Transition Risks

Potential risks	Risk type	Timeframe ST(0-3y)	Timeframe MT(4-7y)	Timeframe LT(7-30y)	Business Area BdT	CIB	PB	ISB	AuM	INS	CC	Potential Impacts
Climate change risk: *misalignment of economic actors with actions aimed at reducing their CO2 emissions*	**Credit Risk**	◷	◷	◷	○	○	○	○				**Non-financial corporation counterparties:** Introduction of climate policies and technological shifts can weaken companies' competitiveness, affecting their financial statements through reduction of earnings, alteration of business costs, need for investment, impacting their creditworthiness and solvency. **Households and retail customers:** Non-compliance with regulations or shifts in preferences towards low-energy housing may affect collateral value or generate stranded assets. Additionally, higher energy prices or policies promoting green mobility could impact families' costs and spending power and, in turn, their creditworthiness and solvency.
	Market risk	◷	◷	◷		○	○	○	○	○	○	**Non-financial corporation issuers:** Introduction of climate policies and technological shifts can weaken companies' competitiveness, affecting their financial statements through reduction of earnings, alteration of business costs, need for investment, impacting their creditworthiness, solvency and the value of their financial instruments traded on financial markets. **Sovereign issuers:** Impact on real economy and financial system, coupled with social adjustments to support transition, may lead to higher costs for high-emitting nations, which, in turn could impact their creditworthiness, solvency and the value of the financial instruments traded on the financial markets. **Asset Management / Insurance:** Consequences of climate change on companies in the portfolio with consequent possible reduction in the value of assets under management or investments.
via: • *Policy and Legal Risks* • *Technology Risks* • *Consumer preferences* • *Reputational risks*	**Operational risk**	◷			○	○	○	○	○	○		**Conduct:** Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product or commitments (e.g. greenwashing). **Litigation:** Litigation and liability costs associated with climate-sensitive investments and businesses.
	Liquidity risk	◷	◷		○	○	○	○			○	**Credit exposures:** Impact of transition risks on customer exposures could affect the liquidity position of the Group (e.g. undrawn committed lines/default of counterparties). **Funding:** Transition risk factors may affect customers and therefore the Bank's access to stable sources of funding could be reduced. **Market exposures:** Transition impacts on issuers and their financial instruments might reduce the ability for the Bank to trade or liquidate assets computed in the liquidity reserves.
	Reputational risk	◷	◷	◷	○	○	○	○	○	○		Deterioration of the Group's image due to unmet expectations in climate and environmental risk management or business adaptation • Negative perception from stakeholders and in particular from ESG investors due to nil or inadequate management of such risks • Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower ESG rating

Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.
Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

INDIRECT RISKS

Potential risks	Risk type	ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS	CC	Implemented actions	Opportunities
Climate change risk: *misalignment of economic actors with actions aimed at reducing their CO2 emissions* *via:* • *Policy and Legal Risks* • *Technology Risks* • *Consumer preferences* • *Reputational risks*	**Credit Risk**	◷	◷	◷	○	○	○	○				• Assessment of ESG and climate risks in the lending portfolio through Materiality assessment, scenario analysis, Business Environment Scan exercise and transactions risk assessment process • Definition of targets related to the physical intensity of financed counterparties belonging to specific sectors • Limits and monitoring thresholds set within the Risk Appetite Framework • Identification of environmental (e.g. net zero loans and medium-to-long-term financing with SACE green guarantees), social, governance, and other sustainable products and transactions • Implementation of self-regulation policies (credit portfolio)	• Sustainable finance: increase customer support to enforce energy transition by offering products and dedicated financial solutions (e.g. Green and Circular Economy products)
	Market risk	◷	◷	◷		○	○	○	○	○	○	• Assessment of ESG and climate risks in the investment portfolio through Materiality assessment, scenario analysis and Business Environment Scan analysis • Limits and early warning setting within the Risk Appetite Framework • Identification of green, social and sustainable investments • Implementation of self-regulation policies (investment portfolio) • Rebalancing of portfolios	• Increasing and expanding the range of investment products and services
	Operational risk	◷			○	○	○	○	○	○		• Assessment of ESG and climate risks through Materiality assessment, scenario analysis, Business Environment Scan analysis, and operational losses monitoring	
	Liquidity risk	◷	◷		○	○	○	○			○	• Assessment of ESG and climate risks through Materiality assessment and scenario analysis	• Increase in Green and ESG bond issuance
	Reputational risk	◷	◷	◷	○	○	○	○	○	○		• Assessment of ESG and climate risks through transactions risk assessment process • Participation in international working groups on climate change issues (e.g. UNEP FI Net Zero initiatives) • Stakeholder engagement initiatives • Market perception and ESG rating positioning monitoring	• Improvement of the group's perception/image for both investors and clients
	Cross-risk actions											• Active monitoring of ESG evolving regulations and implementation/integration of internal policies • Active collaboration with policy makers to highlight the need for stable and clear environmental and ESG regulations • Inclusion of climate risk in risk management systems	

Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.
Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

INDIRECT RISKS

Physical Risks

Potential risks	Risk type (1)	ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS(2)	CC	Potential Impacts
Climate change risk: *Risks related to the physical impacts of climate change* Chronic Acute	**Credit Risk**	◷	◷	◷	○	○	○	○				**Non-financial corporations counterparties:** Severe weather events, both acute and chronic, may impact creditworthiness and solvency of corporate counterparties, with impacts varying based on business sector and location, potentially affecting their profitability. **Households and retail costumers:** Acute or chronic climate events can damage or destroy properties, decreasing their value and increasing credit risk.
	Market risk	◷	◷	◷		○	○	○	○	○	○	**Non-financial corporations issuers:** Severe weather events, both acute and chronic, may impact creditworthiness and solvency of corporate counterparties, with impacts varying based on business sector and location, potentially affecting their profitability and the value of their financial instruments traded on the financial markets. **Sovereign issuers:** Severe weather events, both acute and chronic may impact the real economy and financial systems, coupled with social adjustments to support businesses and population in case of physical climate events. This could lead to higher costs for nations more prone to physical risks, which, in turn, could impact their creditworthiness, solvency and the value of the financial instruments traded on the financial markets. **Asset Management / Insurance:** Possible acute and chronic extreme weather events may cause losses on securities in managed portfolios.
	Liquidity risk	◷	◷		○	○	○	○			○	**Credit exposures:** The impact of physical risk on customer exposures could affect the liquidity position of the Group (e.g. undrawn committed lines/default of counterparties). **Funding:** Physical risk factors may affect customers and therefore the Bank's access to stable sources of funding could be reduced. **Market exposures:** Physical impacts on issuers and underlying assets of their financial instruments might reduce the ability, for the Bank, to trade or liquidate assets computed in the liquidity reserves.

(1) In the physical risk section, no potential impacts and actions directly related to reputational risk have been considered. Furthermore, in the context of Physical Risks, the Operational Risk can be considered a "Direct Risk", see next table.
(2) Catastrophic events may adversely affect the profitability of the insurance business with consequent increases in claims and may exceed insurance companies' estimates of expected risks and losses leading to higher insurance premiums with a consequent possible decrease in demand for insurance.
Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.
Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

INDIRECT RISKS

Potential risks	Risk type	ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS[(2)]	CC	Implemented actions	Opportunities
Physical Risks (Chronic, Acute)	**Credit Risk**	✓	✓	✓	○	○	○	○				• Assessment of ESG and climate risks in the lending portfolio through Materiality assessment, scenario analysis, Business Environment Scan exercise and transactions risk assessment process • Limits and early warning setting within the Risk Appetite Framework	• Reinforced customer relations. New subsidised loans intended to restore damaged structures • Financing of resilient buildings and infrastructures to adapt to climate change • Insurance policies covering physical risks
	Market risk	✓	✓	✓		○	○	○	○	○	○	• Assessment of ESG and climate risks in the investment portfolio through Materiality assessment, scenario analysis and Business Environment Scan analysis	
	Liquidity risk	✓	✓		○	○	○	○			○	• Assessment of ESG and climate risks through Materiality assessment, scenario analysis	

(1) In the physical risk section, no potential impacts and actions directly related to reputational risk have been considered. Furthermore, in the context of Physical Risks, the Operational Risk can be considered a "Direct Risk", see next table.
(2) Insurance: the potential impacts, defined in note 2 of the previous table, open up opportunities for the development of specific policies for extreme catastrophic events.
Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.
Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

DIRECT RISKS

	Potential risks	Risk type [(1)]	ST(0-3y)	MT(4-7y)	LT(7-30y)	Potential Impacts	Implemented actions
Transition Risks	*Changes in environmental regulations* ■ *Introduction of new greenhouse gas emission limits or new related reporting systems* ■ *Increase in cost of raw materials* *Changes in environmental regulations and standards that the Group voluntarily adheres to (ISO standards)*	**Operational & Other risks**	✓	✓		• Possible sanctions in the event of failure to comply with new Regulations • Costs for upgrading heating and air conditioning systems and for new monitoring tools • Cost related to potential taxes connected with greenhouse gas emissions • Increase in costs of energy supply • Costs of changing the processes of certification in the event of changes to standards	• Constant and precautionary monitoring of possible changes to national and European regulations • Participation in dedicated training courses or workshops • Own emissions plan implementation and monitoring • Energy efficiency actions • Increase in the use of renewable energy sources • Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings • Continuous and precautionary monitoring of possible changes in standards
Physical Risks	Acute *Extreme weather events (floods, landslides, avalanche, mudslides, heavy rainfalls, hailstorms, heavy snowfall, whirlwinds, hurricanes, cyclones, coastal storms)*	**Operational & Other risks**	✓	✓	✓	• Business continuity: extreme weather events may cause material damage and interruptions to the Group's operations • Own assets: extreme weather events may cause material damage the assets of the Group	• Precautionary assessment of the hydrogeological risks for buildings • Adoption of a business continuity plan and measures to prevent/mitigate/manage physical damage to the bank's structures • Creation of a platform to identify the risk level of any Intesa Sanpaolo group real estate asset • Insurance to cover the risks and their impacts
	Increase or reduction in average temperatures, sea level rise, water stress and drought Chronic		✓	✓	✓	• Increase in energy supply costs connected with greater heat or electricity consumption • Power outage risk due to increased energy demand • Sea level rise with consequent impact on buildings close to the sea • Potential fires due to temperature increase in areas close to the Bank's buildings	• Energy efficiency actions • Increase in the use of renewable energy sources • Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches buildings • Preventive assessment of the risk of sea level rise • Adoption of a business continuity plan and actions to mitigate/manage possible power outage • ISO 14001, ISO 50001 and ISO 45001 certifications taking into account climate change related risks • Creation of a platform to identify the risk level of any Intesa Sanpaolo real estate asset

(1) Within direct risks, both operational and other types of risks not directly related to the prudential framework of the Group have been considered.

n) Implementation of tools for identification, measurement and management of environmental risks

o) Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile

Scenario analysis is a key element in integrating the risks and opportunities associated with climate change into the business strategies, also considering the medium- to long-term implications. The Climate Scenario Analysis is used, within the more general framework of the materiality assessment, to explore potential portfolio vulnerabilities, particularly in the credit portfolio, also as part of the regulatory stress testing exercises or the ICAAP.

In conducting the ICAAP, Intesa Sanpaolo adopts an approach that incorporates specific solutions designed to verify the impact of transition and physical risk on the Non Financial Corporate (NFC) portfolio and the real estate-backed portfolio. With regard to transition risk, the impact is assessed by means of shocks applied to the balance sheets of the individual counterparties and to the energy efficiency level of the residential and commercial immovable property provided as collateral. The estimate of the impact of physical risk, on the other hand, is determined based on the geolocation of the immovable property provided as collateral or NFC customer production sites, according to the different types of weather events. For the estimation of the impacts, the Network for Greening the Financial System (NGFS) scenarios are taken into account as a common reference for the climate-related stress testing. Specifically, the following scenarios are used:

– Orderly Transition (“Net Zero 2050”): assuming that climate policies are introduced in advance and gradually become more stringent;
– Disorderly Transition (“Delayed Transition”): exploring risks related to delayed or divergent policies across countries and sectors;
– Hot House World (“Current Policies”): based on the assumption that some climate policies are implemented in some jurisdictions, but that global efforts are insufficient to stop significant global warming.

Starting from the ICAAP/ILAAP 2023 report, stress tests have been introduced related to long- and short-term climate risk, for both transition risk and the physical risk.

The integrated ICAAP/ILAAP scenario is developed over a short- to medium-term time horizon and is also aimed at assessing the impact of climate risks (e.g. floods, heat waves, landslides, fires, ...), in a macroeconomic stress scenario (e.g. geo-political tensions, ...), with the assumption that there is no immediate reaction by the Bank in terms of sectoral reallocation of the risk exposures.

The long-term scenario is aimed at assessing how the Bank may approach an (Orderly or Disorderly) Transition or, conversely, a Current Policies situation. This exercise includes transition and physical risk drivers (chronic risk, included in the NGFS scenarios, as well as acute risks) and is performed assuming a portfolio recomposition due to market needs and the Bank’s strategy.

December 2023 also saw the start of the “One-off Fit-for-55 climate risk scenario analysis” exercise carried out by the European Banking Authority (EBA) on behalf of the European Commission in cooperation with the European Supervisory Authorities (ESAs), the European Central Bank and the European Systemic Risk Board (ESRB). This exercise involves the application of top-down scenarios to data collected from banks to assess the resilience of the EU financial sector and its ability to support the transition to a low-carbon economy, also under stress conditions.

The results of the impact assessments conducted so far (materiality assessment and climate scenario analysis) have shown that the Group is not exposed to a material extent to climate risks in the short term. Over the medium- to long-term horizon, exposure to these risks could intensify in a limited and concentrated manner in areas already subject to control and monitoring. In particular, with regard to the transition risk on the most emission-intensive sectors of the Banking Book (Oil & Gas, Power Generation and Automotive), intermediate sector targets to 2030 have been set in the Business Plan – aligned to the Net-Zero target by 2050 – subject to a transition plan in accordance with the NZBA guidance, to mitigate the potential future risk. The monitoring will be progressively extended to other sectors, in line with the commitments made upon joining the NZBA and with the request for validation by the SBTi.

p) Data availability, quality and accuracy, and efforts to improve these aspects

The identification, collection, and analysis of specific data are key factors in the management of ESG risks, and a database that is as complete, accurate and robust as possible is a fundamental part of the framework for governing these risks. Intesa Sanpaolo, in line with the Group’s Data Strategy, has established an ESG data framework for the implementation of a common reference database, in order to avoid fragmented, redundant data solutions with inconsistent information among the various uses. The common ESG database now feeds the processes for the calculation of the ESG Score, counterparty transition risk and physical risk metrics, and scenario analyses, and has been established as the main feeding source of the GAR engine, in addition to being a common access point for retrieving useful data for management reporting.

The information that makes up Intesa Sanpaolo’s ESG data assets mainly comes from:

– data collected directly from customers;
– data collected from public sources (e.g. CNFS);
– specialist info-providers and research institutes (e.g. UNEPFI - United Nations Environment Programme Finance Initiative);
– computations produced by the risk management function (risk metrics).

With regard to climate change risk, particular attention is given to collecting and analysing data on CO_2 emissions, a key element for the assessments and actions related to the NZBA commitments (climate neutrality by 2050). The use of a variety of sources (external, internal) and approaches (top-down and bottom-up assessments) and increasing knowledge of the relevant metrics enable the refinement and improvement of the available set of information over time. Accordingly, the Bank is committed to enhancing its database through its operations and its relationship with its customers. This includes, for example, the initiatives launched to improve the counterparty ESG score, by collecting information directly from customers, and expand the available information assets on the Energy Performance Certificate (EPC) for properties provided as collateral. Lastly, the Group, as it awaits shared and uniform standards of reference, is focusing in particular on the potential consistency risk of this multi-source framework and has put in place internal rules to establish hierarchies between the sources.

q) Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits

The Risk Appetite Framework (RAF) integrates and translates what has been defined in terms of strategic guidelines into specific controls, and the ESG/Climate Materiality Assessment and the ESG Sectoral Color Coding are used to identify, on an annual basis, limits, key risk indicators and specific actions aimed at containing the ESG risks, specifically with regard to the sectors with the highest exposure to those risks. This also includes specific actions related, for example, to the Group's strategic choices, such as subscribing to the Net-Zero targets. Specifically, intermediate sector targets for 2030 have been set within the Business Plan for the most emission-intensive sectors, subject to a transition plan for mitigating the potential future risk, in accordance with the recommendations of the NZBA. The Iron & Steel and Commercial Real Estate sectors have been added, alongside the Oil & Gas, Power Generation and Automotive sectors already covered by targets, and other sectors will be progressively added, in line with the commitments made in joining the NZBA and the request for validation by the SBTi.

The ESG Climate Change and Reputational Risk section of the Group RAF includes:

- specific limits in relation to the exposure to the coal mining and oil & gas sectors; for coal mining in particular, the limit is reviewed annually in line with the target of phasing out lending by 2025;
- specific early warning /monitoring thresholds relating to the emission intensity (CO_2eq) in terms of financed production of the counterparties belonging to the Oil & Gas, Power Generation, Automotive and Iron & Steel sectors and a specific control for the most significant lending transactions relating to Commercial Real Estate, with the aim of meeting the commitments made within the Net-Zero Banking Alliance and the Science Based Target initiative;
- an attention threshold for new underwritings with the aim of improving the quality of the mortgage loans portfolio both in terms of transition and physical risk. Particular attention is paid to buildings with low energy performance classes (EPCs) and those located in areas most exposed to acute physical risks;
- an early warning threshold in relation to the Group's exposure for sectors with significant problem issues, especially with regard to the social dimension, such as the gambling, tobacco and mining sectors, in line with the ESG sectoral strategy of associated credit disincentives;
- setting of limits on investment activity in the banking book financial portfolios.

The development work carried out in 2023 will enable the further strengthening of this section and the expansion of its scope, also in terms of portfolios covered (e.g. Residential Real Estate and Commercial Real Estate, and investment portfolios with financial instruments).
The Group also recognises the importance of protecting natural capital and biodiversity as an emerging priority in order to reduce negative impacts on financial assets and its reputation. The Group is committed to identifying areas of potential vulnerability and the related strategic priorities within the materiality assessment for environmental risk and to conducting a targeted assessment of nature-related risks in order to identify the actions to be taken to develop a management system for this type of risk.

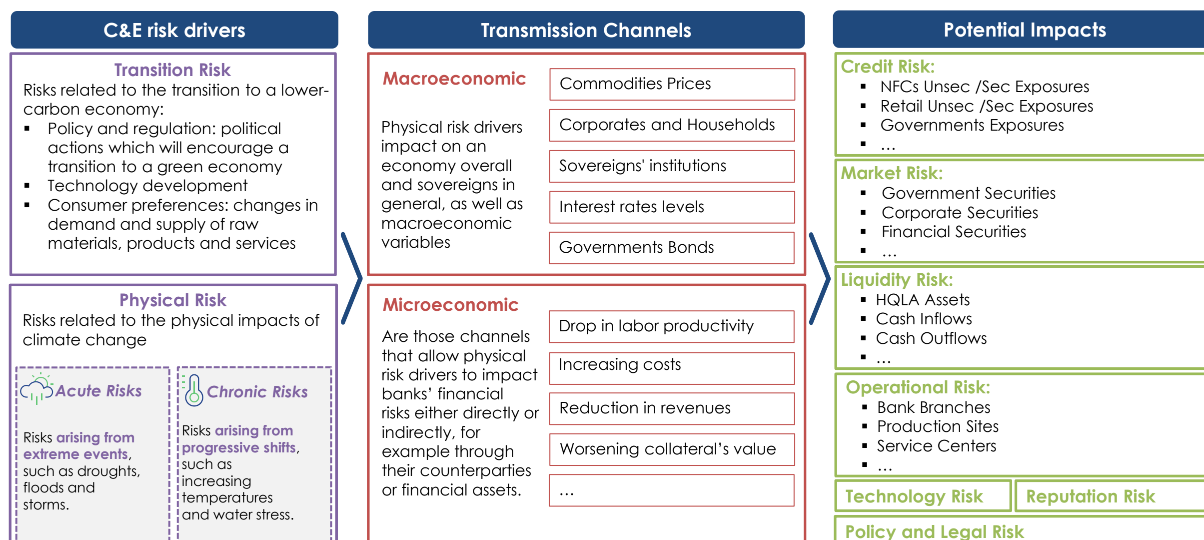
The RAF also identifies the main choices in terms of limitations and exclusions to lending to sectors/counterparties most exposed to ESG risks, which are then integrated into the self-regulatory policy and/or company processes. Specifically, Intesa Sanpaolo has issued the "Rules for lending operations in the coal sector" and the "Rules for lending operations in the unconventional oil&gas sector" aimed at establishing general and specific criteria for limiting and excluding lending operations to counterparties in those sectors. In addition, all transactions with counterparties with significant environmental/climate-related risk elements (e.g. top polluting companies) are subject to the ESG & Reputational Risk Clearing process, classified as Most Significant Transactions and therefore subject to an enhanced assessment and the binding opinion of the Chief Risk Officer.
A limit on the Group's exposure has also been introduced for the sectors most exposed to social and governance risks, in line with the ESG sectoral strategy of associated credit disincentives.

With regard to the Credit Risk Appetite, an indicator that guides the relationship managers in the assessment of counterparties during credit origination, risk and resilience factors linked to ESG elements have been established. Specifically, for Corporate and Large Corporate counterparties, the framework includes the score developed internally by Intesa Sanpaolo that assesses the ESG characteristics of the counterparties. If this internal score is not available, the external Moody's ESG score allocated to the counterparty is considered, and, if neither of these scores is available, the presence of environmental certifications attributable to the counterparty and its potential exposure to social and environmental risks are assessed. For Retail SME counterparties, the risk and resilience factor takes into account the presence of environmental certifications attributable to the counterparty.

Lastly, with regard to reputational risk and its interrelation with ESG risks, monitoring is carried out on specific key risk indicators relating to transactions with controversial counterparties, the Group's web and press reputation and any ESG disputes to which the Group may be exposed.

r) Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

Intesa Sanpaolo's risk management framework involves the integration of climate and environmental risk factors with the different risk categories impacted. This decision takes into account the fact that the impact of climate and environmental risks may be direct, for example due to lower earnings of companies or the reduction in value of assets, or indirect, for example due to legal actions (legal risk) or reputational damage that arises when the public, counterparties of the institution and/or investors associate the institution with adverse environmental effects (reputational risk).



With regard to **credit risk**, the qualitative component of the models currently validated and used by the Group considers various ESG and Climate-related aspects and elements. For Large Corporates, a specific module has also been incorporated into the model that considers quantitative ESG data provided by external providers, and for the Corporate model (companies or groups with a size of less than 500 million euro), an ad hoc module has been developed – in addition to the qualitative questions that also consider socio-environmental risks, to take account of the counterparty's exposure to physical risks arising from catastrophic events (e.g. damage to production facilities and/or warehouses) – that statistically identifies potential deteriorations in the Probability of Default, using historic and public information on catastrophic events observed at geographic area level. More specifically, for domestic counterparties, this module provides an assessment of the risk of damage related to natural disasters (floods, fires, earthquakes) to which a company is potentially exposed depending on the region (and/or municipality) where it operates and/or mainly conducts its business. Overall, the weight of these modules in the final rating is limited. Consequently, at present there does not appear to be any appreciable "large-scale" effect attributable to those modules on the ratings expressed by the internal models and, therefore, on the downstream metrics that use them (e.g. ECL).

In managing **market risk**, Intesa Sanpaolo also assesses the effects of climate and environmental factors on its current positions exposed to market risk. Specifically, the Group:

- analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
- analyses the impact of climate and environmental risks on the fair value measurement of financial instruments, focusing in particular on the main asset classes, payoffs and positions explicitly linked to climate and environmental (C&E) risk factors, as well as the future investments proposed by the business structures;
- classifies current positions subject to market risk using the ESG indicators available internally (e.g. ESG Sectoral Color Coding) and externally (e.g. economic-industrial business sectors, ESG score/rating), also through recognised suppliers, in order to identify specific risk controls, also considering the materiality of the exposures. These controls consist of the establishment of market risk limits on the investment activity (e.g. allocation of ceiling limits). In principle, the indicators used for assessing the ESG risks associated with the investment activity enable the establishment of negative/positive screening criteria and strategies, taking into account the specific characteristics of the different asset classes concerned, such as instruments issued by corporate counterparties and instruments issued by government or supranational counterparties.

Within the market risk management model, the assessment of exposure to ESG risks also involves stress tests to investigate the sensitivity of the portfolios to ESG risk factors and estimate the impact that those factors, particularly climate and environmental risks, may have on the actual risk level of the exposures.

With regard to **liquidity risk**, significant climate and environmental risks may lead to an increase in net cash outflows or erode available liquidity reserves. Even though, according to the general consensus in the banking industry, the link between C&E risks and liquidity is mainly indirect and potentially more long term in nature, it is considered important not to underestimate these risks and their potential transmission, and to duly incorporate an assessment of their potential effects on the Group's current and future liquidity position.
To this end, after the prior identification of climate and environmental risk factors that could adversely affect the Group's liquidity positions, specific analyses and monitoring of exposures are carried out to assess the materiality of the risk factors identified, maintaining a close connection with the qualitative assessments adopted:

– by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes;
– for the valuation of securities for market risk purposes.

In the assessment of the various scenarios, including stress scenarios, on the timing of inflows and outflows and the quantitative and qualitative adequacy of liquidity buffers, attention is also devoted to analysing the impact of climate and environmental risk factors that could compromise the liquidity positions on a forward-looking basis. These analyses are incorporated into the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP), in line with the analysis horizon for the exercise, and have identified relatively low absorptions of the Group's liquidity reserves.

In managing **operational risks**, Intesa Sanpaolo also considers the possible adverse impact of weather and environmental events on its real estate, business continuity and litigation risk. Specifically, the Group:

– within the loss data collection for operational events, identifies those related to climate and environmental risks and those related to climate/environmental litigation, through specific event types;
– during the Operational Risk Assessment process, uses specific risk scenarios dedicated to climate and environmental risks to assess possible losses resulting from property damage, possible disruptions to its operations and potential legal liabilities;
– to protect business continuity, assesses the impact of the physical risks associated with IT centres and sites (including outsourced IT services), identifying alternative locations for disaster recovery;
– for the first time in 2023, it used a dedicated scenario to assess the impacts on the Bank of an extreme weather event affecting a key supplier and compromising its ability to provide the service it was engaged for.

In relation to climate/environmental litigation risk, Intesa Sanpaolo has set up monitoring of market disputes (domestic and international), refined its litigation monitoring process, and established a special training initiative for the staff involved.

The operational losses identified in relation to climate and environmental risks, together with the results (in terms of expected loss and VaR) of the Self-Diagnosis of the assessment of the possible impacts of those risks, contribute to the calculation of the capital requirement at individual and consolidated Group level, using an advanced approach, and are included in the operational risk reporting periodically submitted to the Group Control Coordination and Non-Financial Risks Committee.

In the management of **reputational risk**, the assessment of the potential ESG and reputational risks associated with the Group's business operations and supplier/partner selection is carried out through the ESG & Reputational Risk Clearing process, described in point l) of this section. The Group also monitors its web and press reputation by integrating specific assessments of events related to environmental risks/climate change (e.g. events resulting from protests or adverse campaigns arising from the Bank's lending activities). Lastly, specific scenarios relating to ESG and climate issues are included in the annual reputational risk assessment by the top management.

In relation to the **risks associated with the Investment Service for Customers**, the Group has set up a series of centralised controls aimed, on one hand, at monitoring the sustainability risk implicit in the size of the ESG score provided by a specialist infoprovider at instrument and portfolio level and, on the other hand, at ensuring that sufficient stress is given to Sustainable Development Goal (SDG) factors in the analyses carried out within the Product Governance process for the assets under administration issued by the Parent Company and distributed through the captive networks.

With regard to **direct environmental risks**, in view of the increasing strategic significance of the issue of CO_2 emissions, in 2022 Intesa Sanpaolo drew up a new plan, called the Own Emissions Plan, which sets a 2030 Net-Zero target for own emissions through energy efficiency measures and greater use of energy from renewable sources. Intesa Sanpaolo is also committed to analysing and containing possible risks on its properties, as well as taking swift action to deal with any environmental emergencies that may arise.

To this end, in line with the provisions of the Business Plan, in 2023 a specific tool was selected that identifies the degree of exposure of ISP's real estate assets to the main geographical and climate change risks, such as hydrogeological risks, drought, forest fires, etc. This platform geolocalises each individual asset in Italy and calculates the exposure index for each risk, based on data from the main national and international certified sources, such as SwissRE, Copernicus, INGV, ISPRA, and the Department of Civil Protection. With regard to hydro-geological risk (floods and landslides), also linked to climate change and the potential occurrence of crisis scenarios in Italy that may affect Intesa Sanpaolo's properties, a series of corporate structures will be activated to manage these aspects. In 2024, the platform will also be made operational for the foreign branches and offices, and a function for the computerised management of emergency events will be developed.

Qualitative information on social risk (Table 2 Reg. 2022/2453)

Business strategy and processes

a) Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning

In the 2022-2025 Business Plan, Intesa Sanpaolo intends to further strengthen its role as a leading bank in ESG, with a world-class position in social impact and a strong focus on climate:

- support to address social needs;
- strong focus on financial inclusion through social lending;
- continuous commitment to culture;
- promoting innovation;
- supporting customers through the ESG transition;
- Group people.

Intesa Sanpaolo supports the 17 Sustainable Development Goals (SDGs) by promoting concrete actions for the equitable and sustainable development of the communities in which it operates and subscribes to major international initiatives (in addition to those of a more strictly environmental nature) that also define the Group's strategic commitment to social issues:

- Global Compact: UN initiative promoting corporate social responsibility through adherence to ten fundamental principles relating to human rights, labour, environment and anti-corruption;
- Women's Empowerment Principles: UN-sponsored principles that establish guidelines for companies aimed at promoting gender equality and women's professional development in the workplace;
- UNEP Finance Initiative - Principles for Responsible Banking (PRB): a UNEP FI programme aimed at helping the banking sector align with the UN Sustainable Development Goals (SDGs) and the 2015 Paris Climate Agreement. The Bank subscribed to the PRB in 2019 as a Founding Signatory;
- UNEP Finance Initiative - Principles for Sustainable Insurance (PSI): a UNEP FI programme for the insurance sector to address risks and opportunities related to environmental, social and governance issues. The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Intesa Sanpaolo Vita;
- Principles for Responsible Investment (PRI): principles on the integration of ESG criteria on investments, stemming from the partnership between the UNEP FI and the Global Compact. The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Eurizon Capital SGR, Fideuram ISPB Asset Management SGR, Fideuram Asset Management SGR, Fideuram Asset Management (Ireland) and the Group's Pension Fund;
- Equator Principles: guidelines for social and environmental risk assessment and management in projects based on the criteria of the International Finance Corporation, a World Bank body;
- B4SI: an internationally recognised reporting standard used in measuring and managing corporate social impact.

b) Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

The Group has set out objectives on the various areas of intervention in the 2022-2025 Business Plan, objectives that also contribute to the achievement of the Sustainable Development Goals (SDGs), as detailed below. In line with the Business Plan, in 2023 the Bank further strengthened its commitment to social issues for a more inclusive and supportive present and future, aimed at allocating a contribution, over the period 2023-2027, of 1.5[67] billion euro to address social needs, combat inequality and aid financial, social, educational and cultural inclusion.

Support to address social needs	Supporting people in need	Expansion of the food and shelter programme for people in need with around 50 million interventions to distribute meals, bed places, medicines and clothes
	Fostering youth inclusive education and employability	Launch of employability programmes for more than 3,000 young people and involvement of more than 4,000 schools and universities in inclusive education programmes
		Promoting 3,000-4,000 social housing units for youth (e.g. students, young workers) in Italy
	Assisting senior population	Creating around 30 senior community hubs to provide, at the local level, social and leisure activities and dedicated health and social assistance services
		Promoting 3,000-4,000 social housing units for seniors (e.g. seniors with low income, living alone) in Italy

[67] As a cost for the Bank (including structural costs of around 0.5 billion euro related to the around 1,000 people dedicated to supporting initiatives/projects), already taken into account in the 2024-2025 guidance.

Strong focus on financial inclusion through social lending	Lending to the non-profit sector	Lending and dedicated services for non-profit organisations to promote local initiatives that benefit communities and the environment
	Fund for Impact	Direct support to individuals unable to access credit through traditional financial channels, with dedicated programmes such as "MAMMA@WORK", a highly subsidised loan to balance motherhood and work in their children's early years of life, and "Per Merito", the first line of credit without collateral dedicated to all university students
	Lending for urban regeneration	Dedicated programme for urban regeneration with investments in hospitals, smart mobility, broadband networks, education and service and sustainable infrastructure
	Lending to vulnerable and underserved individuals	Direct support to vulnerable and underserved individuals Support to families affected by natural disasters through subsidised loans Partnerships to provide micro-credit to individuals or small businesses in difficulty
	25 billion euro of cumulative flows of social lending envisaged in 2022-2025	
Continuous commitment to culture	Two new museums for Gallerie d'Italia in Turin and Naples[68] and expansion of exhibition spaces in Milan and Vicenza with an overall increase in the exhibition spaces from 14,200 square metres in 2021 to 30,000 in 2025 Multi-year programme of original temporary exhibitions, educational labs with schools and social inclusion projects dedicated to vulnerable categories Creation of a centre of excellence in the new Gallerie d'Italia in Turin to promote the value of photography "Restituzioni" programme, dedicated to restoration and promotion of the national heritage curated by the Bank in collaboration with the Ministry of Culture Professional education programmes in art and culture Partnerships with museums, public/private institutions in Italy and abroad Sponsorship of cultural activities and events	
Promoting innovation	Development/support for around 800 innovation projects in 2022-2025 by Intesa Sanpaolo Innovation Center in the following five areas: – Development of multidisciplinary applied research projects (e.g. AI, neuroscience, robotics) via collaboration with top-notch research centres, promoting technology transfer and spin-offs and creating intangible assets and intellectual property – Support to high-potential startups through non-financial services (e.g. acceleration programmes) and in connection with/with the support of venture capital funds, also thanks to NEVA SGR – Support to the development of innovation ecosystems with an international perspective, coordinating the network of relationships with corporates, incubators, R&D centres, universities, national and international institutions – Acceleration of business transformation and support to corporates' long-term development (e.g. scouting new technologies) promoting de-risking and competitiveness through Open Innovation programmes – Dissemination of an innovation mindset/culture through events and new educational formats Around 100 million euro of investments of NEVA SGR in startups	
Supporting customers through the ESG/climate transition	Sustainable lending for Retail customers	Further boost of sustainable lending for Retail customers with a focus on the green transition
	Support to SMEs/Corporates on the sustainability journey	Strengthening of sustainable lending to SMEs/Corporates Dedicated Circular economy Lab and strategic partner of the Ellen MacArthur Foundation More than 12 ESG Labs, at least one in each Regional Governance Centre, with around 100 dedicated ESG specialists, in collaboration with specialised partners to support SMEs/Corporates in the ESG transition Skills4ESG platform for customer training and engagement
	Support for the green transition: 88 billion euro of new lending for the green economy, circular economy and green transition (76 billion euro of credit to the areas of application of Mission 2 of the National Recovery and Resilience Plan[69], 12 billion euro of green lending to individuals[70]), of which 8 billion euro dedicated to the circular economy	
	Customer assessment based on Intesa Sanpaolo proprietary ESG scoring	Proprietary ESG scoring fully embedded in Intesa Sanpaolo's credit risk appetite model, as a key component for sustainable lending assessment together with considerations at a sector level (ESG/climate sectoral heatmap) and also included in the creditworthiness assessment of the entire Intesa Sanpaolo customer base, in line with the expected regulatory evolution Inclusion of ESG scoring within the credit strategy framework
	Enhancement of the proposition in ESG Asset Management offering	Expansion of the ESG asset management offering Increase in new ESG funds[71] as a percentage of total new funds introduced from

[68] Transformation of Palazzo Turinetti in Piazza San Carlo in Turin and of the former Banco di Napoli building in Naples into new museums.

[69] 2021-2026.

[70] 2022-2025.

		58% in 2021 to 70% in 2025 Increase in Assets under Management (AuM) in sustainability-conscious investments[72] from 110 billion euro in 2021 to 156 billion euro in 2025 with the percentage versus total AuM rising from 46% in 2021 to 60% in 2025 Further development of Eurizon's proprietary ESG scoring, with extension to the government bond asset class Development of dedicated ESG advisory services for Fideuram
	Development of dedicated ESG insurance offering	Development of dedicated non-life ESG offering Expansion of the ESG/climate offering within the Group's life insurance range
Group people	Next way of working	"Next way of working" on large scale (physical-remote hybrid) ensuring maximum flexibility for all employees by strengthening IT systems and improving workplace layouts Around 33% of days worked remotely in 2025 (excluding the branch network) Initiatives for the well-being and safety of people on a large scale New incentive plans to foster individual entrepreneurship
	Innovative talent strategy	"Future leaders" programme involving around 1,000 talents and key people at Group level International footprint reinforcement with distinctive capabilities in key markets and insourcing of core capabilities in the digital space
	Diversity & Inclusion	Promotion of an inclusive and diverse environment thanks to a set of dedicated initiatives and a focus on gender equality New senior leadership appointments[73] balanced by gender[74]
	Learning ecosystem	Increase in reskilled/upskilled People from around 5,000 in 2018-2021 to around 8,000 in 2022-2025 Around 4,600 new hires over the course of the Plan, of which around 500 in 2021 Increase in training hours from around 45 million in 2018-2021 to around 50 million in 2022-2025 with 100% of Intesa Sanpaolo People trained on ESG Creation of the leading education player in Italy to position itself as an aggregator of the best Italian players in the industry, offer the Group's People best-in-class training on critical capabilities for both the digital and green transition and invest in top-notch learning technologies to provide an ever more effective learning experience New "job communities" (clusters of professionals with similar skills, learning paths and titles) aimed at defining a coherent development model throughout the Group with an increase in the number of people participating from around 4,000 in 2018-2021 to around 20,000 in 2022-2025
	Tech-enabled process streamlining	Cloud infrastructure enabling a new Group "HR platform" Organisational streamlining to improve efficiency and time-to-market Innovative organisational models in selected areas of the Group enhancing agility and entrepreneurship

[71] Eurizon perimeter – pursuant to Articles 8 and 9 SFDR 2088.

[72] Eurizon perimeter – pursuant to Articles 8 and 9 SFDR 2088.

[73] 1-2 organisational levels below the Managing Director and CEO.

[74] Expected to reach around 30% of women in senior leadership positions by 2025.

c) Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities

Intesa Sanpaolo is also committed to developing a sustainability-based business culture among its corporate customers, as set out in the 2022-2025 Business Plan, to guide them towards an economic transition that is sustainable, not only from a financial perspective.
To increase the knowledge and skills that corporate customers require in this area, a project has been developed that involves both a dedicated online platform and custom designed training and support programmes, taking advantage of internal skills and external partnerships.
Specifically, following the commercial agreement of June 2022, Intesa Sanpaolo, through the company Digit'Ed, is also engaged in the development of digital training for businesses through the Skills4Capital training platform, with the goal of supporting the growth of businesses, developing skills and taking advantage of the opportunities that arise in a continuously evolving market, through training programmes on various ESG issues. Customer training, again through Digit'Ed, is also carried out through Skills4ESG, an initiative aimed at raising awareness of ESG issues via a customer portal, a single access point for training in those areas with a range of dedicated content, news and success stories on sustainability issues, presentations of Group initiatives on issues with social, environmental and governance impact, and additional training services (e.g. advanced training, one-to-one training, multi-business workshops). Intesa Sanpaolo-Digit'Ed joint training programmes are also available to corporate customers, with a particular focus on ESG issues, accessible remotely and through virtual classrooms.
The initiative related to the ESG Labs is also continuing, as already mentioned in point d) of "Qualitative information on environmental risk" above.

Governance

d) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to: i) activities towards the community and society; ii) employee relationships and labour standards; iii) customer protection and product responsibility; and iv) human rights

In addition to what has already been described above, the Board of Directors is responsible for corporate management and may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, of both an ordinary and extraordinary nature. It performs guidance and strategic supervision duties over the Company and passes resolutions on all the most important corporate actions.
The Board of Directors, with the support of the Risks and Sustainability Committee, approves the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the fight against climate change – taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders.
The Board of Directors is also responsible for approving the Group's Code of Ethics and Code of Conduct. The Code of Ethics sets out the "principles of conduct in customer relations" in the knowledge that investment decisions and credit policy must also take social and environmental risks into account, based on the principle that an activity that produces economic value cannot ignore the related social and environmental value. In this context, the Code of Ethics promotes:

– adherence to national and international protocols for compliance with socio-environmental protection standards;
– the adoption of criteria and controls aimed at excluding the financing of activities and projects with particularly significant negative environmental and social impacts;
– peaceful coexistence by avoiding financial support for economic activities that could jeopardise it;
– projects with high environmental and social value to facilitate the transition to a sustainable economy;
– the selection of initiatives aimed at protecting historical, artistic, cultural and natural assets.

As stated in the Guidelines for the Governance of ESG Risks, approved by the Board of Directors, the Group undertakes not to finance companies and projects if, at the time of the assessment of the transaction, they are located in areas of active armed conflict, or if evidence emerges, such as penalties, legal proceedings and judgements, relating to human rights violations and forced or child labour practices.
Accordingly, Intesa Sanpaolo assesses its suppliers also on the basis of environmental, social and governance aspects, seeking to direct their behaviour towards protecting the environment and respecting human and workers' rights. This approach is also enshrined in the Principles on Human Rights with particular regard to the criteria adopted by the Group in the selection of suppliers and subcontractors.

e) Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body

The strategic guidelines and policies on sustainability/ESG are approved by the Board of Directors, with the support of the Risks and Sustainability Committee, taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders. More information on the existing committees can be found in the section "Qualitative information on environmental risk" in points e) and g).

f) Lines of reporting and frequency of reporting relating to social risk
Within the ESG risk processes and monitoring, the Chief Risk Officer reports quarterly to the Risks and Sustainability Committee on the portfolio exposure to sectors exposed to ESG and climate-related risks, as part of the Tableau de Bord for the Group's risks, as detailed in point l) of the section "Qualitative information on environmental risk".
A total of 23 meetings of the Board of Directors were held in 2023, of which 14 also discussed ESG-related topics, such as, among others:
- 2022 Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016;
- 2022 TCFD Report;
- 2022 Principles for Responsible Banking Report;
- Report on the Code of Ethics and on the principles of social and environmental responsibility;
- Group guidelines for the governance of environmental social and governance (ESG) risks - Update;
- Group Guidelines for the Governance of the Most Significant Transactions - Update;
- 2022 Modern Slavery Statement;
- Code of Ethics – Update;
- Gender neutrality of the Group's Remuneration Policies – Gender pay gap analysis;
- Diversity, Equity and Inclusion: Principles on Diversity, Equity and Inclusion - Renaming and Updating; Gender equity and application of the principles.

In addition, an induction meeting was held in July regarding the "Update on the activities of the ESG Control Room and the Group's main ESG development projects".

g) Alignment of the remuneration policy in line with institution's social risk-related objectives
The ESG perspective is of central importance in the Incentive System.
Specifically, with regard to social risks, the Group establishes a link to them in both the short-term and long-term incentive plans through a comprehensive ESG KPI that also specifically includes the social dimension.
In particular, in line with the Bank's growing commitment to social, cultural and environmental sustainability and its goal of creating long-term value for its people, customers, the community and the environment, since 2021 this KPI – which represents an evolution from the previous transversal Diversity & Inclusion KPI assigned from 2018 – has been included in the annual Incentive System for the Group's Risk Takers and Middle Management and, in 2023, it was assigned within the scorecards for the CEO and around 3,000 of the Group's managers (in Italy and abroad). For more details on the structure of the ESG KPI, see the section "Qualitative information on environmental risk" in point i).
The ESG component has been included in the two new Long-Term Incentive Plans – aligned to the 2022-2025 Business Plan – based on different mechanisms.
For both Plans, the composite ESG KPI includes a sub-KPI referring to the Social component, which is given a weight of 40% and relates to number of employees who successfully completed re-skilling training and were employed in a job in line with their newly acquired skills, or who completed up-skilling training.
See point i) of the section "Qualitative information on environmental risk" for a more detailed description of the ESG mechanisms in the LTI Plans and the other two sub-KPIs.

Risk management

h) Definitions, methodologies and international standards on which the social risk management framework is based
Intesa Sanpaolo has developed its own control framework for social risks on the basis of the principles set out by international best practices and the developments promoted and issued by the Supervisory Authorities at international level.
In terms of **regulatory references**, in addition to what is stated, with regard to ESG risks, in letter k) of the section "Qualitative information on environmental risk", the Group:
- protects the fundamental rights contained in the eight fundamental conventions of the ILO (International Labour Organization);
- upholds the human rights affirmed in the Universal Declaration of 1948 and subsequent international conventions on civil and political rights and on economic, social and cultural rights;
- supports the OECD (Organisation for Economic Co-operation and Development) guidelines and the principles against corruption laid down by the United Nations in 2003.

The internal regulatory framework has been developed in order to implement the principles and values set out in the Code of Ethics.

Internal regulatory framework	Objective
Principles on Human Rights	respect and promote the protection of human rights and fundamental freedoms with particular attention to all the Group's main stakeholders
Modern Slavery Statement	describe the measures taken to combat the risk of slavery in operations and in the supply chain
Principles on Diversity, Equity and Inclusion	implement and disseminate a policy, inside and outside the Group, for the inclusion of all forms of diversity
Rules for combating sexual harassment	prevent and combat any form of sexual harassment to ensure respect for and protection of the dignity of all individuals
Rules governing transactions with subjects active in the armaments sector	prohibit any financing/investment in activities related to the manufacture of unconventional weapons
Credit Granting Rules	regulate the credit granting rules with regard to the ESG assessment of concessions granted to customers
Group Risk Appetite Framework Guidelines	formalise the duties and responsibilities of the Corporate Bodies and functions involved in the various phases and/or activities that make up the RAF

As stated in the Guidelines for the Governance of ESG Risks, the Group undertakes not to finance companies and projects if, at the time of the assessment of the transaction, they are located in areas of active armed conflict, or if evidence emerges, such as legal proceedings instituted by the competent authorities, of human rights violations and forced or child labour practices. In addition, the Group carefully assesses its exposure to counterparties active in the production or marketing of tobacco or in the gambling industry.

i) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels

With regard to the processes for identifying and monitoring social risks, see the description already provided in point l) of the section "Qualitative information on environmental risk".

j) Activities, commitments and assets contributing to mitigate social risk

The Intesa Sanpaolo Group, in line with its sustainability/ESG approach and in accordance with the principles set out in its Code of Ethics, recognises the importance of allocating resources correctly and responsibly, on the basis of social and environmental sustainability criteria. It therefore promotes balanced growth aimed at redirecting capital flows towards sustainable investments that reconcile interests such as the preservation of the natural environment, combating climate change, health, employment, the welfare of society as a whole, and the preservation of the system of social relations.

By developing the offering of ESG products and solutions, the Group aims to mitigate the main social risks identified. For example, in the new 2022-2025 Business Plan Intesa Sanpaolo has committed to providing 25 billion euro in social lending over the entire period. The Group has thus contributed to creating business and employment opportunities and to helping people in difficulty through various forms, as set out in the new Plan: anti-usury loans; products and services aimed at non-profit sector associations and entities; products for the most vulnerable social groups to promote their financial inclusion; loans to support populations affected by disaster situations; and other social loans.

The table below provides details and a description of the main controls relating to the social risks identified:

Issue	Potential risk	Potential impacts	Mitigation measures
Integrity in corporate conduct	Compliance risks with applicable legislation (corruption, money laundering, taxation, free competition, privacy, labour law) and ineffective response to regulatory changes Reputational risks	Fines and penalties, limitations to conducting business Damage to reputation and brand	Internal control system divided into several levels Establishment of internal company regulations Specialised training for employees Introducing a whistleblowing system Adoption of internal regulations for the conduct of company operations also in relation to ESG issues
Risk of providing employees with insufficient or no training related to external and internal regulations		Risk of providing employees with insufficient or no training related to external and internal regulations	
Financial inclusion and supporting production	Inadequate offering of products/services to customers Reputational risks	Loss of competitiveness, customers and market shares leading to reduced profitability Damage to reputation and brand	Development of the offering to promote financial inclusion for vulnerable people Development of solutions in support of the non-profit sector Development of the offering in support of production
Sustainable investments and insurance	Assessment and control of ESG risks in the investment portfolio Investments in controversial sectors Reputational risks Failure to comply with regulations	Loss of competitiveness, market shares and customers that are conscious of ESG aspects, leading to reduced profitability Damage to reputation and brand Fines and penalties	Integration of ESG factors into the investment process Development of the range of ESG funds Company engagement activities ESG training Internal control system Subscription to the Principles for Responsible Investment (PRI) and the Stewardship Principles Subscription to the Principles for Sustainable Insurance (PSI)
Community support and commitment to culture	Reputational risks	Damage to reputation and brand	Development of investments and partnerships with social impacts in communities Development of training and employment projects for the new generations Initiatives to promote culture Development of institutional initiatives in support of the community
Employment protection	Conflicts and related labour dispute risks	Disputes Strikes with impacts on service continuity for customers and on profitability Employee dissatisfaction with impacts on productivity	Investments in the Group's People Responsible management of corporate restructuring processes, with the reallocation of employees to other activities New hires to promote generational change Management of labour dispute risks System of industrial relations
Retention, enhancement, diversity and inclusion of the Group's people	Inadequate employee growth and motivation Inability to attract and retain talent Termination of employment relationships with managers holding relevant roles Insufficient focus on diversity and inclusion issues	Employee dissatisfaction with impacts on productivity Lack of adequately trained and qualified personnel Inadequate customer service levels Damage to reputation and brand	Investment in training activities Talent Attraction strategy (short and long term) which, broken down by various communication actions and on different channels, is defined with respect to the different targets of interest Talent management programmes (e.g. Future leaders) Recognition of employees' merit New incentive plans (including LTIs) to foster individual entrepreneurship Succession plans for business continuity Initiatives to enhance diversity and inclusion, including specifically focused training on the topic Diversity & Inclusion Principles Sexual orientation and identity diversity regulations Rules for combating sexual harassment Commitment to the United Nations "Women's Empowerment Principles" Request for certifications on relevant topics (e.g. ISO PDR 125:2022)

Health, safety and well-being of the Group's people	Accidents in the workplace Occupational diseases Risks associated with the COVID-19 pandemic Robberies Inadequate employee motivation Work-life balance difficulties	Employee dissatisfaction with impacts on productivity Damage to persons arising from the COVID-19 pandemic Damage to persons or property during robberies Damage to reputation and brand Employee dissatisfaction with impacts on productivity Loss of skills as a result of employee exits	Health and safety training Certification of the health and safety management system (ISO 45001) in all branches and buildings in Italy Assessment and management of infection risk Risk assessment for workplaces and processes Preventing and combating robberies Risk assessment for subjective and social conditions Assessment of work-related stress Work-life balance initiatives Flexible working and new organisational models Offering solutions for welfare and quality of life in the company Development of climate surveys

k) Implementation of tools for identification and management of social risk

See the description provided in points l) and r) of the section "Qualitative information on environmental risk".

l) Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits

With regard to the limits and controls set for social risks, see the description regarding the internal regulatory framework (point h) and points l) and q) of the section "Qualitative information on environmental risk").

m) Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

With regard to ESG risks, see point r) of the section "Qualitative information on environmental risk".

Qualitative information on governance risk (Table 3 Reg. 2022/2453)

Governance

a) Institution's integration in their governance arrangements of the governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics
b) Institution's accounting of the counterparty's highest governance body's role in non-financial reporting
c) Institution's integration in governance arrangements of the governance performance of their counterparties including: ethical considerations; strategy and risk management; inclusiveness; transparency; management of conflict of interest; and internal communication on critical concerns

The management of risks arising from governance is a significant issue in two respects: on the one hand, in the internal governance of the Intesa Sanpaolo Group, and on the other, in the assessment made by the Group concerning the governance of the Bank's counterparties.
The strategic guidelines and policies on sustainability/ESG are approved by the Board of Directors, with the support of the Risks and Sustainability Committee, taking into account the objectives of solid and sustainable value creation and distribution for all stakeholders. More information on the existing committees can be found in the section "Qualitative information on environmental risk" in points e) and g).
In line with the paradigm of sustainable economic development, the environmental, social or governance factors of an economic activity can have a positive (opportunities) or negative (risk factors) impact on the economic/financial performance or solvency of a counterparty, the environment and the community in relation to specific transmission channels.
Intesa Sanpaolo assesses the "corporate governance" dimension of the counterparty ESG risk factors in terms of: ethics and transparency of corporate governance; the presence of independent or non-executive directors; the presence of diversity policies in the composition of the corporate bodies; the presence of sustainability plans and objectives linked to the remuneration of the board and senior managers; and control procedures, policies and, more generally, the conduct of senior management and the company in terms of ethics and compliance (as detailed in the Group Guidelines for the governance of ESG risks). More information on the assessment of ESG risk factors is available in the section "Qualitative information on governance risk" in point d).
In addition, as already noted in the "Risk management" point l) of the section "Qualitative information on environmental risk", the governance dimension is an integral part of the counterparty ESG score and the ESG sectoral assessment.
The counterparty ESG score supports the decision-making processes, particularly in relation to credit strategies and the credit granting process. The internal counterparty ESG score uses information from specialist external info-providers, with regard to the governance aspects of large companies that publish a CNFS.
With regard to the management of communications concerning potential critical issues, Intesa Sanpaolo regulates the risk governance macro-processes and the various information flows to the corporate bodies and committees relating to ESG risk management, aimed at the following, among other things:
- analysis and understanding of the rationales and any dynamics underlying the trend in the level of exposure to ESG risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

Risk management

d) Institution's integration in risk management arrangements of the governance performance of their counterparties considering: i) ethical considerations; ii) strategy and risk management; iii) inclusiveness; iv) transparency; v) management of conflict of interest; and vi) internal communication on critical concerns

With regard to the integration of counterparty governance risks into risk management arrangements, see the section "Qualitative information on environmental risk" in point l), in particular in relation to the Counterparty ESG score and the ESG & Reputational Risk Clearing process, and the management of suppliers.

Quantitative disclosure

The quantitative disclosures relating to ESG risks, as required by Regulation (EU) 2021/637 (as amended, including Regulation (EU) 2022/2453) pursuant to Article 449a CRR, are provided below.

With regard to the Templates for Physical and Transition Risks Related to Climate Change, the scope includes:

– in Templates 1, 4 – Non-Financial Corporation (NFC) Transition Risk: information on exposures to non-financial companies, including loans and advances, debt securities and equity instruments, classified in the accounting portfolios in the banking book, excluding financial assets held for trading or assets held for sale;
– in Template 2 – Real Estate Transition Risk: information on loans collateralised by commercial and residential immovable property and repossessed real estate collateral;
– in Template 5 – Physical Risk: information on both of the above scopes.

Template 3, which under the above-mentioned Regulation must be published as at the first reporting date of 30 June 2024, is not covered by this disclosure.

As described in more detail below, from December 2023, information on the GAR[75] is also published in this section.

Template 1 shows the exposures to non-financial corporations with a focus on the sectors most exposed to climate transition risks.
The Template shows, by counterparty NACE (*Nomenclature statistique des Activités économiques dans la Communauté Européenne*) sector, the quality of the exposure and related provisions in terms of non-performing exposure status, Stage 2 classification and maturity bucket.
The Template shows the totals by NACE sector, including sub-totals to sectors and sub-sectors that highly contribute to climate change. In particular, it shows the total to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) 1893/2006, which include the oil, gas, mining and transport sectors, identified as sectors that highly contribute to climate change, as specified in Recital 6 of Commission Delegated Regulation (EU) 2020/1818[76], and a total of exposures to "other sectors". The counterparty NACE sector allocation is carried out in accordance with point 4 of Regulation 2022/2453, which requires that holding companies and special purpose vehicles be allocated to the sector of the obligor that receives the funding and of the parent company of the special purpose vehicle.

The disclosure is accompanied by information on companies that are excluded from the EU Paris-aligned benchmarks as specified in Article 12(1), subparagraphs (d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818.
The counterparties referred to in subparagraphs (d)-(g) of Article 12.1 consist of:

– d) companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
– e) companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
– f) companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
– g) companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2e/kWh;

and have been identified using information on the nature of the counterparty's revenues provided by external providers, where available, or internally tracing the main economic activity to the scope defined in the regulations.
As stated in Article 12.2, companies that are considered to significantly harm one or more of the environmental objectives set out in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council[77] have also been identified as excluded from the benchmarks. To this end, information was used on the alignment of the counterparty's activities with environmental objectives provided by external providers; the results of the Bank's internal materiality and ESG analyses were also used.

For the first time, the current reporting includes the column relating to the disclosure of *environmentally sustainable exposures* in terms of climate change mitigation or that enable mitigation, in accordance with Articles 10 and 16 of Regulation (EU) 2020/852, for which the regulation required first disclosure as at the reporting date of 31 December 2023, while the columns of *GHG financed emissions*, for which a phase-in period ending on 30 June 2024 is envisaged, have not yet been presented.
The estimation of the financed emissions on the loan and investment portfolio is made according to a timeframe in line with that defined in relation to the subscription to the NZBA and the commitment to obtain the SBTi certification.

[75] Also referred to as the green assets ratio, it indicates "*the proportion of exposures of the credit institution related to activities aligned to the EU Taxonomy – Reg. 2021/2178 (green assets) compared to the total assets of the institution. The GAR should relate to the credit institutions' main lending and investment business, including loans, advances and debt securities, and to their equity investments to reflect the extent to which those institutions finance Taxonomy-aligned activities*".

[76] Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).

[77] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

Banking book (Non-financial companies) - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 1 of 4)*

(millions of euro)

Sector/subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		of which exposures towards companies excluded from EU Paris-aligned Benchmarks**	Of which environmentally sustainable (CCM)	of which stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
Exposures towards sectors that highly contribute to climate change*	**163,555**	**8,009**	**4,230**	**16,599**	**5,435**	**-4,047**	**-907**	**-2,748**
A - Agriculture, forestry and fishing	4,188	-	-	578	169	-141	-36	-91
B - Mining and quarrying	2,705	1,748	27	1,385	159	-267	-139	-127
B.05 - Mining of coal and lignite	*22*	*22*	*-*	*-*	*21*	*-5*	*-*	*-5*
B.06 - Extraction of crude petroleum and natural gas	*1,101*	*756*	*27*	*523*	*37*	*-141*	*-103*	*-37*
B.07 - Mining of metal ores	*187*	*-*	*-*	*90*	*88*	*-92*	*-12*	*-80*
B.08 - Other mining and quarrying	*317*	*-*	*-*	*103*	*10*	*-14*	*-10*	*-4*
B.09 - Mining support service activities	*1,078*	*970*	*-*	*669*	*3*	*-15*	*-14*	*-1*
C - Manufacturing	56,914	2,268	578	3,994	1,476	-1,003	-192	-720
C.10 - Manufacture of food products	*6,902*	*-*	*-*	*459*	*276*	*-148*	*-16*	*-117*
C.11 - Manufacture of beverages	*1,563*	*-*	*1*	*91*	*30*	*-25*	*-4*	*-18*
C.12 - Manufacture of tobacco products	*11*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.13 - Manufacture of textiles	*1,282*	*-*	*-*	*74*	*20*	*-16*	*-2*	*-11*
C.14 - Manufacture of wearing apparel	*1,918*	*-*	*-*	*164*	*71*	*-43*	*-7*	*-34*
C.15 - Manufacture of leather and related products	*1,534*	*-*	*-*	*140*	*82*	*-47*	*-5*	*-40*
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*729*	*-*	*-*	*41*	*46*	*-33*	*-2*	*-29*
C.17 - Manufacture of paper and paper products	*1,068*	*-*	*-*	*50*	*21*	*-18*	*-3*	*-13*
C.18 - Printing and reproduction of recorded media	*594*	*-*	*-*	*58*	*22*	*-16*	*-2*	*-12*
C.19 - Manufacture of coke and refined petroleum products	*2,149*	*1,969*	*2*	*87*	*55*	*-65*	*-17*	*-46*
C.20 - Production of chemicals	*2,967*	*29*	*25*	*219*	*33*	*-33*	*-13*	*-16*
C.21 - Manufacture of pharmaceutical preparations	*1,243*	*-*	*-*	*45*	*1*	*-7*	*-2*	*-*
C.22 - Manufacture of rubber products	*3,806*	*9*	*236*	*269*	*69*	*-46*	*-6*	*-35*
C.23 - Manufacture of other non-metallic mineral products	*1,856*	*30*	*4*	*198*	*57*	*-39*	*-10*	*-26*
C.24 - Manufacture of basic metals	*3,667*	*35*	*72*	*343*	*47*	*-58*	*-37*	*-18*
C.25 - Manufacture of fabricated metal products, except machinery and equipment	*6,085*	*50*	*2*	*563*	*159*	*-114*	*-18*	*-86*
C.26 - Manufacture of computer, electronic and optical products	*1,974*	*-*	*24*	*67*	*24*	*-20*	*-1*	*-16*
C.27 - Manufacture of electrical equipment	*2,079*	*-*	*21*	*74*	*27*	*-19*	*-1*	*-14*
C.28 - Manufacture of machinery and equipment n.e.c.	*5,800*	*-*	*3*	*463*	*186*	*-93*	*-12*	*-71*
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*2,843*	*65*	*102*	*164*	*87*	*-27*	*-6*	*-18*
C.30 - Manufacture of other transport equipment	*2,091*	*-*	*86*	*121*	*7*	*-7*	*-1*	*-3*
C.31 - Manufacture of furniture	*1,215*	*-*	*-*	*101*	*55*	*-33*	*-9*	*-22*
C.32 - Other manufacturing	*2,834*	*81*	*-*	*141*	*81*	*-81*	*-17*	*-62*
C.33 - Repair and installation of machinery and equipment	*704*	*-*	*-*	*62*	*20*	*-15*	*-1*	*-13*

Banking book (Non-financial companies) - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 2 of 4)*

(millions of euro)

Sector/subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		of which exposures towards companies excluded from EU Paris-aligned Benchmarks**	Of which environmentally sustainable (CCM)	of which stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
D - Electricity, gas, steam and air conditioning supply	13,244	927	1,287	839	125	-140	-31	-71
D35.1 - Electric power generation, transmission and distribution	*10,125*	*325*	*1,062*	*599*	*106*	*-115*	*-18*	*-61*
D35.11 - Production of electricity	*5,271*	*325*	*170*	*495*	*58*	*-61*	*-14*	*-32*
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	*2,812*	*549*	*215*	*215*	*19*	*-22*	*-11*	*-10*
D35.3 - Steam and air conditioning supply	*307*	*53*	*10*	*25*	*-*	*-3*	*-2*	*-*
E - Water supply; sewerage, waste management and remediation activities	2,512	144	87	221	40	-35	-16	-15
F - Construction	15,395	105	235	2,323	1,115	-726	-121	-532
F.41 - Construction of buildings	*7,715*	*-*	*15*	*1,633*	*862*	*-550*	*-104*	*-393*
F.42 - Civil engineering	*4,591*	*105*	*212*	*358*	*85*	*-62*	*-6*	*-46*
F.43 - Specialised construction activities	*3,089*	*-*	*8*	*332*	*168*	*-114*	*-11*	*-93*
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	32,601	1,832	159	2,539	1,072	-785	-100	-617
H - Transportation and storage	16,272	985	1,822	1,010	211	-157	-44	-91
H.49 - Land transport and transport via pipelines	*6,920*	*491*	*1,505*	*440*	*130*	*-73*	*-14*	*-48*
H.50 - Water transport	*1,512*	*212*	*1*	*101*	*26*	*-19*	*-4*	*-12*
H.51 - Air transport	*186*	*-*	*-*	*10*	*11*	*-11*	*-1*	*-10*
H.52 - Warehousing and support activities for transportation	*4,476*	*282*	*285*	*456*	*41*	*-52*	*-25*	*-20*
H.53 - Postal and courier activities	*3,178*	*-*	*31*	*3*	*3*	*-2*	*-*	*-1*
I - Accommodation and food service activities	6,178	-	-	1,092	373	-256	-77	-155
L - Real estate activities	13,546	-	35	2,618	695	-537	-151	-329
Exposures towards sectors other than those that highly contribute to climate change*	**29,508**	**260**	**460**	**3,742**	**741**	**-594**	**-124**	**-400**
K - Financial and insurance activities	1,956	76	2	81	3	-6	-1	-2
Exposures to other sectors (NACE codes J, M - U)	27,552	184	458	3,661	738	-588	-123	-398
TOTAL	**193,063**	**8,269**	**4,690**	**20,341**	**6,176**	**-4,641**	**-1,031**	**-3,148**

* in accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

** in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation.

Banking book (Non-financial companies) - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 3 of 4)*

(millions of euro)

Sector/subsector	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
Exposures towards sectors that highly contribute to climate change*	**121,283**	**30,743**	**10,844**	**685**	**3.72**
A - Agriculture, forestry and fishing	2,492	1,072	525	99	5.32
B - Mining and quarrying	1,278	963	463	1	5.57
B.05 - Mining of coal and lignite	*22*	*-*	*-*	*-*	*0.60*
B.06 - Extraction of crude petroleum and natural gas	*492*	*204*	*405*	*-*	*6.79*
B.07 - Mining of metal ores	*187*	*-*	*-*	*-*	*1.10*
B.08 - Other mining and quarrying	*232*	*73*	*11*	*1*	*3.86*
B.09 - Mining support service activities	*345*	*686*	*47*	*-*	*5.71*
C - Manufacturing	46,788	8,814	1,264	48	2.89
C.10 - Manufacture of food products	*5,375*	*1,275*	*242*	*10*	*3.19*
C.11 - Manufacture of beverages	*1,060*	*442*	*61*	*-*	*3.50*
C.12 - Manufacture of tobacco products	*11*	*-*	*-*	*-*	*1.83*
C.13 - Manufacture of textiles	*990*	*262*	*29*	*1*	*3.26*
C.14 - Manufacture of wearing apparel	*1,647*	*238*	*33*	*-*	*2.66*
C.15 - Manufacture of leather and related products	*1,250*	*258*	*26*	*-*	*2.83*
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*554*	*135*	*40*	*-*	*3.58*
C.17 - Manufacture of paper and paper products	*810*	*239*	*19*	*-*	*3.47*
C.18 - Printing and reproduction of recorded media	*439*	*131*	*24*	*-*	*3.69*
C.19 - Manufacture of coke and refined petroleum products	*1,804*	*334*	*11*	*-*	*3.03*
C.20 - Production of chemicals	*2,339*	*558*	*69*	*1*	*3.21*
C.21 - Manufacture of pharmaceutical preparations	*941*	*291*	*-*	*11*	*3.55*
C.22 - Manufacture of rubber products	*3,217*	*514*	*61*	*14*	*2.88*
C.23 - Manufacture of other non-metallic mineral products	*1,549*	*270*	*37*	*-*	*2.86*
C.24 - Manufacture of basic metals	*3,442*	*216*	*9*	*-*	*2.30*
C.25 - Manufacture of fabricated metal products, except machinery and equipment	*4,776*	*1,125*	*173*	*11*	*3.22*
C.26 - Manufacture of computer, electronic and optical products	*1,785*	*180*	*9*	*-*	*2.43*
C.27 - Manufacture of electrical equipment	*1,738*	*316*	*25*	*-*	*2.47*
C.28 - Manufacture of machinery and equipment n.e.c.	*4,765*	*945*	*90*	*-*	*2.83*
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*2,550*	*274*	*19*	*-*	*2.09*
C.30 - Manufacture of other transport equipment	*1,711*	*199*	*181*	*-*	*2.92*
C.31 - Manufacture of furniture	*901*	*283*	*31*	*-*	*3.41*
C.32 - Other manufacturing	*2,568*	*211*	*55*	*-*	*1.89*
C.33 - Repair and installation of machinery and equipment	*566*	*118*	*20*	*-*	*3.17*

Banking book (Non-financial companies) - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 4 of 4)*

(millions of euro)

Sector/subsector	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
D - Electricity, gas, steam and air conditioning supply	8,988	3,432	824	-	3.90
D35.1 - Electric power generation, transmission and distribution	*6,786*	*2,812*	*527*	*-*	*4.08*
D35.11 - Production of electricity	*2,469*	*2,473*	*329*	*-*	*5.27*
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	*1,954*	*584*	*274*	*-*	*3.75*
D35.3 - Steam and air conditioning supply	*248*	*36*	*23*	*-*	*3.80*
E - Water supply; sewerage, waste management and remediation activities	1,443	736	303	30	5.28
F - Construction	10,547	2,847	1,726	275	4.86
F.41 - Construction of buildings	*5,400*	*1,266*	*869*	*180*	*4.80*
F.42 - Civil engineering	*2,759*	*988*	*750*	*94*	*6.01*
F.43 - Specialised construction activities	*2,388*	*593*	*107*	*1*	*3.28*
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	27,608	4,108	862	23	2.60
H - Transportation and storage	12,828	2,370	979	95	3.64
H.49 - Land transport and transport via pipelines	*5,588*	*943*	*356*	*33*	*3.31*
H.50 - Water transport	*1,156*	*350*	*6*	*-*	*3.55*
H.51 - Air transport	*141*	*43*	*2*	*-*	*4.04*
H.52 - Warehousing and support activities for transportation	*2,819*	*981*	*614*	*62*	*5.14*
H.53 - Postal and courier activities	*3,124*	*53*	*1*	*-*	*2.25*
I - Accommodation and food service activities	2,638	2,079	1,449	12	6.81
L - Real estate activities	6,673	4,322	2,449	102	5.98
Exposures towards sectors other than those that highly contribute to climate change*	**22,485**	**4,972**	**1,445**	**606**	**3.72**
K - Financial and insurance activities	1,499	291	127	39	4.00
Exposures to other sectors (NACE codes J, M - U)	20,986	4,681	1,318	567	3.70
TOTAL	**143,768**	**35,715**	**12,289**	**1,291**	**3.72**

With respect to June 2023, Template 1 shows a stable trend in the total exposure and its distribution across NACE sectors. The exposure to companies excluded from EU Paris-aligned benchmarks has decreased since June 2023 due to two factors: the revision of the sectors most sensitive to climate change risk, which affects the Do Not Significant Harm test used in identifying the in-scope exposures, and the refinements to the definition of counterparties that are required to publish a non-financial statement (NFS).

Template 2 shows the exposures collateralised by commercial and residential immovable property and repossessed real estate collateral, including information on the energy efficiency level of the collateral measured in terms of kWh/m² energy consumption and label of the energy performance certificate (EPC). The presentation is broken down according to the geographical area in which the collateralised property is located (EU and non-EU area).
Where the energy efficiency level in terms of kWh/m²/year is an estimated figure, this is stated in the row concerned. The estimate is only calculated for the types of immovable property provided as collateral subject to mandatory energy performance certificate (e.g. residential properties, buildings used for production). For the estimate, the Bank has adopted techniques used in the calculation of the transition risk impacts for the ICAAP, which draw on the mapping designed on the data from the real estate market concerned, as well as machine learning techniques based on algorithms trained with the information characterising the Bank's real estate collateral.

Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral (Template 2 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

Counterparty sector	Total gross carrying amount						
		Level of energy efficiency (EP[1] score in kWh/m² of collateral)					
		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500
Total EU area	**166,738**	**40,694**	**56,303**	**26,241**	**15,461**	**1,481**	**7,425**
Of which Loans collateralised by commercial immovable property	32,539	1,977	5,293	3,047	11,973	423	1,276
Of which Loans collateralised by residential immovable property	133,897	38,713	50,979	23,162	3,302	1,057	6,145
Of which Collateral obtained by taking possession: residential and commercial immovable properties	302	4	31	32	186	1	4
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	*99,794*	*24,503*	*40,716*	*18,145*	*12,480*	*402*	*3,548*
Total non-EU area	**2,590**	**30**	**36**	**1,105**	**123**	**-**	**7**
Of which Loans collateralised by commercial immovable property	1,190	24	-	141	123	-	6
Of which Loans collateralised by residential immovable property	1,382	6	36	963	-	-	1
Of which Collateral obtained by taking possession: residential and commercial immovable properties	18	-	-	1	-	-	-
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	*1,294*	*23*	*36*	*1,105*	*123*	*-*	*7*

(1) EP: Energy Performance

Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral (Template 2 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

Counterparty sector	Total gross carrying amount								
	Level of energy efficiency (EPC[2] label of collateral)							Without EPC[2] label of collateral	
	A	B	C	D	E	F	G		of which level of energy efficiency (EP[1] score in kWh/m² of collateral) estimated
Total EU area	**11,444**	**4,273**	**3,355**	**5,045**	**6,470**	**7,711**	**9,513**	**118,927**	**0.84**
Of which Loans collateralised by commercial immovable property	736	591	504	532	324	315	466	29,071	0.71
Of which Loans collateralised by residential immovable property	10,707	3,682	2,842	4,508	6,143	7,395	9,044	89,576	0.88
Of which Collateral obtained by taking possession: residential and commercial immovable properties	1	-	9	5	3	1	3	280	0.84
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated								*99,794*	*1.00*
Total non-EU area	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**2,583**	**0.50**
Of which Loans collateralised by commercial immovable property	7	-	-	-	-	-	-	1,183	0.24
Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	1,382	0.73
Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	18	0.07
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated								*1,294*	*1.00*

(2) EPC: Energy performance certificate

Compared to June 2023, Template 2 shows a stable trend in the distribution of exposures by type of immovable property provided as collateral. The reduction in the estimated energy efficiency level as a percentage of the total gross carrying amount without certificate was due to the progress in improving data quality, which enabled better scoping of the immovable property with mandatory EPCs, leading to the exclusion of several exposures that had prudentially previously been included

in the scope. The portion of exposure covered by the EPCs increased as a result of remediation activities implemented by the Bank to improve the availability of information on both the stock and the disbursement phases for the collateralised loans, where the mandatory acquisition of the EPC was introduced.

Banking book - Indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms (Template 4 Reg. 2021/637)

Template 4 shows the Banking Group's overall exposure to the world's most carbon-intensive counterparties as defined by the Climate Accountability Institute[78] (Top 20 CO_2e 2018 Table).
Compared to June 2023, the number of Top20 counterparties with active positions in the Group was unchanged. The slight increase in the exposure was due to the utilisation of existing credit lines. In general, there was a reduction in the granting of new credit lines to the counterparties represented in Template 4. Information is provided on environmentally sustainable exposures contributing to the objective of climate change mitigation, in line with the regulation, which requires their first publication on the reporting date of 31 December 2023.

(millions of euro)

Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1,630	0.270%	-	3.74	9

*For counterparties among the top 20 carbon emitting companies in the world.

Template 5 provides information on exposures in the banking book, including loans and advances, debt securities and equity instruments not held for trading and not held for sale, towards non-financial companies, on loans collateralised by immovable property and on repossessed real estate collateral, exposed to chronic and acute climate-related risks, with a breakdown by sector of economic activity (NACE classification) and by geography of location of the activity of the counterparty or of the collateral, for those sectors and geographical areas subject to climate change acute and chronic events.
Sensitive exposures are shown separately:

– for the impact from chronic events only, including risks relating to gradual changes in weather and climate and having a possible impact on economic output and productivity;
– for the impact from acute events only, including risks that may cause sudden damage to properties, disruption of supply chains, and depreciation of assets;
– for both the impacts described above.

It should be borne in mind when analysing this Template that the methodology for quantifying physical risk on exposures is evolving both internally within the ISP Group and across the industry at large. The data may therefore be subject to new calibrations aimed at the incorporation of methodological refinements by the banking industry and the continuous improvement of internal estimates. Specifically, the NGFS Phase IV scenario has been used for this disclosure, with damage functions added solely for the estimate of the physical risks of the Parent Company's real estate assets.

For the identification of exposures subject to climate change physical risk, the Bank has used an external provider that has provided mapping and measurement of the risks at individual property level (understood as a collateral asset or production site for exposures to NFCs) through:

– the mapping of physical risks using long-term climate scenarios (NGFS Phase IV for this purpose) and subsequent allocation of the climatological forecasts to high granularity grids with the calculation of hazard-specific indicators;
– the calculation of a high granularity Synthetic Physical Risk Indicator (SPRI) for each location;
– geo-localisation of offices and production sites for companies and of the building for properties provided as collateral, and identification and subsequent allocation of the associated risk level.

The NGFS scenarios underlying the analysis represent common practice for climate stress tests. The typical trajectories considered are:

– Orderly Transition ("Net-Zero 2050"): assumes that climate policies will be introduced soon and gradually become more stringent. The physical and transition risks are relatively low. In particular, this scenario limits global warming to 1.5°C by achieving net-zero global CO2 emissions by 2050;
– Disorderly Transition ("Delayed Transition"): considers a higher transition risk due to delayed or divergent policies across countries and sectors. Specifically, it assumes that emissions will not decrease until 2030 and that strong policies will be needed to limit warming to below 2°C;
– Hot House World (HHW) ("Current Policies"): assumes that some climate policies are being implemented in some jurisdictions, but that global efforts are insufficient to stop significant global warming. This scenario assumes high physical risks.

For the purposes of compiling Template 5, the Bank has prudently chosen to use the "Current Policies" scenario (RCP 6.0) provided by NGFS as the baseline scenario, as it assumes that current policies are not subject to any changes by regulators, resulting in very high physical risks.

[78] https://climateaccountability.org/wp-content/uploads/2020/12/TopTwenty-CO2e-2018-Table.png

The physical risk events considered differ according to the business sectors of the companies and the loans collateralised by immovable property based on the specific characteristics of each type of exposure.
In particular, as shown in the table, a wide range of acute and chronic risks were analysed:

TYPE OF PHYSICAL RISK	RISK EVENT
ACUTE	Forest fires
	Intense rainfall
	Landslide
	Cold spell
	Heat wave
	Drought
	Wind blast
	Flooding
CHRONIC	Temperature variation
	Changing in wind patterns
	Change in rainfall patterns
	Rainfall variability
	Water stress
	Heat stress
	Temperature variability
	Sea level rise

The mapping of climate-related risk events, in a given geo-referenced location of the exposure, allows indicators (e.g. low, medium, high, very high) to be associated with each specific risk event. These indicators are defined on the basis of the cumulative distribution over the time horizon considered.
This enables the construction of the SPRI on the counterparty/immovable property for each risk event considered. The score for acute or chronic physical risks is prudently set at the worst level attributed to the events considered.
Following the assignment of the SPRI, the decision whether or not an exposure is subject to physical risk weather events is based on two criteria: maturity of the exposure and evolution of the severity of the estimated physical risk indicator.

In line with the reporting as at December 2022 and June 2023, the current disclosure is limited to the Italian portfolio and the Bank’s main European subsidiaries. Further developments are underway, in line with the overall evolution of the Bank’s ESG risk management framework.
The Template shows a decrease in positions subject to physical risk as a proportion of the Italy portfolio.

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Italy (Table 1 of 2)*

(millions of euro)

Geographical area: Italy	Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events				
		Breakdown by maturity bucket				
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
A - Agriculture, forestry and fishing	3,168	344	182	69	39	6.18
B - Mining and quarrying	220	39	22	3	-	4.60
C - Manufacturing	43,978	10,481	1,537	343	2	2.94
D - Electricity, gas, steam and air conditioning supply	6,494	769	515	66	-	4.77
E - Water supply; sewerage, waste management and remediation activities	1,784	207	78	21	-	4.89
F - Construction	12,442	1,887	477	188	113	4.79
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	23,687	3,351	450	40	1	2.38
H - Transportation and storage	11,645	1,700	438	44	-	3.55
L - Real estate activities	11,791	410	291	143	4	5.58
Loans collateralised by residential immovable property	120,366	637	1,319	5,680	5,574	18.58
Loans collateralised by commercial immovable property	28,471	2,068	1,354	1,183	94	7.38
Repossessed collaterals	298					
Other relevant sectors	21,690	2,659	712	449	18	4.22

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Italy (Table 2 of 2)*

(millions of euro)

Geographical area: Italy	Gross carrying amount							
	of which exposures sensitive to impact from climate change physical events							
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
							of which Stage 2 exposures	of which non-performing exposures
A - Agriculture, forestry and fishing	540	68	26	91	37	-29	-4	-23
B - Mining and quarrying	16	47	1	3	1	-	-	-
C - Manufacturing	3,488	5,799	3,076	450	178	-90	-12	-63
D - Electricity, gas, steam and air conditioning supply	792	328	230	120	16	-11	-3	-6
E - Water supply; sewerage, waste management and remediation activities	180	83	43	44	3	-3	-1	-1
F - Construction	1,403	937	325	513	238	-162	-33	-119
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,510	1,707	625	405	64	-54	-10	-38
H - Transportation and storage	1,078	383	721	123	23	-20	-4	-13
L - Real estate activities	385	402	61	150	74	-51	-8	-40
Loans collateralised by residential immovable property	-	13,210	-	518	135	-76	-34	-38
Loans collateralised by commercial immovable property	-	4,699	-	962	263	-176	-56	-103
Repossessed collaterals	-	110	-			-28		
Other relevant sectors	1,318	2,194	326	1,086	165	-116	-23	-84

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Europe (Croatia, Romania, Slovakia, Serbia, Hungary) (Table 1 of 2)*

(millions of euro)

Geographical area: Europe (Croatia, Romania, Slovakia, Serbia, Hungary)	Gross carrying amount					
		of which exposures sensitive to impact from climate change physical events				
		Breakdown by maturity bucket				
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
A - Agriculture, forestry and fishing	611	43	10	-	-	3.13
B - Mining and quarrying	164	2	2	-	-	4.56
C - Manufacturing	2,358	290	22	1	-	1.52
D - Electricity, gas, steam and air conditioning supply	1,669	69	6	7	-	3.16
E - Water supply; sewerage, waste management and remediation activities	201	21	1	1	-	4.21
F - Construction	970	30	3	85	-	10.33
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,340	291	38	-	2	2.49
H - Transportation and storage	589	32	86	3	-	6.73
L - Real estate activities	993	9	15	-	-	5.39
Loans collateralised by residential immovable property	13,686	17	46	311	606	21.76
Loans collateralised by commercial immovable property	3,447	93	72	16	-	4.75
Repossessed collaterals	6					
Other relevant sectors	1,744	45	58	-	-	4.73

Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Europe (Croatia, Romania, Slovakia, Serbia, Hungary) (Table 2 of 2)*

(millions of euro)

Geographical area: Europe (Croatia, Romania, Slovakia, Serbia, Hungary)	Gross carrying amount							
	of which exposures sensitive to impact from climate change physical events							
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
							of which Stage 2 exposures	of which non-performing exposures
A - Agriculture, forestry and fishing	15	36	2	6	1	-1	-	-
B - Mining and quarrying	-	4	-	1	-	-	-	-
C - Manufacturing	3	309	1	71	16	-11	-2	-9
D - Electricity, gas, steam and air conditioning supply	2	44	36	-	-	-	-	-
E - Water supply; sewerage, waste management and remediation activities	-	23	-	2	-	-	-	-
F - Construction	3	115	-	10	7	-4	-	-3
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	-	331	-	62	7	-6	-1	-5
H - Transportation and storage	45	76	-	6	2	-1	-	-1
L - Real estate activities	-	24	-	6	-	-1	-1	-
Loans collateralised by residential immovable property	-	980	-	79	12	-15	-7	-5
Loans collateralised by commercial immovable property	-	181	-	73	17	-10	-3	-6
Repossessed collaterals	-	-	-			-		
Other relevant sectors	56	45	2	53	2	-11	-9	-2

From December 2023, this section will also publish information on the Green Asset Ratio (GAR)[79]. Specifically, the following templates are presented:

– *Template 6 - Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures*, to provide an overview of the KPIs calculated on the basis of Templates 7 and 8 below, which respectively report the gross carrying amounts of the green exposures and their % taxonomy eligibility and taxonomy alignment with regard to the environmental objectives of climate change mitigation (CCM) and climate change adaptation (CCA);
– *Template 7 - Mitigating actions: Assets for the calculation of GAR*, providing information on the gross carrying amount of loans and advances, debt securities and equity instruments in the banking book, with a breakdown of the information by type of counterparty, including financial companies, non-financial companies, households, local governments, as well as real estate lending to households, and the taxonomy eligibility and taxonomy alignment of the exposures with regard to the environmental objectives of climate change mitigation (CCM) and climate change adaptation (CCA), as referred to in Article 9(a) and Article 9(b) of Regulation (EU) 2020/852;
– *Template 8 - GAR* (%), showing the extent to which (%) institutions' activities qualify as environmentally sustainable (i.e. Taxonomy aligned) in accordance with Articles 3 and 9 of Regulation (EU) 2020/852, so that stakeholders can understand the actions put in place by the institutions to mitigate climate change transition and physical risks.

As summarised in Template 6, the Intesa Sanpaolo Group's Turnover-based GAR stock of 2.65% consists of the following exposures:

– loans to households collateralised by residential immovable property that have been assessed as taxonomy aligned for the environmental objective of climate change mitigation on the basis of compliance with the relevant technical screening criteria for buildings contained in Delegated Regulation (EU) 2021/2139 (1.76%)[80] – *for details see Template 8 rows 10 and 11*;
– taxonomy-aligned exposures to financial and non-financial counterparties subject to NFRD (0.89%) – *for details see Template 8 rows 3 and 9*.

In accordance with the provisions of the regulations, and as specified in the recent clarifications published by the European Commission concerning how the reported indicators are calculated, the following is noted in general:

– exposures to non-financial counterparties with "use of proceeds *not known*" have been weighted according to the taxonomy-eligible and taxonomy-aligned turnover indicators against the environmental objectives of climate change mitigation and climate change adaptation published by those counterparties in their non-financial statements (actual data)[81] and obtained by the bank through a specialist infoprovider;
– exposures to non-financial counterparties with "use of proceeds *known*" have been considered to the extent that the assets financed are economic activities which are taxonomy-aligned with respect to the environmental objectives of climate change mitigation and climate change adaptation;
– exposures to financial counterparties have been weighted solely based on the portions of exposures to taxonomy-eligible economic assets (jointly for CCA and CCM purposes), because information on the portions of taxonomy-aligned assets will be made available by these counterparties from 31 December 2023[82].

Lastly, with regard to the presentation of the indicators in the required templates, for the non-financial counterparties the individual sections have not been completed relating to the portions of eligible exposures with respect to the environmental objectives of climate change mitigation and climate change adaptation, because the related actual data is not available due to the structure of the reporting models used by non-financial companies in previous disclosures. This presentation also applies to any eligible exposures to financial counterparties weighted on the basis of the portions of the respective non-financial parent companies, as specified above.

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[79] Also referred to as the green assets ratio, it indicates "the proportion of exposures of the credit institution related to activities aligned to the EU Taxonomy – Reg. 2021/2178 (green assets) compared to the total assets of the institution. The GAR should relate to the credit institutions' main lending and investment business, including loans, advances and debt securities, and to their equity investments to reflect the extent to which those institutions finance Taxonomy-aligned activities".

[80] The alignment checks also covered compliance with the DNSH criterion for the environmental objective of climate change adaptation (i.e. assessment of physical risk).

[81] As envisaged in FAQ No. 3 (Draft Commission Notice of 21 December 2023).

[82] However, in accordance with FAQ No. 13 (Draft Commission Notice of 21/12/2023), in the few cases of financial undertakings with non-financial parent companies, the related "use of proceeds not known" exposures have been weighted according to the taxonomy-aligned indicators of the non-financial parent companies.

Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures (Template 6 Reg. 2021/637)

(millions of euro)

	31.12.2023			
	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	2.65%	0.00%	2.65%	70.56%
GAR flow	0.67%	0.00%	0.67%	70.56%

* % of assets covered by the KPI over banks' total assets.

Mitigating actions: Assets for the calculation of GAR (Template 7 Reg. 2021/637)
(Template 1 of 4 – continued alongside)

(millions of euro)

		31.12.2023										
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				
		Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)			
					of which specialised lending	*of which transitional*	*of which enabling*			*of which specialised lending*	*of which adaptation*	*of which enabling*
	GAR - Covered assets in both numerator and denominator											
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	260,318	133,139	14,934	9,949	252	2,242	-	18	-	18	-
2	**Financial corporations**	**47,994**	**-**	**320**	**-**	**1**	**134**	**-**	**-**	**-**	**-**	**-**
3	Credit institutions	17,949	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	11,296	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	6,653	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-
7	Other financial corporations	30,045	-	320	-	1	134	-	-	-	-	-
8	of which investment firms	51	-	3	-	-	3	-	-	-	-	-
9	Loans and advances	34	-	3	-	-	3	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	17	-	-		-	-	-	-		-	-
12	of which management companies	341	-	13	-	-	-	-	-	-	-	-
13	Loans and advances	93	-	13	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	248	-	-		-	-	-	-		-	-
16	of which insurance undertakings	8,082	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	735	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	547	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	6,800	-	-		-	-	-	-		-	-
20	**Non-Financial corporations (subject to NFRD disclosure obligations)**	**34,230**	**-**	**4,691**	**26**	**251**	**2,108**	**-**	**18**	**-**	**18**	**-**
21	Loans and advances	30,473	-	4,439	-	228	1,988	-	18	-	18	-
22	Debt securities, including UoP	3,284	-	214	26	23	98	-	-	-	-	-
23	Equity instruments	473	-	38		-	22	-	-		-	-
24	**Households**	**177,896**	**133,139**	**9,923**	**9,923**	**-**	**-**					
25	of which loans collateralised by residential immovable property	132,942	132,942	9,923	9,923	-	-					
26	of which building renovation loans	168	168	-	-	-	-					
27	of which motor vehicle loans	144	-	-	-	-	-					

For the exposures to financial and non-financial counterparties, the taxonomy-eligible exposures broken down by objective (CCM and CCA) have not been entered, because they are only reported by counterparties as a total aggregate (CCM + CCA).

Mitigating actions: Assets for the calculation of GAR (Template 7 Reg. 2021/637)
(Template 2 of 4)

(millions of euro)

		31.12.2023				
		TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			of which environmentally sustainable (Taxonomy-aligned)			
				of which specialised lending	*of which transitional/adaptation*	*of which enabling*
	GAR - Covered assets in both numerator and denominator					
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	151,389	14,952	9,949	270	2,242
2	**Financial corporations**	**7,864**	**320**	**-**	**1**	**134**
3	Credit institutions	3,345	-	-	-	-
4	Loans and advances	2,084	-	-	-	-
5	Debt securities, including UoP	1,261	-	-	-	-
6	Equity instruments	-	-		-	-
7	Other financial corporations	4,519	320	-	1	134
8	of which investment firms	33	3	-	-	3
9	Loans and advances	33	3	-	-	3
10	Debt securities, including UoP	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	of which management companies	46	13	-	-	-
13	Loans and advances	46	13	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	of which insurance undertakings	2,127	-	-	-	-
17	Loans and advances	225	-	-	-	-
18	Debt securities, including UoP	148	-	-	-	-
19	Equity instruments	1,754	-		-	-
20	**Non-Financial corporations (subject to NFRD disclosure obligations)**	**10,386**	**4,709**	**26**	**269**	**2,108**
21	Loans and advances	9,555	4,457	-	246	1,988
22	Debt securities, including UoP	675	214	26	23	98
23	Equity instruments	156	38		-	22
24	**Households**	**133,139**	**9,923**	**9,923**	**-**	**-**
25	of which loans collateralised by residential immovable property	132,942	9,923	9,923	-	-
26	of which building renovation loans	168	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-

Mitigating actions: Assets for the calculation of GAR (Template 7 Reg. 2021/637)
(Template 3 of 4 – continued alongside)

(millions of euro)

		31.12.2023										
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				of which environmentally sustainable (Taxonomy-aligned)					of which environmentally sustainable (Taxonomy-aligned)			
					of which specialised lending	*of which transitional*	*of which enabling*			*of which specialised lending*	*of which adaptation*	*of which enabling*
28	**Local governments financing**	**198**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-
30	Other local governments financing	198	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	321	321	-	-	-	-	-	-	-	-	-
32	**TOTAL GAR ASSETS (row 1 + row 31)**	**260,639**	**133,460**	**14,934**	**9,949**	**252**	**2,242**	**-**	**18**	**-**	**18**	**-**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)											
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**133,601**										
34	Loans and advances	131,295										
35	Debt securities, including UoP	1,647										
36	Equity instruments	659										
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**25,232**										
38	Loans and advances	23,523										
39	Debt securities, including UoP	1,573										
40	Equity instruments	136										
41	Derivatives	6,980										
42	On demand interbank loans	3,076										
43	Cash and cash-related assets	3,934										
44	Other assets	130,572										
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR) (sum of rows 32 - 33 - 37 - 41 - 42 - 43 - 44)**	**564,034**										
	Other assets excluded from both the numerator and denominator for GAR calculation											
46	Sovereigns	103,364										
47	Central banks exposure	93,720										
48	Trading book	38,211										
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**235,295**										
50	**TOTAL ASSETS (row 45 + row 49)**	**799,329**										

Mitigating actions: Assets for the calculation of GAR (Template 7 Reg. 2021/637)
(Template 4 of 4)

(millions of euro)

		31.12.2023				
		TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			of which environmentally sustainable (Taxonomy-aligned)			
				of which specialised lending	*of which transitional/adaptation*	*of which enabling*
28	**Local governments financing**	-	-	-	-	-
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	321	-	-	-	-
32	**TOTAL GAR ASSETS (row 1 + row 31)**	151,710	14,952	9,949	270	2,242
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities, including UoP					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities, including UoP					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR) (sum of rows 32 - 33 - 37 - 41 - 42 - 43 - 44)**					
	Other assets excluded from both the numerator and denominator for GAR calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS (row 45 + row 49)**					

GAR (%) (Template 8 Reg. 2021/637) *(Template 1 of 4)*

	% (compared to total covered assets in the denominator)	31.12.2023									
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors				
			of which environmentally sustainable					of which environmentally sustainable			
				of which specialised lending	*of which transitional*	*of which enabling*			*of which specialised lending*	*of which adaptation*	*of which enabling*
1	**GAR**	**23.66%**	**2.65%**	**1.76%**	**0.05%**	**0.40%**	**0.00%**	**0.00%**	**-**	**0.00%**	**0.00%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	23.60%	2.65%	1.76%	0.05%	0.40%	-	0.00%	-	0.00%	0.00%
3	Financial corporations	-	0.06%	-	0.00%	0.02%	-	0.00%	-	0.00%	-
4	Credit institutions	-	-	-	-	-	-	-	-	-	-
5	Other financial corporations	-	0.06%	-	0.00%	0.02%	-	0.00%	-	0.00%	-
6	of which investment firms	-	0.00%	-	0.00%	0.00%	-	-	-	-	-
7	of which management companies	-	0.00%	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	0.00%	-	0.00%	-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	-	0.83%	0.00%	0.05%	0.38%	-	0.00%	-	0.00%	0.00%
10	Households	23.60%	1.76%	1.76%	-	-					
11	of which loans collateralised by residential immovable property	23.56%	1.76%	1.76%	-	-					
12	of which building renovation loans	0.03%	-	-	-	-					
13	of which motor vehicle loans	-	-	-	-	-					
14	Local government financing	0.00%	-	-	-	-					
15	Housing financing	0.00%	-	-	-	-					
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.06%	-	-	-	-					

For the “Percentage of eligible assets funding taxonomy relevant assets” towards financial and non-financial counterparties, the separate percentages per objective (CCM and CCA) have not been entered, because they are only reported by counterparties as a total aggregate (CCM + CCA).

GAR (%) (Template 8 Reg. 2021/637) *(Template 2 of 4)*

	% (compared to total covered assets in the denominator)	31.12.2023					
		TOTAL (CCM + CCA)					Proportion of total assets covered
		Proportion of eligible assets funding taxonomy relevant sectors					
			of which environmentally sustainable				
				of which specialised lending	*of which transitional/adaptation*	*of which enabling*	
1	**GAR**	**26.90%**	**2.65%**	**1.76%**	**0.05%**	**0.40%**	**70.56%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	26.84%	2.65%	1.76%	0.05%	0.40%	32.56%
3	Financial corporations	1.39%	0.06%	-	0.00%	0.02%	6.00%
4	Credit institutions	0.59%	-	-	-	-	2.24%
5	Other financial corporations	0.80%	0.06%	-	0.00%	0.02%	3.76%
6	of which investment firms	0.01%	0.00%	-	0.00%	0.00%	0.01%
7	of which management companies	0.01%	0.00%	-	-	-	0.04%
8	of which insurance undertakings	0.38%	0.00%	-	0.00%	-	1.01%
9	Non-financial corporations subject to NFRD disclosure obligations	1.85%	0.83%	0.00%	0.05%	0.38%	4.28%
10	Households	23.60%	1.76%	1.76%	-	-	22.26%
11	of which loans collateralised by residential immovable property	23.56%	1.76%	1.76%	-	-	16.63%
12	of which building renovation loans	0.03%	-	-	-	-	0.02%
13	of which motor vehicle loans	-	-	-	-	-	0.02%
14	Local government financing	0.00%	-	-	-	-	0.02%
15	Housing financing	0.00%	-	-	-	-	0.00%
16	Other local governments financing	-	-	-	-	-	0.02%
17	Collateral obtained by taking possession: residential and commercial immovable properties	0.06%	-	-	-	-	0.04%

GAR (%) (Template 8 Reg. 2021/637) *(Template 3 of 4)*

		31.12.2023: KPIs on flows									
% (compared to total covered assets in the denominator)		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors				
			of which environmentally sustainable					of which environmentally sustainable			
				of which specialised lending	*of which transitional*	*of which enabling*			*of which specialised lending*	*of which adaptation*	*of which enabling*
1	**GAR**	**2.09%**	**0.67%**	**0.18%**	**0.02%**	**0.18%**	**-**	**0.00%**	**-**	**0.00%**	**0.00%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	2.09%	0.67%	0.18%	0.02%	0.18%	-	0.00%	-	0.00%	0.00%
3	Financial corporations	-	0.04%	-	0.00%	0.01%	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-	-	-
5	Other financial corporations	-	0.04%	-	0.00%	0.01%	-	-	-	-	-
6	of which investment firms	-	0.00%	-	0.00%	0.00%	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	-	0.45%	0.00%	0.02%	0.17%	-	0.00%	-	0.00%	0.00%
10	Households	2.09%	0.18%	0.18%	-	-					
11	of which loans collateralised by residential immovable property	2.08%	0.18%	0.18%	-	-					
12	of which building renovation loans	0.01%	-	-	-	-					
13	of which motor vehicle loans	-	-	-	-	-					
14	Local government financing	-	-	-	-	-					
15	Housing financing	-	-	-	-	-					
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-					

For the “Percentage of eligible assets funding taxonomy relevant assets” towards financial and non-financial counterparties, the separate percentages per objective (CCM and CCA) have not been entered, because they are only reported by counterparties as a total aggregate (CCM + CCA).

GAR (%) (Template 8 Reg. 2021/637) *(Template 4 of 4)*

	% (compared to total covered assets in the denominator)	31.12.2023: KPIs on flows					
		TOTAL (CCM + CCA)					Proportion of total new assets covered
		Proportion of eligible assets funding taxonomy relevant sectors					
			of which environmentally sustainable				
				of which specialised lending	*of which transitional/adaptation*	*of which enabling*	
1	**GAR**	**3.79%**	**0.67%**	**0.18%**	**0.02%**	**0.18%**	**70.56%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3.79%	0.67%	0.18%	0.02%	0.18%	8.50%
3	Financial corporations	0.80%	0.04%	-	0.00%	0.01%	3.99%
4	Credit institutions	0.51%	-	-	-	-	1.80%
5	Other financial corporations	0.29%	0.04%	-	0.00%	0.01%	2.19%
6	of which investment firms	0.00%	0.00%	-	0.00%	0.00%	0.00%
7	of which management companies	0.00%	-	-	-	-	0.00%
8	of which insurance undertakings	0.02%	-	-	-	-	0.02%
9	Non-financial corporations subject to NFRD disclosure obligations	0.90%	0.45%	0.00%	0.02%	0.17%	1.92%
10	Households	2.09%	0.18%	0.18%	-	-	2.59%
11	of which loans collateralised by residential immovable property	2.08%	0.18%	0.18%	-	-	1.47%
12	of which building renovation loans	0.01%	-	-	-	-	0.01%
13	of which motor vehicle loans	-	-	-	-	-	0.01%
14	Local government financing	-	-	-	-	-	0.00%
15	Housing financing	-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	0.00%
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-

Other climate change mitigating actions that are not covered by the EU Taxonomy (Regulation (EU) 2020/852) (Template 10 Reg. 2021/637)

The purpose of Template 10 is to present quantitative information on other mitigation actions, designed to support climate change adaptation and climate change mitigation objectives, that do not qualify as sustainable according to the European Taxonomy Regulation (Reg. EU 2020/852).

The financial instruments included in the template – bonds and loans – contribute to the mitigation of transition risks (mainly investments in renewable energy and energy efficiency of immovable property) and physical risks arising from climate change in accordance with the definitions in Regulation (EU) 2022/2453.
Specifically, information is provided on bonds issued by counterparties classified as Financial and Non-Financial, as well as by General Government, and loans granted mainly to counterparties classified as Financial and Non-Financial, Households and General Government.

The Group has identified the green bonds using information from info-providers and the green loans on the basis of the rules set out in the Group's internal regulations for the classification of sustainable credit products and transactions. Specifically, all loans that are environmentally "sustainable", but not aligned with the EU Taxonomy according to the rules for the application of the European taxonomy in relation to the Green Asset Ratio defined in the Group's internal regulations, are included in the scope.

(millions of euro)

Type of financial instrument	Type of counterparty	Gross carrying amount	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	1,006	YES	YES	These mainly include bonds issued for the purpose of financing: renewable energy, the purchase and construction of eco-sustainable buildings, energy efficiency projects and clean transportation projects
	Non-financial corporations	1,102	YES	YES	These mainly include bonds issued for the purpose of financing: renewable energy, the purchase and construction of eco-sustainable buildings, energy efficiency projects and clean transportation projects
	Of which Loans collateralised by commercial immovable property	-	-	-	-
	Other counterparties	1,222	YES	YES	These mainly include bonds issued for the purpose of financing: energy efficiency projects renewable energy, clean transportation projects and natural resources sustainable management
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	231	NO	NO	These mainly include loans for investments in ecological efficiency and circular economy, building renovation and renewable energy
	Non-financial corporations	2,372	NO	NO	These mainly include loans for investments in ecological efficiency and circular economy, pollution prevention and control, renewable energy and energy efficiency projects
	Of which Loans collateralised by commercial immovable property	217	YES	NO	These mainly include loans for investments in ecological efficiency and circular economy, pollution prevention and control, renewable energy and energy efficiency projects
	Households	3,264	YES	NO	These mainly include loans for investments in buildings purchase and renovation aim to energy efficiency
	Of which Loans collateralised by residential immovable property	3,170	YES	NO	These mainly include loans for investments in buildings purchase and renovation aim to energy efficiency
	Of which building renovation loans	58	YES	NO	These mainly include loans for investments in buildings purchase and renovation aim to energy efficiency
	Other counterparties	50	NO	NO	These mainly include loans for investments in circular economy

A comparison between this disclosure and the same disclosure as at 30 June 2023 shows the following:

- for the bond component, the total value as at 31 December 2023 (around 3.3 billion euro) increased by total of around 331 million euro (+11%), related to new transactions with counterparties Financial Companies and Non-Financial Companies;
- for the loan component, the total value as at 31 December 2023 (around 5.9 billion euro) decreased by around 3 billion euro (-33%) compared to the figure as at 30 June 2023, mainly due to the component of loans to Households collateralised by residential immovable property, because the Group implemented processes for the identification of taxonomy-aligned loans for loans to private individuals, which led to their inclusion within the GAR Templates (presented in this Section) and their exclusion from this Template.

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

The Manager responsible for preparing the Company’s financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document, “Basel 3 – Pillar 3 Disclosure as at 31 December 2023” corresponds to the document results, books and accounting records.

Milano, 14 March 2024

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

Certification compliant with Article 431 (3) of the CRR (Regulation (EU) 575/2013, as amended) on the disclosure obligations pursuant to Part 8 of the CRR

The undersigned Carlo Messina, in his role as Managing Director and CEO of Intesa Sanpaolo

CERTIFIES

that, in compliance with the provisions of Article 431 (3) of the CRR (Regulation (EU) 575/2013, as amended) on the disclosure obligations pursuant to Part 8 of the CRR, the information provided under Part 8 has been drawn up in compliance with the formal policy and the internal processes, systems and controls agreed at the level of the management body.

Milano, 14 March 2024

Carlo Messina
Managing Director and CEO

Independent Auditors' Report on Basel 3 Pillar 3

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Building a better working world

Independent auditor's report on the Basel 3 Pillar 3 disclosure as at 31 December 2023

(Translation from the original Italian text)

To the Board of Directors of
Intesa Sanpaolo S.p.A.

We have been engaged to perform a limited assurance engagement on the accompanying Basel 3 Pillar 3 - Disclosure as at 31 December 2023 of the Intesa Sanpaolo Group (the "Pillar 3 disclosure") prepared in accordance with the provisions of part VIII of Regulation (EU) no. 575 of 26 June 2013.

Management's responsibility

Management of Intesa Sanpaolo S.p.A. (the "Bank") is responsible for the preparation of the Pillar 3 disclosure in accordance with the provisions of part VIII of Regulation (EU) no. 575 of 26 June 2013, as modified by Regulation (EU) no. 876 of 20 May 2019 and detailed by the technical implementation standards provided for by Regulation (EU) no. 637 of 15 March 2021, amended by Regulation (EU) no. 631 of 13 April 2022 and by the Implementing Regulation (EU) no. 2453 of 30 November 2022 and in accordance with the Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent amendments (the "Suitable Criteria").

Management is also responsible for such internal controls as it determines is necessary to enable the preparation of a Pillar 3 disclosure that is free from material misstatement, whether due to fraud or error.

Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In the reference year of this engagement our firm applied International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditors' responsibility

Our responsibility is to express a conclusion on the Pillar 3 disclosure based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with the provisions of the standard "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised") issued by the International Auditing and Assurance Standards Board ("IAASB"). This standard requires that we plan and perform our procedures to obtain limited assurance whether the Pillar 3 disclosure is free from material misstatement.

EY S.p.A.
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Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
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The procedures we performed were based on our professional judgment and included inquiries, primarily of the Bank's personnel responsible for the preparation of the Pillar 3 disclosure, inspection of documents, recalculation, agreeing or reconciling with underlying records and other evidence-gathering procedures that are appropriate in the circumstances.

Specifically, we carried out the following procedures:

- comparing the financial information presented in the Pillar 3 disclosure to those included in the Group's consolidated financial statements as at and for the year ended 31 December 2023, on which we issued our report dated 19 March 2024 pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014;
- interviews and discussions with Bank's management to gather information on the accounting, reporting and technology systems used in preparing the Pillar 3 disclosure and on the processes and internal control procedures used to gather, combine, process and transfer data and information to the manager in charge of financial reporting for the preparation of the Pillar 3 disclosure;
- sample-based analyses of documentation supporting the preparation of the Pillar 3 disclosure to obtain evidence of the processes put in place to prepare the data and information presented therein;
- reading correspondence with the European Central Bank in relation to the authorization process for use of internal models to calculate regulatory capital requirements;
- reading the reports issued by the internal audit department and obtaining the observations of the internal validation department on the management systems and internal control processes relevant for the preparation of the data and information presented in the Pillar 3 disclosure;
- obtaining the representation letter on the compliance of the Pillar 3 disclosure with the Suitable Criteria, as well as on the reliability and completeness of the information and data contained therein.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE 3000 revised and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Conclusion

Based on the procedures we have performed, nothing has come to our attention that causes us to believe that the Pillar 3 disclosure of the Intesa Sanpaolo Group as at 31 December 2023 has not been prepared, in all material respects, in accordance with the Suitable Criteria.

Other matters

This report has been prepared solely for the purposes described in the first paragraph and, accordingly, it may not be suitable for other purposes.

Milan, 19 March 2024

EY S.p.A.
Signed by: Matteo Caccialanza, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachment 1

Own Funds: Main features of regulatory own funds instruments (EU CCA Reg. 2021/637)

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000072618
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art. 28 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	38,208
9	Nominal amount of instrument (million)	N/A
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	N/A
EU 9a	Issue price	N/A
EU 9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAU14
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Eligible liability
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	876
9	Nominal amount of instrument (million)	1,000 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	887
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	17/09/2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	17/09/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 17/09/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7.70% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/disclaimer/prospectus-international-issue-documents-mtn-us?PREV_URL=cf5f7e8e-9610-4e56-a29e-0d2ab2138182&NEXT_URL=5ed41466-5a39-48e1-b5a7-5ec55651ad29

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1548475968
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,238
9	Nominal amount of instrument (million)	1,250 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,250
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	11/01/2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	11/01/2027
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 11/01/2027
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1614415542
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	0
9	Nominal amount of instrument (million)	246,923 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	246,923
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16/05/2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	16/05/2024
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting thereafter 16/05/2024
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.25% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2105110329
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	374
9	Nominal amount of instrument (million)	400 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	400.0
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	20/01/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	20/01/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 20/01/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of UBI Banca is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of UBI Banca returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2124979753
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	743
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750.0
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	27/02/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2124980256
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	743
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	27/02/2030
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2030
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.125% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2223762381
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	743
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/03/2028
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 1/03/2028 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.5% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitional features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2223761813
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	740
9	Nominal amount of instrument (million)	750 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/09/2031
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 1/9/2031 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2463450408
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	989
9	Nominal amount of instrument (million)	1,000 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	30/03/2022
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/03/2028 - 30/09/2028
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 30/09/2028 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.375% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2678939427
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,238
9	Nominal amount of instrument (million)	1,250 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,250
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	07/09/2023
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	07/09/2029 - 07/03/2030
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 07/09/2029 to 07/03/2030 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	9.125% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Reyl & Cie SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CH0450495376
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Swiss law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	10
9	Nominal amount of instrument (million)	12 CHF
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	10.6
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/11/2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/11/2023
16	Subsequent call dates, if applicable	Early redemption exercisable starting from 30/11/2023 or on each anniversary date of the First Redemption Date. Moreover, the Issuer shall be entitled to cancel the outstanding Tier 1 Note if, subject to FINMA's written approval, it no longer qualifies as Additional Tier 1 Capital, in part or in full, including following a regulatory change.
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.75% payable annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity, junior to unsubordinated debts
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Reyl & Cie SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CH0511381185
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Swiss law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	13
9	Nominal amount of instrument (million)	15 CHF
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	13.6
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/11/2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/11/2024
16	Subsequent call dates, if applicable	Early redemption exercisable starting from 30/11/2024 or on each anniversary date of the First Redemption Date. Moreover, the Issuer shall be entitled to cancel the outstanding Tier 1 Note if, subject to FINMA's written approval, it no longer qualifies as Additional Tier 1 Capital, in part or in full, including following a regulatory change.
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.75% payable annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity, junior to unsubordinated debts
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAT41
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	174
9	Nominal amount of instrument (million)	2,000 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,466
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	26/06/2014
12	Perpetual or dated	Dated
13	Original maturity date	26/06/2024
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.017%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/disclaimer/prospectus-international-issue-documents-mtn-us?PREV_URL=cf5f7e8e-9610-4e56-a29e-0d2ab2138182&NEXT_URL=5ed41466-5a39-48e1-b5a7-5ec55651ad29

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1109765005
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	530
9	Nominal amount of instrument (million)	1,000 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/09/2014
12	Perpetual or dated	Dated
13	Original maturity date	15/09/2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.928%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1222597905
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 486 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	129
9	Nominal amount of instrument (million)	500 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	23/04/2015
12	Perpetual or dated	Dated
13	Original maturity date	23/04/2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.855%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAW79
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	542
9	Nominal amount of instrument (million)	1,500 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,377
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/01/2016
12	Perpetual or dated	Dated
13	Original maturity date	15/01/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.71% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/disclaimer/prospectus-international-issue-documents-mtn-us?PREV_URL=cf5f7e8e-9610-4e56-a29e-0d2ab2138182&NEXT_URL=5ed41466-5a39-48e1-b5a7-5ec55651ad29

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005279887
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	106
9	Nominal amount of instrument (million)	724 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	724
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	26/09/2017
12	Perpetual or dated	Dated
13	Original maturity date	26/09/2024
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	(3m EURIBOR + 1.90%) / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1958656552
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	535
9	Nominal amount of instrument (million)	500 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	04/03/2019
12	Perpetual or dated	Dated
13	Original maturity date	04/03/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	04/03/2024
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 5.875% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2026295126
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	304
9	Nominal amount of instrument (million)	300 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	300
EU 9a	Issue price	99.613
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	12/07/2019
12	Perpetual or dated	Dated
13	Original maturity date	12/07/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	12/07/2024
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 4.375% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005390833
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	86
9	Nominal amount of instrument (million)	160 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	160
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	11/12/2019
12	Perpetual or dated	Dated
13	Original maturity date	11/12/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.98% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's nonsubordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-domestiche-informazioni/extramot-pro

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005390825
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	102
9	Nominal amount of instrument (million)	188 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	188
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	11/12/2019
12	Perpetual or dated	Dated
13	Original maturity date	11/12/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 206 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's nonsubordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-domestiche-informazioni/extramot-pro

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2185883100
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	330
9	Nominal amount of instrument (million)	350 GBP
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	393
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	10/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	10/06/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.148% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005412264
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	198
9	Nominal amount of instrument (million)	309 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	309
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-domestiche-informazioni/extramot-pro

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005412256
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	413
9	Nominal amount of instrument (million)	591 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	591
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 405 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-domestiche-informazioni/extramot-pro

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2243298069
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	429
9	Nominal amount of instrument (million)	500 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	14/10/2020
12	Perpetual or dated	Dated
13	Original maturity date	14/10/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 2.925%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	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)	583
9	Nominal amount of instrument (million)	750 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	614
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/06/2021
12	Perpetual or dated	Dated
13	Original maturity date	01/06/2032
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/06/2031
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.198% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/disclaimer/prospectus-international-issue-documents-mtn-us?PREV_URL=cf5f7e8e-9610-4e56-a29e-0d2ab2138182&NEXT_URL=5ed41466-5a39-48e1-b5a7-5ec55651ad29

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HBS58
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	539
9	Nominal amount of instrument (million)	750 USD
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	614
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/06/2021
12	Perpetual or dated	Dated
13	Original maturity date	01/06/2042
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/06/2041
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.950% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/disclaimer/prospectus-international-issue-documents-mtn-us?PREV_URL=cf5f7e8e-9610-4e56-a29e-0d2ab2138182&NEXT_URL=5ed41466-5a39-48e1-b5a7-5ec55651ad29

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005495244
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	782
9	Nominal amount of instrument (million)	861.8 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	861.8
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	16/06/2022
12	Perpetual or dated	Dated
13	Original maturity date	16/06/2032
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	Regulatory call
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 345 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-domestiche-informazioni/extramot-pro

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2534883363
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	467
9	Nominal amount of instrument (million)	400 GBP
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	459
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	20/09/2022
12	Perpetual or dated	Dated
13	Original maturity date	20/09/2032
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Regulatory call
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	8.505% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005508707
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	642
9	Nominal amount of instrument (million)	677,4 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	677.4
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	14/10/2022
12	Perpetual or dated	Dated
13	Original maturity date	14/10/2032
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	Regulatory call
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 415 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-domestiche-informazioni/extramot-pro

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2589361240
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,062
9	Nominal amount of instrument (million)	1,000 EUR
	Nominal amount of instrument in currency used for the reporting obligations (million of Euro)	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	20/02/2023
12	Perpetual or dated	Dated
13	Original maturity date	20/02/2034
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	20/11/2028
16	Subsequent call dates, if applicable	Early redemption exercisable every day from 20/11/2028 to 20/02/2029 (included)
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.184% per annum, payable annually (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

Attachment 2

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

(millions of euro)

			31.12.2023	31.12.2022	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Reference article of Regulation (EU) 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves						
1		Capital instruments and the related share premium accounts	38,372	38,422	9, 10	26, paragraph 1, 27, 28, 29
		of which: instrument type 1	38,372	38,422	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	17,903	19,041	8	26, paragraph 2(c)
3		Accumulated other comprehensive income (and other reserves)	-5,274	-5,900	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)	-	-	12.1	84
EU5a		Independently reviewed interim profits net of any foreseeable charge or dividend	1,937	1,189	13	26, paragraph 2
6		**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**52,938**	**52,752**		**Sum of rows from 1 to 5a**
Common Equity Tier 1 (CET1) capital: regulatory adjustments						
7		Additional value adjustments (negative amount)	-247	-201	15	34, 105
8		Intangible assets (net of related tax liability) (negative amount)	-7,396	-8,201	1.1, 2, 5.2.1	36, paragraph 1(b), 37
9		Not applicable				
10		Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-2,430	-2,154	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	317	365	6, 6.3	33, paragraph 1(a)
12		Negative amounts resulting from the calculation of expected loss amounts	-242	-240	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	143	71	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)	-165	-1,869	11	36, paragraph 1(f), 42
17		Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		36, paragraph 1(g), 44
18		Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	1	36(1)(h), 43, 45, 46, 49 (2 and 3), 79
19		Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	1	36(1)(i), 43, 45, 47, 48(1)(b), 49 (1,2 and 3), 79
20		Not applicable				
EU20a		Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-50	-62	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)	-50	-62	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)	-	-	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	-1,392	311	8.1, 19, 21	
28		**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-11,462**	**-11,980**		**Sum of rows from 7 to 20a, 21, 22 and from 25a to 27a**
29		**Common Equity Tier 1 (CET1) capital**	**41,476**	**40,772**		**Row 6 less row 28**

(millions of euro)

			31.12.2023	31.12.2022	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Reference article of Regulation (EU) 575/2013
Additional Tier 1 (AT1) capital: instruments						
30		Capital instruments and the related share premium accounts	8,054	7,307	7	51, 52
	31	of which: classified as equity under applicable accounting standards	8,054	7,307	7	
	32	of which: classified as liabilities under applicable accounting standards	-	-		
33		Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-		486, paragraph 3
EU33a		Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-		494a, paragraph 1
EU33b		Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-		494b, paragraph 1
34		Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	12.2	85, 86
	35	of which: instruments issued by subsidiaries subject to phase out	-	-		486, paragraph 3
36		**Additional Tier 1 (AT1) capital before regulatory adjustments**	**8,054**	**7,307**		**Sum of rows 30, 33, 33a, 33b and 34**
Additional Tier 1 (AT1) capital: regulatory adjustments						
37		Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-100	-100	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	-247	-		
43		**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-347**	**-100**		**Sum of rows from 37 to 42a**
44		**Additional Tier 1 (AT1) capital**	**7,707**	**7,207**		**Row 36 less row 43**
45		**Tier 1 capital (T1 = CET1 + AT1)**	**49,183**	**47,979**		**Sum of rows 29 and 44**
Tier 2 (T2) capital: instruments						
46		Capital instruments and the related share premium accounts	8,167	8,474	4, 4.2	62, 63
47		Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2	-	-		486, paragraph 4
EU47a		Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-		494a, paragraph 2
EU47b		Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-		494b, paragraph 2
48		Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-	12.3	87, 88
	49	of which: instruments issued by subsidiaries subject to phase out	-	-		486, paragraph 4
50		Credit risk adjustments	846	820	18	62 (c)(d) and Art. 473a Reg. 2395/2017 (7)(c)
51		**Tier 2 (T2) capital before regulatory adjustments**	**9,013**	**9,294**		
Tier 2 (T2) capital: regulatory adjustments						
52		Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-214	-166	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)	-	-	20	66 (d), 69, 79
56		Not applicable				
EU56a		Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-		66 (e)
EU56b		Other regulatory adjustments to T2 capital	-	-747		
57		**Total regulatory adjustments to Tier 2 (T2) capital**	**-214**	**-913**		**Sum of rows from 52 to 56b**
58		**Tier 2 (T2) capital**	**8,799**	**8,381**		**Row 51 less row 57**
59		**Total capital (TC = T1 + T2)**	**57,982**	**56,360**		**Sum of rows 45 and 58**
60		**Total Risk exposure amount**	**302,110**	**295,443**		

(millions of euro)

			31.12.2023	31.12.2022	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Reference article of Regulation (EU) 575/2013
Capital ratios and requirements including buffers						
61		Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	13.73%	13.80%		92, paragraph 2(a)
62		Tier 1 capital (as a percentage of the risk exposure amount)	16.28%	16.24%		92, paragraph 2(b)
63		Total capital (as a percentage of the risk exposure amount)	19.19%	19.08%		92, paragraph 2(c)
64		Institution CET1 overall capital requirements	8.78%	8.84%		CRD 128, 129, 130, 131, 133
	65	of which: capital conservation buffer requirement	2.50%	2.50%		
	66	of which: countercyclical buffer requirement	0.19%	0.08%		
	67	of which: systemic risk buffer requirement	-	-		
	EU67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.75%	0.75%		
	EU67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.84%	1.01%		
68		Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (a)	8.38%	8.29%		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)	1,679	1,335		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)	741	989		36, paragraph 1(i), 45, 48
74		Not applicable				
75		Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	3,020	3,308		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)	1,161	928		62
79		Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	846	820		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	-	-		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	-	-		484 (5), 486 (4 and 5)
85		Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-		484 (5), 486 (4 and 5)

(a) The minimum capital requirements considered in the calculation are the CET1 ratio (4.5%, Article 92(1)(a) CRR) and the additional SREP requirement for CET1 (Article 104a CRD).

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