# Basel 3 Pillar 3

Disclosure as at 30 June 2023

*This is an English translation of the original Italian document "Terzo Pilastro di Basilea 3 Informativa al pubblico al 30 giugno 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.*
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*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 30 June 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).

With regard to the impacts for the Intesa Sanpaolo Group of the military conflict between Russia and Ukraine and the impacts of the scenario resulting from the COVID-19 pandemic, see the description provided in the Half-yearly Report as at 30 June 2023 and the 2022 Annual Report of the Group.

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In accordance with the above-mentioned provisions, this document has been prepared on a consolidated basis with reference to a “prudential” scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (integrated by the proportional consolidation of the jointly controlled entities).

Compared to 31 December 2022, the accounting scope of line-by-line consolidation has changed marginally as a result of:
- the entry of Reyl Finance (MEA) LTD, following the exceeding of immateriality limits that allowed its consolidation at equity;
- the removal of Fideuram Bank Luxembourg, merged into Intesa Sanpaolo Wealth Management S.A. (formerly Compagnie de Banque Privée Quilvest - CBPQ), with effect from 1 January 2023;
- the removal of Asteria Obviam S.A., which is now consolidated using the equity method as it has fallen below the materiality threshold;
- the removal of Intesa Sanpaolo Provis S.p.A., which was merged into Intesa Sanpaolo S.p.A. with legal effect from 17 April 2023 and accounting and tax effects from 1 January 2023.

The changes in the scope of prudential consolidation are the same as those reported above.
For completeness, it is noted that Banca 5 S.p.A. changed its company name to Isybank S.p.A. with effect from 1 January 2023.

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

In accordance with Article 433 of the CRR II, banks publish the Pillar 3 Disclosures required by European regulations at the same time as the financial statements or as soon as possible after that date. The frequency of publication of disclosures by large institutions (the category the Intesa Sanpaolo Group belongs to) is specifically regulated by Article 433a CRR II (“Disclosures by large institutions”).

In relation to the scope of application of the provisions of the CRR, which refers - as previously indicated - to a “prudential” consolidation scope, and the provisions of the CRR, this document does not illustrate all the types of risk that the Intesa Sanpaolo Group is exposed to. For more details, see the Group’s Half-yearly Report as at 30 June 2023 and 2022 Annual Report.

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

The preparation of the Pillar 3 disclosure on capital adequacy, risk exposure and the general characteristics of the related management and control systems of Intesa Sanpaolo is governed, in compliance with the applicable regulations, by the “Guidelines on the disclosure of Financial information to the Market”, approved by the Board of Directors. The governance of the Pillar 3 disclosure requires the Chief Risk Officer to ensure that the risk information provided therein – including the new disclosure required from December 2022 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.

Furthermore, as regards public disclosure, the document is accompanied by the declaration of the Manager responsible for preparing the Company's financial reports, pursuant to paragraph 2 of Art. 154-bis of the Consolidated Law on Finance, which confirms that the accounting information contained in the document corresponds to the supporting documentation, ledgers and other accounting records.
The preparation of Financial disclosures to the Market is one of the processes subject to assessment under the Group "Administrative and Financial Governance Guidelines", which were also approved by the Board of Directors.

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").

## 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).

In accordance with the above regulatory requirements, the quantitative information in table and text form that requires quarterly or half yearly disclosure has been published in the document as at 30 June 2023 for Own Funds, Capital Requirements, Liquidity Risk, Credit Risk (standardised approach, IRB models and mitigation techniques), Counterparty Risk, Market Risk, Operational Risk, Securitisations, Leverage Ratio and ESG.

| CRR II Article | Pillar 3 Section Reference as at 30 June 2023 | Frequency of publishing Pillar 3 disclosures |
|---|---|---|
| 435 - Disclosure of the risk management objectives and policies | - | ▪ Annual |
| 436 - Disclosure of the scope of application | - | ▪ Annual |
| 437 – Disclosure of own funds | ▪ Own Funds<br>▪ Attachment 1 - Own funds: Main features of regulatory own funds instruments issued during the half year (EU CCA Reg. 2021/637)<br>▪ Attachment 2 - Own funds: Composition of regulatory own funds (EU CC1 Reg. 2021/637) | ▪ Quarterly (except “EU CC2 Reconciliation” table half-yearly)<br>▪ Quarterly (instruments issued in the period) / Annual (full disclosure)<br>▪ 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 | ▪ Capital Requirements<br>▪ Credit risk: disclosures on portfolios subject to IRB approaches | ▪ Quarterly (summary) / Annual (full) |
| 439 - Disclosure of exposures to counterparty credit risk | ▪ Counterparty risk | ▪ Half-yearly (summary) / Annual (full) |
| 440 - Disclosure of countercyclical capital buffers | ▪ Capital Requirements | ▪ Quarterly (summary) / Half-yearly (full) |
| 441 - Disclosure of indicators of global systemic importance | - | N/A for ISP Group |
| 442 - Disclosure of exposures to credit risk and dilution risk | ▪ Credit risk: credit quality | ▪ Half-yearly (summary) / Annual (full) |
| 443 - Disclosure of encumbered and unencumbered assets | - | ▪ Annual |
| 444 - Disclosure of the use of the Standardised Approach | ▪ Credit risk: disclosures on portfolios subject to the standardised approach<br>▪ Counterparty risk | ▪ Half-yearly (summary) / Annual (full) |
| 445 - Disclosure of exposure to market risk | ▪ Market risk | ▪ Half-yearly |
| 446 - Disclosure of operational risk management | ▪ Operational risk | ▪ Half-yearly (summary) / Annual (full) |
| 447 - Disclosure of key metrics | ▪ Capital Requirements | ▪ Quarterly |
| 448 - Disclosure of exposures to interest rate risk on positions not held in the trading book | ▪ Interest rate risk on positions not included in the trading book | ▪ Half-yearly (summary) / Annual (full) |
| 449 - Disclosure of exposures to securitisation positions | ▪ Securitisations | ▪ Half-yearly (summary) / Annual (full) |
| 449a - Disclosure of environmental, social and governance risks (ESG risks) | ▪ Disclosure of environmental, social and governance risks (ESG risks) | ▪ Half-yearly |
| 450 - Disclosure of remuneration policy | - | ▪ Annual |
| 451 - Disclosure of the leverage ratio | ▪ Leverage ratio | ▪ Quarterly (summary) / Annual (full) |
| 451a - Disclosure of liquidity requirements | ▪ Liquidity risk | ▪ Quarterly (summary) / Annual (full) |
| 452 - Disclosure of the use of the IRB Approach to credit risk | ▪ Credit risk: disclosures on portfolios subject to IRB approaches<br>▪ Counterparty risk | ▪ Half-yearly (summary) / Annual (full) |
| 453 - Disclosure of the use of credit risk mitigation techniques | ▪ Credit risk: disclosures on portfolios subject to the standardised approach<br>▪ Credit risk: disclosures on portfolios subject to IRB approaches<br>▪ Credit risk mitigation techniques | ▪ Half-yearly (summary) / Annual (full) |
| 454 - Disclosure of the use of the Advanced Measurement Approaches to operational risk | ▪ Operational risk | ▪ Half-yearly (summary) / Annual (full) |
| 455 - Use of Internal Market Risk Models | ▪ Market 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) No. 2021/637 (and subsequent amendments, including: Regulation 2022/631 on IRRBB disclosure and Regulation 2022/2453 on ESG disclosure) applicable from June 2021 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* | |

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

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|---|---|---|---|
| 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 | Qualitative information on environmental risk | Half-yearly | Section 20 – Disclosure of environmental, social and governance risks (ESG risks) |
| Table 2 qualitative | Qualitative information on social risk | Half-yearly | |
| Table 3 qualitative | Qualitative information on governance risk | Half-yearly | |
| Template 1 | Banking book - 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 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 30 June 2023 not applicable for the Intesa Sanpaolo Group because the NPL ratio was <5%.

# 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) 2014/241 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), in Article 494b "Grandfathering of Own Funds instruments and eligible liabilities instruments", introduced a new transitional regime, applicable until 28 June 2025, which allows Own Funds instruments – issued before 27 June 2019 (the date of entry into force of CRR II) – which do not meet the specific conditions set out in points p), q) and r) of Article 52 ("Additional Tier 1 instruments"), as amended by Article 1 point 23) of CRR II, and in points n), o) and p) of Article 63 ("Tier 2 instruments"), as amended by Article 1 point 27) of CRR II – to qualify as AT1 and T2 instruments. Since July 2020, the Intesa Sanpaolo Group has no longer held any subordinated instruments subject to the above-mentioned transitional rules.

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 CET1 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.

## Quantitative disclosure

### Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 30 June 2023 is summarised in the table below.

(millions of euro)

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **A. Common Equity Tier 1 (CET1) before the application of prudential filters** | **51,931** | **52,752** |
| of which CET1 instruments subject to transitional adjustments | - | - |
| **B. CET1 prudential filters (+ / -)** | **241** | **149** |
| **C. CET1 before items to be deducted and effects of transitional period (A +/- B)** | **52,172** | **52,901** |
| **D. Items to be deducted from CET1** | **-11,557** | **-12,882** |
| **E. Transitional period - Impact on CET1 (+/-)** | **-** | **753** |
| **F. Total Common Equity Tier 1 (CET1) (C-D +/-E)** | **40,615** | **40,772** |
| **G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period** | **7,207** | **7,207** |
| of which AT1 instruments subject to transitional adjustments | - | - |
| **H. Items to be deducted from AT1** | **-** | **-** |
| **I. Transitional period - Impact on AT1 (+/-)** | **-** | **-** |
| **L. Total Additional Tier 1 (AT1) (G - H +/- I)** | **7,207** | **7,207** |
| **M. Total Tier 1 (T1) (F + L)** | **47,822** | **47,979** |
| **N. Tier 2 (T2) before items to be deducted and effects of transitional period** | **9,337** | **8,381** |
| of which T2 instruments subject to transitional adjustments | - | - |
| **O. Items to be deducted from T2** | **-** | **-** |
| **P. Transitional period - Impact on T2 (+ / -)** | **-** | **-** |
| **Q. Total Tier 2 (T2) (N - O +/- P)** | **9,337** | **8,381** |
| **R. Total own funds (F + L + Q)** | **57,159** | **56,360** |

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

The own funds disclosure required by the above-mentioned Regulation (EU) 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;
- Attachment 1, which contains details of the terms and conditions of the Additional Tier 1 instruments issued during the first half of 2023, in line with the template EU CCA of Regulation (EU) 2021/637;
- Attachment 2: template EU CC1 – Composition of regulatory own funds.

The full terms and conditions of all the other Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments have been reported in Attachment 1 to the Basel 3 Pillar 3 - Disclosure as at 31 December 2022.

## Reconciliation of net book value and Common Equity Tier 1 Capital

(millions of euro)

| Captions | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Group Shareholders' equity | 62,309 | 61,655 |
| Minority interests | 152 | 166 |
| **Shareholders' equity as per the Balance Sheet** | **62,461** | **61,821** |
| Interim dividend [(a)] | - | 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 | -7,207 | -7,207 |
| - Minority interests eligible for inclusion in AT1 | - | - |
| - Minority interests eligible for inclusion in T2 | - | - |
| - Ineligible minority interests on full phase-in | -152 | -166 |
| - Ineligible net income for the period [(b)] | -3,181 | -3,165 |
| - Treasury shares included under regulatory adjustments [(c)] | 148 | 169 |
| - Other ineligible components on full phase-in | -138 | -100 |
| **Common Equity Tier 1 capital (CET1) before regulatory adjustments** | **51,931** | **52,752** |
| **Regulatory adjustments (including transitional adjustments) [(d)]** | **-11,316** | **-11,980** |
| **Common Equity Tier 1 capital (CET1) net of regulatory adjustments** | **40,615** | **40,772** |

(a) As at 31 December 2022 the Shareholders' equity as per the Balance Sheet did not include the interim dividend of 1,400 million euro (net of the undistributed portion in respect of the own shares held at the record date).

(b) Common Equity Tier 1 capital as at 30 June 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).

(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) Regulatory adjustments as at 30 June 2023 no longer include the impact of the application of the IFRS9 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).

## Common Equity Tier 1 Capital (CET1)

(millions of euro)

| Information | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Common Equity Tier 1 capital (CET1)** | | |
| Share capital - ordinary shares | 10,369 | 10,369 |
| Share premium reserve | 28,001 | 28,053 |
| Reserves (a) | 14,604 | 15,776 |
| Accumulated other comprehensive income (b) | -2,084 | -2,635 |
| Net income (loss) for the period | 4,222 | 4,354 |
| Net income (loss) for the period not eligible (c) | -3,181 | - |
| Dividends and other foreseeable charges (d) | - | -3,165 |
| Minority interests | - | - |
| **Common Equity Tier 1 capital (CET1) before regulatory adjustments** | **51,931** | **52,752** |
| **Common Equity Tier 1 capital (CET1): Regulatory adjustments** | | |
| Treasury shares | -148 | -1,869 |
| Goodwill | -3,756 | -4,252 |
| Other intangible assets | -3,904 | -3,949 |
| Deferred tax assets that rely on future profitability and do not arise from temporary differences | -2,146 | -2,154 |
| Negative amounts resulting from the calculation of expected losses (shortfall reserve) | -231 | -240 |
| Defined benefit pension funds assets | - | - |
| Prudential filters | 241 | 149 |
| *- of which Cash Flow Hedge Reserve* | *410* | *365* |
| *- of which Gains or Losses due to changes in own credit risk (DVA)* | *55* | *-15* |
| *- of which Prudent valuation adjustments* | *-224* | *-201* |
| *- of which Other prudential filters* | - | - |
| Exposures to securitisations deducted rather than risk weighted at 1,250% | -31 | -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) | -450 | -356 |
| **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **-11,316** | **-12,733** |
| **Total adjustments in the transitional period (CET1) (h)** | **-** | **753** |
| **Common Equity Tier 1 (CET1) - Total** | **40,615** | **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 30 June 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).

(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.

Please note that, for the purposes of calculating own funds as at 30 June 2023, the net income for the first half was considered, less the related dividend and other foreseeable charges[1].
Own funds also take into account the applicable amount, subject to 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 30 June 2023, the voluntary deduction of calendar provisioning[2] 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.
It is also noted that, starting on 30 June 2023, the Intesa Sanpaolo Group will comply 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.

As envisaged by Article 36 (1)(k)(ii) of Regulation (EU) 575/2013 which governs this circumstance, in place of the weighting of the positions towards securitisations that meet the requirements to receive a weighting of 1,250%, it was chosen to proceed with the direct deduction of these exposures from the Own Funds.
The amount of such deduction as at 30 June 2023 is equal to 31 million euro.

## Additional Tier 1 Capital (AT1)

(millions of euro)

| Information | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Additional Tier 1 capital (AT1) | | |
| AT1 instruments | 7,207 | 7,207 |
| Minority interests | - | - |
| **Additional Tier 1 capital (AT1) before regulatory adjustments** | **7,207** | **7,207** |
| **Regulatory adjustments to Additional Tier 1 (AT1)** | **-** | **-** |
| **Additional Tier 1 (AT1) - Total** | **7,207** | **7,207** |

## Additional Tier 1 (AT1) equity instruments

| Issuer | Interest rate | Step-up | Issue date | Expiry date | Early redemption as of | Currency | Subject to grandfathering | Original amount in currency | Contribution to the own funds (millions of euro) |
|---|---|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 7.70% fixed rate | NO | 17-Sep-2015 | perpetual | 17-Sep-2025 | USD | NO | 1,000,000,000 | 875 |
| Intesa Sanpaolo | 6.25% fixed rate | NO | 16-May-2017 | perpetual | 16-May-2024 | Eur | NO | 750,000,000 | 742 |
| Intesa Sanpaolo | 7.75% fixed rate | NO | 11-Jan-2017 | perpetual | 11-Jan-2027 | Eur | NO | 1,250,000,000 | 1,237 |
| Intesa Sanpaolo | 3.75% fixed rate | NO | 27-Feb-2020 | perpetual | 27-Feb-2025 | Eur | NO | 750,000,000 | 733 |
| 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 | 736 |
| 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 | 388 |
| Intesa Sanpaolo | 6.375% fixed rate (payable semi-annually) | NO | 30-Mar-2022 | perpetual | 30-Sep-2028 | Eur | NO | 1,000,000,000 | 987 |
| REYL & Cie SA | 4.75% | NO | 30-Nov-2019 | perpetual | 30-Nov-2024 | CHF | NO | 15,000,000 | 13 |
| REYL & Cie SA | 4.75% | NO | 30-Nov-2018 | perpetual | 30-Nov-2023 | CHF | NO | 12,000,000 | 10 |
| **Total Additional Tier 1 equity instruments** | | | | | | | | | **7,207** |

[1] Coupons accrued on the Additional Tier 1 issues (160 million euro).

[2] 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.

## Tier 2 capital (T2)

(millions of euro)

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Tier 2 Capital (T2) | | |
| T2 Instruments | 8,498 | 8,308 |
| Minority interests | - | - |
| Excess of provisions over expected losses eligible (excess reserve) | 839 | 73 |
| **Tier 2 capital before regulatory adjustments** | **9,337** | **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** | **9,337** | **8,381** |

## Tier 2 (T2) equity instruments

| Issuer | Interest rate | Step-up | Issue date | Expiry date | Early redemption as of | Currency | Subject to grandfather-ing | Original amount in currency | Contribution to the own funds (millions of euro) |
|---|---|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 6.625% fixed rate | NO | 13-Sep-2013 | 13-Sep-2023 | NO | Eur | NO | 1,445,656,000 | 62 |
| Intesa Sanpaolo | 5.017% fixed rate | NO | 26-Jun-2014 | 26-Jun-2024 | NO | USD | NO | 2,000,000,000 | 354 |
| Intesa Sanpaolo | 3.928% fixed rate | NO | 15-Sep-2014 | 15-Sep-2026 | NO | Eur | NO | 1,000,000,000 | 619 |
| Intesa Sanpaolo | 2.855% fixed rate | NO | 23-Apr-2015 | 23-Apr-2025 | NO | Eur | NO | 500,000,000 | 171 |
| Intesa Sanpaolo | 5.71% fixed rate | NO | 15-Jan-2016 | 15-Jan-2026 | NO | USD | NO | 1,500,000,000 | 670 |
| Intesa Sanpaolo | 3-month Euribor + 1.9%/4 | NO | 26-Sep-2017 | 26-Sep-2024 | NO | Eur | NO | 723,700,000 | 180 |
| Intesa Sanpaolo | 5.875% fixed rate | NO | 04-Mar-2019 | 04-Mar-2029 | 04-Mar-2024 | Eur | NO | 500,000,000 | 513 |
| 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 | 98 |
| Intesa Sanpaolo | 3-month Euribor + 206 bps/4 | NO | 11-Dec-2019 | 11-Dec-2026 | NO | Eur | NO | 188,000,000 | 117 |
| Intesa Sanpaolo | 5.148% fixed rate | NO | 10-Jun-2020 | 10-Jun-2030 | NO | GBP | NO | 350,000,000 | 297 |
| Intesa Sanpaolo | 3.75% fixed rate | NO | 29-Jun-2020 | 29-Jun-2027 | NO | Eur | NO | 309,250,000 | 211 |
| Intesa Sanpaolo | 3-month Euribor + 405 bps/4 | NO | 29-Jun-2020 | 29-Jun-2027 | NO | Eur | NO | 590,500,000 | 462 |
| Intesa Sanpaolo | 2.925% fixed rate | NO | 14-Oct-2020 | 14-Oct-2030 | NO | Eur | NO | 500,000,000 | 431 |
| Intesa Sanpaolo | 4.198% fixed rate | NO | 01-Jun-2021 | 01-Jun-2032 | 01-Jun-2031 | USD | NO | 750,000,000 | 579 |
| Intesa Sanpaolo | 4.95% fixed rate | NO | 01-Jun-2021 | 01-Jun-2042 | 01-Jun-2041 | USD | NO | 750,000,000 | 549 |
| Intesa Sanpaolo | 3-month Euribor + 345 bps/4 | NO | 16-Jun-2022 | 16-Jun-2032 | NO | Eur | NO | 861,800,000 | 815 |
| Intesa Sanpaolo | 8.505% fixed rate | NO | 20-Sep-2022 | 20-Sep-2032 | NO | GBP | NO | 400,000,000 | 427 |
| Intesa Sanpaolo | 3-month Euribor + 415 bps/4 | NO | 14-Oct-2022 | 14-Oct-2032 | NO | Eur | NO | 677,400,000 | 656 |
| Intesa Sanpaolo | 6.184% fixed rate | NO | 20-Feb-2023 | 20-Feb-2034 | 20-Nov-2028 | Eur | NO | 1,000,000,000 | 983 |
| **Total Tier 2 instruments** | | | | | | | | | **8,498** |

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

(millions of euro)

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment | 4,154 | 4,576 |
| B. Threshold of 10% for CET1 instruments of financial sector entities where the institution has a significant investment and for DTA that rely on future profitability and arise from temporary differences | 4,154 | 4,576 |
| C. Threshold of 17.65% for significant investments and DTA not deducted in the threshold described under point B | 6,652 | 7,268 |

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

- for minor investments in CET1 instruments issued by companies in the financial sector, the deduction of amounts exceeding 10% of CET1 prior to deductions deriving from exceeding the thresholds is envisaged;
- for significant investments in CET1 instruments and DTAs, on the other hand, the following is envisaged:
  - an initial threshold for deductions, calculated as 10% of CET1 prior to deductions deriving from exceeding the thresholds, adjusted to take into account any excess over the threshold described in the previous point;
  - a further threshold is indicated, calculated on 17.65% of Common Equity (calculated in the same way as the point above, minus the DTAs that are dependent on future profitability and arise from temporary differences and significant investments in CET1 instruments issued by financial sector entities), to be applied in aggregate on amounts not deducted using the first threshold.

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

## Changes in Own Funds

The changes in Own Funds during the half year are shown below.

| OWN FUNDS | 01.01.2023 - 30.06.2023 |
|---|---|
| **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 relates share premium | -52 |
| Changes in reserves [b] | -1,633 |
| Accumulated other comprehensive income [c] | 375 |
| Net income for the period (net of foreseeable dividends) [d] | 1,041 |
| Minority interests | - |
| **Regulatory adjustments** | |
| Prudential filters [e] | 92 |
| Own CET1 instruments [f] | 1,721 |
| Goodwill and other intangible assets [g] | 397 |
| Deferred tax assets that rely on future profitability and do not arise from temporary differences | 8 |
| 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 | 9 |
| Deductions deriving from securitisations | 31 |
| Other CET1 deductions (pursuant to Article 3 CRR) [h] | -891 |
| Other deductions [i] | -94 |
| **Final amount 30.06.2023** | **40,615** |
| **Additional Tier 1 (AT1)** | |
| **Initial amount 01.01.2023** | **7,207** |
| Issues/redemptions of AT1 instruments | - |
| 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 30.06.2023** | **7,207** |
| **Tier 2 (T2)** | |
| **Initial amount 01.01.2023** | **8,381** |
| Issues/redemptions of T2 instruments [l] | 190 |
| Minority interests | - |
| Excess adjustments over expected losses (excess reserve) [m] | 766 |
| **Regulatory adjustments** | |
| Own T2 instruments | - |
| Non-significant investments in T2 instruments of the financial sector | - |
| Significant investments in T2 instruments of the financial sector | - |
| Transitional adjustments and instruments eligible for grandfathering | - |
| **Final amount 30.06.2023** | **9,337** |
| **Total Own Funds at the end of the reporting period** | **57,159** |

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

***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);[3]
c. the change in accumulated other comprehensive income was due to:
   - the increase in the reserves pertaining to insurance companies of 144 million euro;
   - the improvement in the reserve for equity and debt securities measured at fair value of 200 million euro;
   - the improvement in the CFH reserve of 57 million euro;
   - the deterioration of the reserve for property, equipment and investment property of 5 million euro;
   - the deterioration of the financial liabilities designated at fair value through profit or loss valuation reserve (DVA) of 55 million euro;
   - the improvement in the IAS 19 reserve (+74 million euro), the deterioration of the exchange rate reserve (-6 million euro) and other minor effects (-34 million euro);
d. the consolidated net income for the period ended 30 June 2023, amounting to 4,222 million euro, was recognised in Own Funds for 1,041 million euro, due, as already mentioned above, to the regulatory conditions having been met for its inclusion, net of dividends and other foreseeable costs (3,181 million euro as at 30 June 2023);
e. the variance was mainly due to the change in the Filter on the CFH Reserve (+45 million euro), the change in Group's own credit rating (DVA) (+70 million euro) and the change in the Prudent Valuation (-23 million euro);
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;
g. the change was mainly attributable to the lower deduction of goodwill of insurance companies as per Q&A EBA 2021_6211, described above;
h. the change was attributable to the additional Article 3 CRR deduction related to the calendar provisioning on exposures included in the scope of Pillar 2;
i. the change was attributable to the increase in the deduction for Irrevocable Payment Commitments (IPCs).

***Additional Tier 1 (AT1)***

There were no changes during the half year.

***Tier 2 (T2)***

l. During the half 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;
m. 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, of the reciprocal (negative) filter on T2. Consequently, the excess reserve recorded on the T2 has been included in full.

[3] 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. For more information on the buyback programme, see the Half-yearly Report as at 30 June 2023.

## 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** | | | **58,091** | |
| | **Assets** | | | | |
| 1 | 70. Investments in associates and companies subject to joint control | 2,599 | 9,116 | -553 | 8, 18, 19 |
| 1.1 | *of which: implicit goodwill in associated companies IAS 28-31* | *553* | *1,105* | *-553* | *8* |
| 2 | 100. Intangible assets | 9,192 | 8,659 | -7,205 | 8 |
| 2.1 | *of which: goodwill* | *3,668* | *3,249* | *-3,203* | *8* |
| 2.2 | *of which: other intangible assets* | *5,524* | *5,410* | *-4,002* | *8* |
| 3 | 110. Tax assets | 16,080 | 15,318 | -2,146 | 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* | *2,334* | *2,334* | *-2,334* | *10* |
| | **Liabilities** | | | | |
| 4 | 10. Securities issued | 96,627 | 96,955 | 8,498 | 46, 52 |
| 4.1 | *of which: subordinated instruments subject to transitional arrangements* | - | - | - | *46, 52* |
| 4.2 | *of which: subordinated instruments not subject to transitional arrangements* | - | *8,498* | *8,498* | *46, 52* |
| 5 | 60. Tax liabilities | 2,938 | 1,041 | 98 | 8 |
| 5.1 | a) Current tax liabilities | 500 | 348 | N.A. | |
| 5.2 | b) Deferred tax liabilities | 2,438 | 693 | N.A. | |
| 5.2.1 | *of which: tax liabilities related to goodwill and other intangible assets* | - | - | *98* | *8* |
| 6 | 120. Valuation reserves | -2,084 | -2,086 | -1,673 | 3, 11 |
| 6.1 | *of which: valuation reserves pertaining to insurance companies* | *-375* | - | *-375* | |
| 6.2 | *of which: valuation reserves on financial assets measured at fair value through other comprehensive income* | *-1,836* | *-2,213* | *-1,836* | |
| 6.3 | *of which: valuation reserves on cash flow hedges* | *-411* | *-411* | - | *11* |
| 6.4 | *of which: foreign exchange differences* | *-1,239* | *-1,239* | *-1,239* | *3* |
| 6.5 | *of which: legally-required revaluations* | *2,056* | *2,056* | *2,056* | *3* |
| 6.6 | *of which: valuation reserves on net actuarial losses* | *-165* | *-165* | *-165* | *3* |
| 6.7 | *of which: other* | *-114* | *-114* | *-114* | |
| 7 | 140 Equity instruments | 7,217 | 7,204 | 7,207 | 30 |
| 8 | 150. Reserves | 14,654 | 18,209 | 14,602 | 2 |
| 8.1 | *of which: impact of the adoption of IFRS 9 net of transitional arrangements* | | - | - | *27a* |
| 8a | 155. Interim dividend (-) | - | - | - | |
| 9 | 160. Share premium reserve | 28,001 | 28,001 | 28,001 | 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 (-) | -70 | -70 | -148 | 16 |
| 12 | 190. Minority interests (+/-) | 152 | 121 | - | 5, 34, 48 |
| 12.1 | *of which CET1 compliant* | | - | - | *5* |
| 12.2 | *of which AT1 compliant* | | - | - | *34* |
| 12.3 | *of which T2 compliant* | | - | - | *48* |
| 13 | 200. Net income (loss) for the period (+/-) | 4,222 | 4,222 | 1,041 | 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* | | | *1,041* | *5a* |
| | **OTHER COMPONENTS OF OWN FUNDS, OF WHICH:** | | | **-932** | |
| 14 | Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities | | | 55 | 14, 27a |
| 15 | Value adjustments due to the requirements for prudent valuation | | | -224 | 7 |
| 16 | Exposures to securitisations deducted rather than risk weighted at 1250% | | | -31 | 20a, 20c |
| 17 | IRB shortfall of credit risk adjustments to expected losses | | | -231 | 12 |
| 18 | IRB Excess of provisions over expected losses eligible | | | 839 | 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 | | | -449 | 25b, 27a |
| 22 | Other CET1 deductions (pursuant to Article 3 CRR) | | | -891 | 27a |
| | **Total own funds as at 30 June 2023** | | | **57,159** | |

# Capital requirements

## Qualitative and quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's total own funds must amount to at least 13.11% of total risk-weighted assets (total capital ratio, of which 8.86% in terms of Common Equity Tier 1 ratio[4]) 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 8.95%.
This is the result of:

- the SREP requirement in terms of Total Capital ratio of 9.72% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.72%, of which 0.97% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[5];
- 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 0.23%[6].

With regard to credit risks, the ECB's authorisation to use the new Corporate models for regulatory purposes was implemented starting from March 2023.

With regard to counterparty risk, there were no changes in the scope of application of the model compared to 31 December 2022.

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 30 June 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 and Privredna Banka Zagreb Banka.

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.

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[4] 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 1.72% (of which 0.97% is CET1) and the Combined Buffer of 3.4% (the institution-specific countercyclical capital buffer was 0.14% in the second quarter of 2023).

[5] 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.

[6] Countercyclical Capital Buffer calculated taking into account the exposure as at 30 June 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 the first nine months of 2023).

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

(millions of euro)

| | | Total risk exposure amounts (TREA) | | Total own funds requirements |
|---|---|---|---|---|
| | | 30.06.2023 | 31.03.2023 | 30.06.2023 |
| **1** | **Credit risk (excluding CCR)** | **241,901** | **243,168** | **19,352** |
| *2* | *Of which the standardised approach* | *75,402* | *77,126* | *6,032* |
| *3* | *Of which the Foundation IRB (F-IRB) approach* | *1,471* | *1,444* | *118* |
| *4* | *Of which slotting approach* | *1,070* | *1,036* | *86* |
| *EU 4a* | *Of which equities under the simple riskweighted approach* | *24,981* | *21,777* | *1,998* |
| *5* | *Of which the Advanced IRB (A-IRB) approach* | *134,206* | *136,310* | *10,736* |
| **6** | **Counterparty credit risk - CCR** | **4,973** | **4,711** | **398** |
| *7* | *Of which the standardised approach* | *308* | *398* | *25* |
| *8* | *Of which internal model method (IMM)* | *2,712* | *2,669* | *217* |
| *EU 8a* | *Of which exposures to a CCP* | *472* | *392* | *38* |
| *EU 8b* | *Of which credit valuation adjustment - CVA* | *943* | *846* | *75* |
| *9* | *Of which other CCR* | *538* | *406* | *43* |
| **15** | **Settlement risk** | **-** | **-** | **-** |
| **16** | **Securitisation exposures in the non-trading book (after the cap) (*)** | **10,058** | **10,392** | **805** |
| *17* | *Of which SEC-IRBA approach* | *5,272* | *5,838* | *422* |
| *18* | *Of which SEC-ERBA (including IAA)* | *115* | *106* | *9* |
| *19* | *Of which SEC-SA approach* | *4,076* | *4,448* | *326* |
| *EU 19a* | *Of which 1250%* | *-* | *-* | *-* |
| *(**)* | *Of which specific treatment for Senior tranches of qualifying NPE securitisations* | *595* | *-* | *48* |
| **20** | **Position, foreign exchange and commodities risks (Market risk)** | **12,364** | **11,318** | **989** |
| *21* | *Of which the standardised approach* | *2,681* | *2,567* | *214* |
| *22* | *Of which IMA* | *9,683* | *8,751* | *775* |
| **EU 22a** | **Large exposures** | **-** | **-** | **-** |
| **23** | **Operational risk** | **26,490** | **25,486** | **2,119** |
| *EU 23a* | *Of which basic indicator approach* | *862* | *894* | *69* |
| *EU 23b* | *Of which standardised approach* | *2,593* | *2,593* | *207* |
| *EU 23c* | *Of which advanced measurement approach* | *23,035* | *21,999* | *1,843* |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (***) | 9,614 | 10,560 | 769 |
| **29** | **TOTAL** | **295,786** | **295,075** | **23,663** |

(*) Memo item: deducted securitisations equivalent to 362 million euro of RWEAs and 29 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 30 June 2023 was 295.8 billion euro, an increase of around 0.7 billion euro compared to March 2023. In particular, please note the following:

- credit risk (-1.3 billion euro compared to the previous quarter, excluding counterparty risk): the decrease in RWAs was mainly attributable to the extension of the Group's models to former UBI customers, to the completion of two synthetic securitisations (also mentioned below) and to the reduction in the equity investment portfolio; the reduction effect was partially offset by the performance of the insurance business, which was affected by the amendment (already described in the section on Own funds in this document) of the treatment of goodwill arising in the insurance subsidiaries after their acquisition by the Group and by rating renewals on Corporate counterparties;
- counterparty risk (+0.3 billion euro compared to the previous quarter): attributable, on the one hand, to the increase in default risk, relating to SFTs due to portfolio changes, and, on the other hand, to the increase in the CVA VaR, as a result of the higher volatility of credit spreads offset by portfolio movements;
- securitisation exposures in the non-trading book (-0.3 billion euro compared to the previous quarter): the change was related to the early termination of several synthetic securitisations and the normal evolution of other existing transactions; this effect was partially offset by the above-mentioned completion of two new synthetic securitisations;
- market risk (+1 billion euro compared to the previous quarter): the change was attributable to the increase in the VaR and SVaR measures; the former as a result of the increase in interest rate volatility, and the latter as a result of the performance of the trading book, in particular the credit spread-sensitive component. The IRC requirement, on the other hand, decreased slightly due to the greater significance of the protection purchase positions on credit indices;
- for operational risk (+1 billion euro compared to the previous quarter), the change was attributable to the updating of the time series of the internal AMA model.

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

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

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

(millions of euro)

| | | 30.06.2023 | 31.03.2023 | 31.12.2022 | 30.09.2022 | 30.06.2022 |
|---|---|---|---|---|---|---|
| | **Available own funds (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 40,615 | 40,434 | 40,772 | 40,995 | 41,321 |
| 2 | Tier 1 capital | 47,822 | 47,641 | 47,979 | 48,202 | 48,528 |
| 3 | Total capital | 57,159 | 57,465 | 56,360 | 56,682 | 56,845 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 295,786 | 295,075 | 295,443 | 324,364 | 325,341 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 13.73% | 13.70% | 13.80% | 12.64% | 12.70% |
| 6 | Tier 1 ratio (%) | 16.17% | 16.15% | 16.24% | 14.86% | 14.92% |
| 7 | Total capital ratio (%) | 19.32% | 19.47% | 19.08% | 17.47% | 17.47% |
| | **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 (%) | 1.72% | 1.72% | 1.79% | 1.79% | 1.79% |
| *EU 7b* | *of which: to be made up of CET1 capital (percentage points)* | *0.97%* | *0.97%* | *1.01%* | *1.01%* | *1.01%* |
| *EU 7c* | *of which: to be made up of Tier 1 capital (percentage points)* | *1.29%* | *1.29%* | *1.34%* | *1.34%* | *1.34%* |
| EU 7d | Total SREP own funds requirements (%) | 9.72% | 9.72% | 9.79% | 9.79% | 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 (%) | 0.14% | 0.11% | 0.08% | 0.05% | 0.04% |
| EU 9a | Systemic risk buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 10 | Global Systemically Important Institution buffer (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 10a | Other Systemically Important Institution buffer (%) | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% |
| 11 | Combined buffer requirement (%) | 3.39% | 3.36% | 3.33% | 3.30% | 3.29% |
| EU 11a | Overall capital requirements (%) | 13.11% | 13.08% | 13.12% | 13.09% | 13.08% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 8.26% | 8.24% | 8.29% | 7.13% | 7.19% |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 838,509 | 834,572 | 855,282 | 915,574 | 916,977 |
| 14 | Leverage ratio (%) | 5.70% | 5.71% | 5.61% | 5.26% | 5.29% |
| | **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) | 149,684 | 156,725 | 165,790 | 169,140 | 172,053 |
| EU 16a | Cash outflows - Total weighted value | 111,564 | 114,093 | 116,767 | 117,322 | 115,001 |
| EU 16b | Cash inflows - Total weighted value | 24,041 | 24,916 | 25,608 | 25,705 | 25,163 |
| 16 | Total net cash outflows (adjusted value) | 87,523 | 89,177 | 91,159 | 91,617 | 89,838 |
| 17 | Liquidity coverage ratio (%) | 171.1% | 175.6% | 181.9% | 184.7% | 191.7% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 520,655 | 519,058 | 544,274 | 568,560 | 580,303 |
| 19 | Total required stable funding | 414,734 | 416,746 | 431,802 | 447,127 | 457,086 |
| 20 | NSFR ratio (%) | 125.5% | 124.6% | 126.0% | 127.2% | 127.0% |

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 second quarter (EU CR8 Reg. 2021/637)

(millions of euro)

| | | Risk weighted exposure amount |
|---|---|---|
| **1** | **Risk weighted exposure amount as at 31 March 2023** | **166,041** |
| 2 | Asset size (+/-) | -765 |
| 3 | Asset quality (+/-) | -103 |
| 4 | Model updates (+/-) | -1,388 |
| 5 | Methodology and policy (+/-) | - |
| 6 | Acquisitions and disposals (+/-) | - |
| 7 | Foreign exchange movements (+/-) | -21 |
| 8 | Other (+/-) | 2,735 |
| **9** | **Risk weighted exposure amount as at 30 June 2023** | **166,499** |

As at 30 June 2023, the RWEA amount relating to IRB models was 166,499 million euro and was attributable to the Foundation IRB approach for 1,471 million euro (Row 3 EU OV1), to the slotting criteria approach for 1,070 million euro (Row 4 EU OV1), to the Advanced IRB approach for 134,206 million euro (Row 5 EU OV1), to equity instruments measured using the simple risk weight approach for 24,981 million euro (Row 4a EU OV1), to amounts below the thresholds for deduction for 1,236 million euro (Row 24 EU OV1), and to capital instruments measured at PD/LGD for 3,535 million euro.

As at June 2023, the aggregate of exposures measured under credit risk management advanced approaches[7] amounted to RWEAs of 166,499 million euro, a net increase of 458 million euro on March 2023, when the aggregate amounted to 166,041 million euro. The change during the quarter was attributable to the following:

- -765 million euro resulting from the reduction in trading volumes on the Public Entities and Equity portfolios, partly offset by the increase in volumes on the Banks portfolio;
- -103 million due to a restructuring of exposures in the credit risk aggregate, reflecting the improvement in the portfolio’s risk profile;
- -1,388 million euro attributable to the extension of the scope of application of the Group’s internal rating models to former UBI customers;
- -21 million euro due to changes in foreign currency exposures, reflecting exchange rate fluctuations;
- +2,735 million euro allocated to “Other” mainly attributable to: i) the regulatory change (already described in the section on Own Funds in this document) in the treatment of the goodwill of insurance subsidiaries, together with the completion of the acquisition of a business line taken over by Blue Assistance and merged into the investee company InSalute e Servizi; and ii) and the performance of the securitised portfolio, with the completion (GARC New Origination-1 and GARC USD Corp-1) and early termination (GARC SME-8, GARC SME-9 and GARC SME Initiative) of some synthetic securitisations.

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

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

(millions of euro)

| | | RWEA amounts |
|---|---|---|
| **1** | **RWEAs as at 31 March 2023** | **2,669** |
| 2 | Asset size | 112 |
| 3 | Credit quality of counterparties | -69 |
| 4 | Model updates (IMM only) | - |
| 5 | Methodology and policy (IMM only) | - |
| 6 | Acquisitions and disposals | - |
| 7 | Foreign exchange movements | - |
| 8 | Other | - |
| **9** | **RWEAs as at 30 June 2023** | **2,712** |

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

With regard to the changes in RWAs related to CCR exposures (derivatives and SFTs, determined based on the IMM, in accordance with part three, title II, chapter 6 of the CRR) the value of the aggregate increased in the quarter: 2,669 million euro at the end of March 2023 and 2,712 million euro at the end of June 2023. The increase of +43 million was mainly attributable to the following components:

- +112 million euro due to the increase in exposures, mainly in the Corporate portfolio;
- -69 million euro due to a recomposition of the Corporate and Banks portfolio.

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

(millions of euro)

| | | VaR | SVaR | IRC | Comprehensive risk measure | Other | Total RWEAs | Total own funds requirements |
|---|---|---|---|---|---|---|---|---|
| **1** | **RWEAs as at 31 March 2023** | **2,534** | **3,346** | **2,805** | **-** | **66** | **8,751** | **700** |
| *1a* | *Regulatory adjustment* | *1,518* | *2,304* | *-* | *-* | *3* | *3,825* | *306* |
| *1b* | *RWEAs at the previous quarter-end (end of the day)* | *1,016* | *1,042* | *2,805* | *-* | *63* | *4,926* | *394* |
| 2 | Movement in risk levels | 30 | 4 | -495 | - | -23 | -484 | -39 |
| 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)* | *1,046* | *1,046* | *2,310* | *-* | *40* | *4,442* | *355* |
| *8b* | *Regulatory adjustment* | *2,242* | *2,796* | *203* | *-* | *-* | *5,241* | *420* |
| **8** | **RWEAs as at 30 June 2023** | **3,288** | **3,842** | **2,513** | **-** | **40** | **9,683** | **775** |

The market risk RWEAs calculated with IMA, as of 30 June 2023, increased compared to the previous quarter.
This rise in RWEAs can be attributed to higher interest rate volatility, which caused an increase in the VaR measure. Additionally, changes in the trading book portfolio composition resulted in an uptick in the SVaR measure. The IRC, on the other hand, decreased slightly due to a reduced exposure to financial spread risk in the euro area.

### Institution-specific Countercyclical Capital Buffer

Below is the information relating to the "Countercyclical capital buffer", prepared based on the ratios applicable at 30 June 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 third quarter of 2023.
The relevant credit exposures include all the classes of exposure other than those under Article 112, letters from a) to f), of Regulation (EU) 575/2013. The following portfolios are excluded: exposures to central administrations or central banks; exposures to regional administrations or local authorities; exposures to public-sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

With reference to 30 June 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 (1.50%), Croatia (0.50%), Denmark (2.50%), Estonia (1.00%), France (0.50% introduced as at 30 June 2023), Germany (0.75%), Hong Kong (1.00%), Ireland (0.50% introduced as at 30 June 2023), Iceland (2.00%), Luxembourg (0.50%), Norway (2.50%), Netherlands (1.00% introduced as at 30 June 2023), United Kingdom (1.00%), Czech Republic (2.50% from 2.00% in the previous quarter), Romania (0.50%), Slovakia (1.00%), and Sweden (2.00% from 1.00% in the previous quarter);
- at consolidated level, Intesa Sanpaolo's specific countercyclical ratio amounts to 0.14%.

### Amount of the institution-specific countercyclical capital buffer as at 30 June 2023 (EU CCyB2 Reg. 2021/637)

(millions of euro)

| | |
|---|---|
| Total risk exposure amount | 295,786 |
| Institution specific countercyclical capital buffer rate | 0.14% |
| Institution specific countercyclical capital buffer requirement | 414 |

The table below shows the geographic distribution of the relevant credit exposures for the purpose of calculating the institution-specific countercyclical capital buffer as at 30 June 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 | 33,563 | 310,658 | 336 | 68 | 39,311 | 383,936 | 11,037 | 46 | 744 | 11,827 | 147,839 | 68.26 | - |
| ALBANIA | 585 | 6 | - | - | - | 591 | 47 | - | - | 47 | 587 | 0.27 | - |
| ANDORRA | 2 | - | - | - | - | 2 | - | - | - | - | 2 | 0.00 | - |
| SAUDI ARABIA | 1 | 532 | - | 10 | - | 543 | 9 | 1 | - | 10 | 129 | 0.06 | - |
| ARGENTINA | 3 | 3 | - | - | - | 6 | - | - | - | - | 3 | 0.00 | - |
| AUSTRALIA | 160 | 1,681 | - | - | - | 1,841 | 64 | - | - | 64 | 800 | 0.37 | 1.00 |
| AUSTRIA | 109 | 385 | - | 5 | - | 499 | 25 | - | - | 25 | 310 | 0.14 | - |
| AZERBAIJAN | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| BAILIWICK OF GUERNSEY | 19 | 68 | - | - | - | 87 | 5 | - | - | 5 | 67 | 0.03 | - |
| BAILIWICK OF JERSEY | 11 | 17 | - | - | - | 28 | 2 | - | - | 2 | 25 | 0.01 | - |
| BAHAMAS ISLANDS | 4 | 217 | - | - | - | 221 | 6 | - | - | 6 | 73 | 0.03 | - |
| BAHREIN | 1 | 1 | - | - | - | 2 | - | - | - | - | 1 | 0.00 | - |
| BANGLADESH | - | 2 | - | - | - | 2 | - | - | - | - | - | 0.00 | - |
| BELGIUM | 103 | 1,832 | - | 10 | - | 1,945 | 77 | - | - | 77 | 963 | 0.44 | - |
| BELIZE | 3 | - | - | - | - | 3 | - | - | - | - | 2 | 0.00 | - |
| BERMUDA | - | 37 | - | - | - | 37 | 2 | - | - | 2 | 24 | 0.01 | - |
| BELARUS | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| BOSNIA AND HERZEGOVINA | 877 | 12 | - | - | - | 889 | 70 | - | - | 70 | 878 | 0.41 | - |
| BRAZIL | 396 | 710 | - | 6 | - | 1,112 | 56 | 1 | - | 57 | 706 | 0.33 | - |
| BULGARIA | 5 | 8 | - | - | - | 13 | 1 | - | - | 1 | 9 | 0.00 | 1.50 |
| BURUNDI | 6 | - | - | - | - | 6 | - | - | - | - | 4 | 0.00 | - |
| CURAÇAO | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| CANADA | 882 | 101 | - | 3 | - | 986 | 21 | - | - | 21 | 263 | 0.12 | - |
| CAYMAN ISLANDS | 156 | 425 | - | - | 20 | 601 | 18 | - | 1 | 19 | 233 | 0.11 | - |
| CZECH REPUBLIC | 193 | 1,486 | - | 6 | - | 1,685 | 90 | 1 | - | 91 | 1,136 | 0.52 | 2.50 |
| CHILE | - | 340 | - | - | - | 340 | 12 | - | - | 12 | 153 | 0.07 | - |
| CHINA | 265 | 754 | - | - | - | 1,019 | 126 | - | - | 126 | 1,573 | 0.73 | - |
| CYPRUS | 4 | 20 | - | - | - | 24 | 1 | - | - | 1 | 9 | 0.00 | - |
| COLOMBIA | - | 2 | - | - | - | 2 | - | - | - | - | 1 | 0.00 | - |
| CONGO | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| SOUTH KOREA | 66 | 33 | - | - | - | 99 | 3 | - | - | 3 | 35 | 0.02 | - |
| IVORY COAST | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| COSTARICA | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| CROATIA | 9,274 | 41 | - | - | - | 9,315 | 466 | - | - | 466 | 5,831 | 2.69 | 0.50 |
| CUBA | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| DENMARK | 59 | 137 | - | 7 | - | 203 | 11 | - | - | 11 | 145 | 0.07 | 2.50 |
| EGYPT | 1,556 | 88 | - | - | - | 1,644 | 102 | - | - | 102 | 1,278 | 0.59 | - |
| UNITED ARAB EMIRATES | 125 | 1,483 | - | - | - | 1,608 | 44 | - | - | 44 | 553 | 0.25 | - |
| ESTONIA | 28 | 2 | - | - | - | 30 | - | - | - | - | 4 | 0.00 | 1.00 |
| ETHIOPIA | - | 116 | - | - | - | 116 | 1 | - | - | 1 | 18 | 0.01 | - |

## 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** | | | |
| PHILIPPINES | - | 4 | - | - | - | 4 | - | - | - | - | 4 | 0.00 | - |
| FINLAND | 21 | 223 | 1 | 9 | - | 254 | 9 | - | - | 9 | 119 | 0.05 | - |
| FRANCE | 1,285 | 3,129 | 185 | 168 | 805 | 5,572 | 205 | 15 | 11 | 231 | 2,888 | 1.33 | 0.50 |
| GEORGIA | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| GERMANY | 366 | 3,844 | 33 | 94 | 182 | 4,519 | 215 | 10 | 4 | 229 | 2,855 | 1.32 | 0.75 |
| GHANA | 45 | 1 | - | - | - | 46 | 2 | - | - | 2 | 19 | 0.01 | - |
| JAPAN | 171 | 425 | - | 8 | - | 604 | 22 | 1 | - | 23 | 290 | 0.13 | - |
| GIBRALTAR | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| JORDAN | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| GREECE | 2 | 103 | - | - | - | 105 | 5 | - | - | 5 | 61 | 0.03 | - |
| HONG KONG | 8 | 388 | - | - | 34 | 430 | 12 | - | - | 12 | 158 | 0.07 | 1.00 |
| INDIA | 1 | 1,273 | - | - | - | 1,274 | 60 | - | - | 60 | 755 | 0.35 | - |
| INDONESIA | 5 | 102 | - | - | - | 107 | 6 | - | - | 6 | 75 | 0.03 | - |
| IRELAND | 230 | 191 | 286 | 1 | 919 | 1,627 | 26 | 7 | 12 | 45 | 564 | 0.26 | 0.50 |
| ICELAND | - | 13 | - | - | - | 13 | - | - | - | - | 5 | 0.00 | 2.00 |
| ISLE OF MAN | 3 | - | - | - | - | 3 | - | - | - | - | 3 | 0.00 | - |
| BRITISH VIRGIN ISLANDS | 8 | 55 | - | - | - | 63 | 3 | - | - | 3 | 33 | 0.02 | - |
| ISRAEL | 1 | 34 | - | 17 | - | 52 | 3 | 2 | - | 5 | 58 | 0.03 | - |
| KAZAKHSTAN | - | 1 | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| KENYA | 114 | 2 | - | - | - | 116 | 1 | - | - | 1 | 7 | 0.00 | - |
| KOSOVO | 1 | - | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| KUWAIT | - | 32 | - | - | - | 32 | 1 | - | - | 1 | 9 | 0.00 | - |
| LIECHTENSTEIN | 1 | 1 | - | - | - | 2 | - | - | - | - | 1 | 0.00 | - |
| LITHUANIA | 2 | - | - | - | - | 2 | - | - | - | - | 2 | 0.00 | - |
| LUXEMBOURG | 2,698 | 4,317 | - | 15 | - | 7,030 | 334 | 1 | - | 335 | 4,185 | 1.93 | 0.50 |
| MACEDONIA | 1 | 1 | - | - | - | 2 | - | - | - | - | 1 | 0.00 | - |
| MALAYSIA | - | 6 | - | - | - | 6 | 1 | - | - | 1 | 9 | 0.00 | - |
| MALTA | 12 | 13 | - | - | - | 25 | 2 | - | - | 2 | 20 | 0.01 | - |
| MOROCCO | 4 | - | - | - | - | 4 | - | - | - | - | 4 | 0.00 | - |
| MARSHALL ISLANDS | 16 | 80 | - | - | - | 96 | 7 | - | - | 7 | 81 | 0.04 | - |
| MAURITIUS ISLANDS | 2 | 531 | - | - | - | 533 | 38 | - | - | 38 | 472 | 0.22 | - |
| MEXICO | 14 | 310 | - | 51 | 2 | 377 | 17 | - | - | 17 | 211 | 0.10 | - |
| MOLDOVA | 128 | 2 | - | - | - | 130 | 6 | - | - | 6 | 71 | 0.03 | - |
| MONGOLIA | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| MONTENEGRO | 8 | - | - | - | - | 8 | 1 | - | - | 1 | 7 | 0.00 | - |
| NIGERIA | - | 15 | - | - | - | 15 | 1 | - | - | 1 | 15 | 0.01 | - |
| NORWAY | 218 | 244 | - | 7 | - | 469 | 18 | - | - | 18 | 222 | 0.10 | 2.50 |
| NEW ZELAND | 1 | 7 | - | - | - | 8 | 1 | - | - | 1 | 9 | 0.00 | - |
| OMAN | - | 44 | - | - | - | 44 | 1 | - | - | 1 | 13 | 0.01 | - |

## 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 | | | |
| NETHERLANDS | 717 | 3,081 | 25 | 62 | 239 | 4,124 | 232 | 3 | 3 | 238 | 2,964 | 1.37 | 1.00 |
| PANAMA | 10 | 151 | - | - | - | 161 | 7 | - | - | 7 | 86 | 0.04 | - |
| PERU | - | 78 | - | - | - | 78 | 3 | - | - | 3 | 35 | 0.02 | - |
| POLAND | 165 | 1,643 | - | - | - | 1,808 | 76 | - | - | 76 | 952 | 0.44 | - |
| PUERTO RICO | - | 13 | - | - | - | 13 | - | - | - | - | 5 | 0.00 | - |
| PORTUGAL | 15 | 273 | 21 | 17 | 12 | 338 | 11 | - | - | 11 | 141 | 0.07 | - |
| PRINCIPALITY OF MONACO | 32 | 14 | - | - | - | 46 | 3 | - | - | 3 | 34 | 0.02 | - |
| QATAR | 1 | 94 | - | 2 | - | 97 | 3 | - | - | 3 | 39 | 0.02 | - |
| UNITED KINGDOM | 619 | 5,631 | 53 | 263 | 412 | 6,978 | 352 | 7 | 3 | 362 | 4,528 | 2.09 | 1.00 |
| ROMANIA | 958 | 44 | - | - | - | 1,002 | 49 | - | - | 49 | 614 | 0.28 | 0.50 |
| RUSSIA | 460 | 1,782 | - | - | - | 2,242 | 211 | - | - | 211 | 2,635 | 1.22 | - |
| SALVADOR | - | - | - | - | - | - | - | - | - | - | 1 | 0.00 | - |
| SAN MARINO | 2 | 86 | - | - | - | 88 | 4 | - | - | 4 | 47 | 0.02 | - |
| SERBIA | 4,964 | 172 | 44 | - | - | 5,180 | 294 | 4 | - | 298 | 3,714 | 1.71 | - |
| SINGAPORE | 26 | 709 | - | - | - | 735 | 23 | - | - | 23 | 293 | 0.14 | - |
| SLOVAKIA | 1,559 | 16,004 | - | - | - | 17,563 | 571 | - | - | 571 | 7,135 | 3.29 | 1.00 |
| SLOVENIA | 1,409 | 1,214 | - | - | - | 2,623 | 131 | - | - | 131 | 1,632 | 0.75 | - |
| SPAIN | 455 | 4,382 | - | 32 | 490 | 5,359 | 233 | 2 | 24 | 259 | 3,243 | 1.50 | - |
| UNITED STATES OF AMERICA | 521 | 11,232 | - | 139 | 183 | 12,075 | 505 | 8 | 3 | 516 | 6,454 | 2.98 | - |
| SOUTH AFRICAN REPUBLIC | 1 | 97 | - | - | - | 98 | 9 | - | - | 9 | 111 | 0.05 | - |
| SWEDEN | 116 | 721 | - | 17 | - | 854 | 39 | - | - | 39 | 489 | 0.23 | 2.00 |
| SWITZERLAND | 414 | 1,143 | - | 63 | - | 1,620 | 68 | 1 | - | 69 | 859 | 0.40 | - |
| SWAZILAND | 1 | - | - | - | - | 1 | - | - | - | - | 1 | 0.00 | - |
| THAILAND | 3 | 5 | - | - | - | 8 | 1 | - | - | 1 | 8 | 0.00 | - |
| TAIWAN | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| TANZANIA | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| TUNISIA | - | 3 | - | - | - | 3 | - | - | - | - | 1 | 0.00 | - |
| TURKEY | 78 | 740 | - | - | - | 818 | 57 | - | - | 57 | 707 | 0.33 | - |
| UKRAINE | 21 | 124 | - | - | - | 145 | 4 | - | - | 4 | 55 | 0.03 | - |
| HUNGARY | 4,540 | 169 | - | - | - | 4,709 | 229 | - | - | 229 | 2,867 | 1.32 | - |
| URUGUAY | 1 | 159 | - | - | - | 160 | 4 | - | - | 4 | 47 | 0.02 | - |
| UZBEKISTAN | - | 166 | - | - | - | 166 | 7 | - | - | 7 | 86 | 0.04 | - |
| VENEZUELA | 1 | 3 | - | - | - | 4 | - | - | - | - | 3 | 0.00 | - |
| VIETNAM | - | 3 | - | - | - | 3 | - | - | - | - | 3 | 0.00 | - |
| ZAMBIA | 2 | - | - | - | - | 2 | - | - | - | - | - | 0.00 | - |
| ZIMBABWE | - | 1 | - | - | - | 1 | - | - | - | - | - | 0.00 | - |
| **TOTAL** | **70,919** | **386,532** | **984** | **1,080** | **42,609** | **502,124** | **16,419** | **110** | **805** | **17,334** | **216,676** | **100.00** | **-** |

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

The Group's countercyclical buffer of 0.14% is calculated only for exposures to countries that adopt a non-zero buffer rate, which, moreover, have a marginal impact on the Group's overall portfolio.

### Insurance participations (EU INS1 Reg. 2021/637)

(millions of euro)

| | Exposure value | Risk exposure amount |
|---|---|---|
| Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds | 5,750 | 21,275 |

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 December 2022 and June 2023, there was an increase of 1.8 billion euro in terms of RWAs (and an increase in exposure of around +0.5 billion euro), resulting from a combination of effects, including – as an upward effect and as already reported in the section on Own Funds – the application from 30 June 2023, by the Intesa Sanpaolo Group, of EBA Q&A 2021_6211, which amended the treatment of goodwill of insurance subsidiaries. This increase was only partially offset by the effect of the first-time application of IFRS 17 in the reporting as at 31 March 2023. There were also the normal changes in the value of the insurance equity investments during the half year, mainly resulting from the dividend distribution and the distributions from profits and the FVOCI 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 (276 million euro as at 30 June 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.

# Liquidity risk

## Qualitative and quantitative disclosure

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
Intesa Sanpaolo's internal control and management system for liquidity risk is implemented within the Group Risk Appetite Framework and in compliance with the tolerance thresholds for liquidity risk approved in the system, which establish that the Group must maintain an adequate liquidity position in order to cope with periods of strain, including prolonged periods, on the various funding supply markets, also by establishing adequate liquidity reserves consisting of marketable securities and refinancing at Central Banks. To this end, a balance needs to be maintained between incoming and outgoing funds, both in the short and medium-long term. This goal is implemented by the Group Liquidity Risk Management Guidelines approved by the Corporate Bodies of Intesa Sanpaolo, in implementation of the applicable regulatory provisions.

These Guidelines illustrate the tasks of the various company 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, as well as the rules for conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.
In particular, a detailed definition is prepared of the tasks assigned to the corporate bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators used to activate emergency plans.

In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed.
The corporate functions of the Parent Company responsible for ensuring the correct application of these Guidelines and the adequacy of the Group's liquidity position are the Group Treasury and Finance Head Office Department and the Planning and Control Head Office Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management Head Office Department, which is directly responsible, within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.
The Chief Audit Officer assesses the functioning of the overall structure of the control system monitoring the process for measuring, managing and controlling the Group's exposure to liquidity risk and verifies the adequacy and compliance of the process with the requirements established by the regulations. The results of the controls carried out are submitted to the Corporate Bodies, at least once a year.
The liquidity risk measurement metrics and mitigation tools are formalised by the Group Liquidity Risk Management Guidelines which establish the methodology used for both the short-term and structural liquidity indicators.

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

The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high-quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in an acute liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by Delegated Regulation (EU) 2015/61 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 aim of the Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions - the Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To

this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. In addition, the internal policy on structural liquidity also includes early warning indicators for maturities of more than 1 year, with particular attention to long-term gaps (> 5 years).

The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Market and Financial Risk Management Head Office Department.
Within this framework, the Group Treasury and Finance 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 Group's liquidity position, which continues to be supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding, remained within the risk limits set out in the current Group Liquidity Policy for the entire first half of 2023. The levels of both regulatory indicators, LCR and NSFR, were above the regulatory requirements. The Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[8] of 171.1% (181.9% in December 2022).

As at 30 June 2023, the exact value of unencumbered HQLA reserves at the various Treasury Departments of the Group amounted to 140.5 billion euro (172.5 billion euro at the end of 2022), approximately 55% of which consisted of cash as a result of temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Including the other marketable reserves and/or eligible Central Bank reserves, also comprising retained self-securitisations, the Group's total unencumbered liquidity reserves amounted to 183.2 billion euro (177.7 billion euro in December 2022).
The Group's total reserves increased in relation to the ECB's return of the collateral underlying the TLTROs repaid during the half year, a change only partially offset by the decrease in available cash among HQLA.

(millions of euro)

| | Unencumbered (net of haircut) | |
|---|---|---|
| | **30.06.2023** | **31.12.2022** |
| **HQLA Liquidity Reserves** | **140,485** | **172,528** |
| Cash and Deposits held with Central Banks (HQLA) | 72,332 | 109,792 |
| Highly liquid securities (HQLA) | 59,782 | 55,931 |
| Other HQLA securities non included in LCR | 8,371 | 6,805 |
| **Other eligible and/or marketable reserves** | **42,705** | **5,222** |
| **Total Group's Liquidity Buffer** | **183,190** | **177,750** |

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

The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and, now to a residual extent, the remaining portion of TLTRO funding from the ECB. At 30 June 2023, the Group's NSFR, measured in accordance with regulatory instructions, was 125.5% (126.0% in December 2022). This indicator remains significantly higher than 100%, even excluding the positive contribution from the TLTRO funding still in place.

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

The corporate assessment on the adequacy of Intesa Sanpaolo's position is reported in the ILAAP (Internal Liquidity Adequacy Assessment Process), which also includes the Group's Funding Plan. Within the annual approval process for this report by the 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

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

prospective standpoint, that the current system of rules and procedures appears adequate to ensure a prompt and effective reaction should the risks and challenges actually materialise in severe and adverse stress scenarios.

The table below contains the quantitative information on the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured in accordance with the EU regulations and subject to periodic reporting to the competent Supervisory Authority. The figures shown refer to the simple average of the last 12 months of monthly observations, in accordance with Regulation (EU) 2021/637.

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

(millions of euro)

| SCOPE OF CONSOLIDATION | | TOTAL UNWEIGHTED VALUE (AVERAGE) | | | | TOTAL WEIGHTED VALUE (AVERAGE) | | | |
|---|---|---|---|---|---|---|---|---|---|
| EU1a | Quarter ending on | 30-Jun-23 | 31-Mar-23 | 31-Dec-22 | 30-Sep-22 | 30-Jun-23 | 31-Mar-23 | 31-Dec-22 | 30-Sep-22 |
| EU1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **HIGH-QUALITY LIQUID ASSETS** | | | | | | | | | |
| **1** | **Total high-quality liquid assets (HQLA) (a)** | | | | | **149,684** | **156,725** | **165,790** | **169,140** |
| **CASH-OUTFLOWS** | | | | | | | | | |
| **2** | **Retail deposits and deposits from small business customers, of which:** | **293,239** | **296,627** | **297,499** | **295,906** | **21,132** | **21,404** | **21,459** | **21,335** |
| *3* | *Stable deposits* | *208,766* | *209,886* | *209,804* | *208,481* | *10,438* | *10,494* | *10,490* | *10,424* |
| *4* | *Less stable deposits* | *84,473* | *86,741* | *87,695* | *87,425* | *10,694* | *10,910* | *10,969* | *10,911* |
| **5** | **Unsecured wholesale funding** | **135,747** | **143,145** | **149,608** | **151,842** | **57,958** | **61,007** | **63,739** | **64,740** |
| *6* | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | *46,650* | *49,696* | *51,490* | *51,717* | *11,639* | *12,413* | *12,870* | *12,926* |
| *7* | *Non operational deposits (all counterparties)* | *86,231* | *90,537* | *95,417* | *97,702* | *43,453* | *45,682* | *48,168* | *49,391* |
| *8* | *Unsecured debt* | *2,866* | *2,912* | *2,701* | *2,423* | *2,866* | *2,912* | *2,701* | *2,423* |
| **9** | **Secured wholesale funding** | | | | | **2,227** | **2,141** | **2,150** | **2,006** |
| **10** | **Additional requirements** | **83,452** | **81,584** | **80,972** | **79,277** | **21,050** | **20,153** | **19,562** | **18,834** |
| *11* | *Outflows related to derivative exposure and other collateral requirements* | *5,814* | *5,027* | *4,527* | *4,214* | *5,814* | *5,027* | *4,527* | *4,187* |
| *12* | *Outflos related to loss of funding on debt products* | - | - | - | - | - | - | - | - |
| *13* | *Credit and liquidity facilities* | *77,638* | *76,557* | *76,445* | *75,063* | *15,236* | *15,126* | *15,035* | *14,647* |
| **14** | **Other contractual funding obligations** | **7,653** | **7,503** | **7,505** | **7,147** | **3,534** | **3,642** | **4,085** | **4,725** |
| **15** | **Other contingent funding obligations** | **116,291** | **118,065** | **118,719** | **116,991** | **5,663** | **5,746** | **5,772** | **5,682** |
| **16** | **TOTAL CASH OUTFLOWS** | | | | | **111,564** | **114,093** | **116,767** | **117,322** |
| **CASH-INFLOWS** | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 16,062 | 19,385 | 22,003 | 22,834 | 258 | 325 | 470 | 697 |
| 18 | Inflows from fully performing exposures | 20,409 | 21,490 | 22,472 | 22,849 | 13,088 | 13,764 | 14,541 | 14,936 |
| 19 | Other cash inflows | 28,465 | 28,381 | 27,687 | 26,476 | 10,695 | 10,827 | 10,597 | 10,072 |
| 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** | **64,936** | **69,256** | **72,162** | **72,159** | **24,041** | **24,916** | **25,608** | **25,705** |
| *EU20a* | *Fully exempt inflows* | - | - | - | - | - | - | - | - |
| *EU20b* | *Inflows subject to 90% cap* | - | - | - | - | - | - | - | - |
| *EU20c* | *Inflows subject to 75% cap* | *64,936* | *69,256* | *72,162* | *72,159* | *24,041* | *24,916* | *25,608* | *25,705* |
| **TOTAL ADJUSTED VALUE** | | | | | | | | | |
| **EU21** | **LIQUIDITY BUFFER** | | | | | **149,684** | **156,725** | **165,790** | **169,140** |
| **22** | **TOTAL NET CASH OUTFLOWS** | | | | | **87,523** | **89,177** | **91,159** | **91,617** |
| **23** | **LIQUIDITY COVERAGE RATIO** | | | | | **171.1%** | **175.6%** | **181.9%** | **184.7%** |

(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 30 June 2023 and 31 March 2023.

## 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** | **67,195** |
| 2 | Own funds | 58,221 | - | - | 8,975 | 67,195 |
| 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)** | | | | | **519,058** |
| **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 model adopted by the Intesa Sanpaolo Group, the ECB has accepted the application for exemption from the individual compliance with the LCR requirement and the related reporting obligations (see Part Six, CRR) for the main Italian banks of the Group.
All the international subsidiary banks of the Group comply with the individual LCR requirements, as they were above the minimum regulatory amounts required in the reference period. To this end, and based on the particular characteristics of each international jurisdiction, adequate liquid reserves are maintained that are readily available at local level. For affiliates resident in a third country subject to restrictions on the free transferability of funds, the calculation of the Group LCR can only include the reserves held there to meet liquidity outflows in that third country (accordingly, all surplus amounts are excluded from the consolidation).

### *Currency mismatch in the Liquidity Coverage Ratio*

The Intesa Sanpaolo Group operates primarily in euro. The EU regulations require the monitoring and reporting of the “LCR in foreign currency” when the aggregate liabilities held in a foreign currency are “material”, i.e. equal to or greater than 5% of the total liabilities held by the institution.
As at 30 June 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 highly liquid US dollar (EHQLA) liquidity reserves, mainly consisting of unrestricted deposits held at the Federal Reserve.

### *Concentration of funding*

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

### *Derivatives transactions and potential collateral calls*

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

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

Participation in payment, settlement and clearing systems requires the development of appropriate strategies and procedures for the control of intraday liquidity risk.
Intraday liquidity risk is the risk of not having sufficient funds to meet payment obligations by the deadlines set, within the business day, in the various systems referred to above (with potentially significant negative consequences also at a systemic level).
Intesa Sanpaolo actively manages its intraday liquidity positions to ensure that its settlement obligations are met in a timely manner, thereby contributing to the smooth operation of the payment circuits across the entire system. Intraday liquidity management necessarily involves careful and continuous monitoring of intraday cash flows exchanged at the various settlement systems used by the Group. To cover intraday liquidity risk, at the Parent Company and at the other 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.

# Credit risk: credit quality

## Qualitative disclosure

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management. The overall watch-list and non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. The quality of the loan portfolio is pursued through specific operating checks for all the phases of loan management, through the use of both IT procedures and systematic supervision of positions with the aim of promptly detecting any symptoms of difficulty and promote corrective measures to prevent possible deterioration.
Positions are detected and automatically entered in the credit management processes by way of daily checks using objective risk indicators that allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and monitoring.
Within the Group, in accordance with pre-set rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and classified to the following categories based on their risk profile, in accordance with the regulatory provisions on credit quality:

- bad loans: the set of "on-” and "off-balance sheet” exposures to borrowers in default or similar situations;
- unlikely to pay: "on-” and "off-balance sheet” exposures which the bank, based on its opinion, does not deem likely to be completely (as principal and/or interest) repaid by the borrowers without the implementation of actions such as enforcement of guarantees. This assessment is conducted regardless of the presence of any amounts (or instalments) due and unpaid;
- non-performing past due exposures: this category includes on-balance sheet exposures, other than those classified as bad loans or unlikely to pay that, as at the reporting date, are past due or overdrawn by over 90 days on a continuous basis. The total exposure to a debtor must be recognised as Past Due if, at the reference reporting date, the amount of the principal, interest and/or fees not paid when due exceeds both of the following thresholds (hereinafter, collectively, the "Relevance Thresholds"):
  - the absolute limit of 100 euro for retail exposures and of 500 euro for non-retail exposures (the "Absolute Threshold"), to be compared with the total amount past due from the borrower;
  - the relative limit of 1%, to be compared with the ratio of the total amount past due to the total amount of all on-balance sheet exposures to the same borrower (the "Relative Threshold").

Lastly, non-performing exposures also include the individual forborne exposures which comply with the definition of “Non-performing exposures with forbearance measures” envisaged by the EBA ITS (European Banking Authority - Implementing Technical Standards), which are not a separate category of non-performing assets, but rather a sub-category. Similarly, exposures characterised by "forbearance measures" are also included among performing loans.
The management process for such exposures, in close accordance with regulatory provisions concerning classification times and methods, is assisted by automatic mechanisms that ensure pre-established, autonomous and independent management procedures.

For more detailed qualitative disclosure on Credit risk, see the Basel 3 – Pillar 3 Disclosure as at 31 December 2022.

## 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 as at 31 December 2022.

### Performing and non-performing exposures and related provisions as at 30 June 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** | **81,253** | ***80,936*** | ***317*** | **-** | **-** | **-** |
| **10** | **Loans and advances** | **456,285** | ***416,371*** | ***39,019*** | **10,492** | **-** | ***10,148*** |
| 20 | Central banks | 2,893 | *2,330* | *563* | - | - | - |
| 30 | General governments | 16,229 | *13,803* | *2,425* | 425 | - | *425* |
| 40 | Credit institutions | 21,400 | *21,195* | *171* | 125 | - | *125* |
| 50 | Other financial corporations | 53,304 | *46,491* | *6,644* | 263 | - | *260* |
| 60 | Non-financial corporations | 184,933 | *163,875* | *20,729* | 6,346 | - | *6,103* |
| 70 | *Of which: SMEs* | *70,760* | *62,156* | *8,452* | *4,386* | - | *4,178* |
| 80 | Households | 177,526 | *168,677* | *8,487* | 3,333 | - | *3,235* |
| **90** | **Debt securities** | **122,268** | ***112,914*** | ***8,668*** | **115** | **-** | ***109*** |
| 100 | Central banks | 29 | - | *29* | - | - | - |
| 110 | General governments | 81,648 | *78,802* | *2,845* | 14 | - | *14* |
| 120 | Credit institutions | 10,537 | *10,513* | *24* | - | - | - |
| 130 | Other financial corporations | 23,679 | *17,828* | *5,169* | 68 | - | *62* |
| 140 | Non-financial corporations | 6,375 | *5,771* | *601* | 33 | - | *33* |
| **150** | **Off-balance-sheet exposures** | **307,239** | ***284,099*** | ***23,138*** | **1,684** | **-** | ***1,683*** |
| 160 | Central banks | 1,689 | *1,570* | *118* | - | - | - |
| 170 | General governments | 9,844 | *8,737* | *1,107* | 66 | - | *66* |
| 180 | Credit institutions | 42,748 | *42,089* | *659* | 12 | - | *12* |
| 190 | Other financial corporations | 37,056 | *29,698* | *7,357* | 8 | - | *8* |
| 200 | Non-financial corporations | 199,468 | *186,209* | *13,259* | 1,539 | - | *1,538* |
| 210 | Households | 16,434 | *15,796* | *638* | 59 | - | *59* |
| **220** | **TOTAL** | **967,045** | ***894,320*** | ***71,142*** | **12,291** | **-** | ***11,940*** |

## Performing and non-performing exposures and related provisions as at 30 June 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*** | ***-*** | **-** | ***-*** | ***-*** | **-** | **43** | **-** |
| **10** | **Loans and advances** | **-2,466** | ***-784*** | ***-1,674*** | **-5,109** | ***-*** | ***-4,974*** | **2,191** | **284,095** | **3,983** |
| 20 | Central banks | -7 | *-3* | *-3* | - | *-* | *-* | - | 974 | - |
| 30 | General governments | -38 | *-19* | *-19* | -186 | *-* | *-186* | 11 | 3,308 | 139 |
| 40 | Credit institutions | -9 | *-2* | *-7* | -19 | *-* | *-19* | - | 6,855 | 78 |
| 50 | Other financial corporations | -101 | *-51* | *-49* | -128 | *-* | *-126* | 13 | 23,004 | 102 |
| 60 | Non-financial corporations | -1,467 | *-446* | *-1,019* | -3,228 | *-* | *-3,135* | 1,981 | 98,329 | 2,350 |
| 70 | *Of which: SMEs* | *-749* | *-243* | *-505* | *-2,147* | *-* | *-2,066* | *1,228* | *55,521* | *1,984* |
| 80 | Households | -844 | *-263* | *-577* | -1,548 | *-* | *-1,508* | 186 | 151,625 | 1,314 |
| **90** | **Debt securities** | **-178** | ***-65*** | ***-113*** | **-89** | ***-*** | ***-89*** | **-** | **2,207** | **-** |
| 100 | Central banks | -6 | *-* | *-6* | - | *-* | *-* | - | - | - |
| 110 | General governments | -104 | *-47* | *-57* | -5 | *-* | *-5* | - | - | - |
| 120 | Credit institutions | -2 | *-2* | *-* | - | *-* | *-* | - | 7 | - |
| 130 | Other financial corporations | -45 | *-9* | *-36* | -62 | *-* | *-62* | - | 2,188 | - |
| 140 | Non-financial corporations | -21 | *-7* | *-14* | -22 | *-* | *-22* | - | 12 | - |
| **150** | **Off-balance-sheet exposures** | **-266** | ***-136*** | ***-129*** | **-274** | ***-*** | ***-274*** | | **50,904** | **379** |
| 160 | Central banks | - | *-* | *-* | - | *-* | *-* | | - | - |
| 170 | General governments | -13 | *-3* | *-9* | -1 | *-* | *-1* | | 605 | 30 |
| 180 | Credit institutions | -46 | *-46* | *-* | - | *-* | *-* | | 2,188 | - |
| 190 | Other financial corporations | -21 | *-17* | *-4* | - | *-* | *-* | | 7,623 | 2 |
| 200 | Non-financial corporations | -163 | *-59* | *-104* | -261 | *-* | *-261* | | 34,777 | 338 |
| 210 | Households | -23 | *-11* | *-12* | -12 | *-* | *-12* | | 5,711 | 9 |
| **220** | **TOTAL** | **-2,911** | ***-986*** | ***-1,916*** | **-5,472** | ***-*** | ***-5,337*** | **2,191** | **337,249** | **4,362** |

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 11.1 billion euro in the gross value of the performing exposures compared to December 2022, attributable to exposures to Non-financial companies and Households, which decreased by 12.5 billion euro and 2.2 billion euro respectively, while exposures to Other financial companies increased by 4.6 billion euro. This reduction was mainly due to the reduction in trade receivables, which was attributable to the decrease in mortgages to individuals and businesses and resulted in a decrease in both Stage 1 (-3.3 billion euro) and Stage 2 (-7.7 billion euro). The total coverage of performing exposures was 0.54%, slightly down from 31 December 2022 (0.57%), of which 4.29% for Stage 2 loans (4.17% as at 31 December 2022) and 0.19% for Stage 1 loans (0.16% as at 31 December 2022). Gross loans in Stage 2 decreased by 16.5% to 39 billion euro and their level as a percentage of the total performing loans and advances also fell. That performance incorporates net decreases, mainly at domestic level, in classifications in Stage 1, also due to the gradual elimination of the moratoria, with a general recovery in payment terms, as well as the decrease in Russia/Ukraine portfolios. For non-performing Loans and advances, there was a decrease in gross values of around 0.5 billion euro in the first half of 2023. The coverage of non-performing positions was at 57.6% (taking into account partial write-offs, reported in the table above), down on December 2022, when it was at 59.5%. 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 19.1 billion euro in the total amount compared to December 2022. The main components of this increase were 14.2 billion euro in Government Bonds, 3.4 billion euro from Credit Institutions counterparties and 1.5 billion euro from Other financial companies and Non-financial companies.
Compared to December 2022, off-balance sheet exposures increased by 12.4 billion euro, mainly attributable to the increase in Other financial companies of 6.9 billion euro and Credit Institutions of 6.9 billion euro, partially offset by the reduction in the General governments 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 | 23,463 | 105,800 | 120,485 | 209,454 | - | **459,202** |
| 2 | Debt securities | - | 15,289 | 24,945 | 81,882 | - | **122,116** |
| **3** | **Total** | **23,463** | **121,089** | **145,430** | **291,336** | **-** | **581,318** |

This table reports the exposures as at 30 June 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 December 2022, these exposures were mainly concentrated in the band with a maturity of more than 5 years.

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

(millions of euro)

| | | **Gross carrying amount** |
|---|---|---|
| **1** | **Initial stock of non-performing loans and advances as at 31 December 2022** | **11,032** |
| 2 | Inflows to non-performing portfolios | 2,065 |
| 3 | Outflows from non-performing portfolios | -2,605 |
| *4* | *Outflows due to write-offs* | *-248* |
| *5* | *Outflow due to other situations* | *-2,357* |
| **6** | **Final stock of non-performing loans and advances as at 30 June 2023** | **10,492** |

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 half year totalling around 1.6 billion euro. Outflows due to other situations included: (i) the disposal of gross non-performing loans for around 0.7 billion euro, attributable to the de-risking carried out in the half year; (ii) returns to performing status during the half year (of around 0.4 billion euro); (iii) outflows due to partial or total redemption (of 0.7 billion euro); and (iv) reclassifications to exposures held for sale (of 0.3 billion euro).

## Credit quality of performing and non-performing exposures by past-due days as at 30 June 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** | **81,253** | **81,253** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | ***-*** |
| **10** | **Loans and advances** | **456,285** | **455,204** | **1,081** | **10,492** | **3,364** | **897** | **1,105** | **1,590** | **1,777** | **563** | **1,196** | ***10,492*** |
| 20 | Central banks | 2,893 | 2,893 | - | - | - | - | - | - | - | - | - | *-* |
| 30 | General governments | 16,229 | 16,022 | 207 | 425 | 190 | 4 | 5 | 4 | 4 | 1 | 217 | *425* |
| 40 | Credit institutions | 21,400 | 21,386 | 14 | 125 | 40 | 80 | 1 | - | - | 3 | 1 | *125* |
| 50 | Other financial corporations | 53,304 | 53,248 | 56 | 263 | 44 | 14 | 19 | 60 | 119 | 2 | 5 | *263* |
| 60 | Non-financial corporations | 184,933 | 184,590 | 343 | 6,346 | 2,098 | 521 | 750 | 1,038 | 1,018 | 312 | 609 | *6,346* |
| *70* | *Of which: SMEs* | *70,760* | *70,520* | *240* | *4,386* | *1,276* | *366* | *493* | *853* | *773* | *193* | *432* | *4,386* |
| 80 | Households | 177,526 | 177,065 | 461 | 3,333 | 992 | 278 | 330 | 488 | 636 | 245 | 364 | *3,333* |
| **90** | **Debt securities** | **122,268** | **122,266** | **2** | **115** | **63** | **-** | **-** | **-** | **36** | **1** | **15** | ***115*** |
| 100 | Central banks | 29 | 29 | - | - | - | - | - | - | - | - | - | *-* |
| 110 | General governments | 81,648 | 81,646 | 2 | 14 | 6 | - | - | - | - | 1 | 7 | *14* |
| 120 | Credit institutions | 10,537 | 10,537 | - | - | - | - | - | - | - | - | - | *-* |
| 130 | Other financial corporations | 23,679 | 23,679 | - | 68 | 54 | - | - | - | 14 | - | - | *68* |
| 140 | Non-financial corporations | 6,375 | 6,375 | - | 33 | 3 | - | - | - | 22 | - | 8 | *33* |
| **150** | **Off-balance-sheet exposures** | **307,239** | | | **1,684** | | | | | | | | ***1,684*** |
| 160 | Central banks | 1,689 | | | - | | | | | | | | *-* |
| 170 | General governments | 9,844 | | | 66 | | | | | | | | *66* |
| 180 | Credit institutions | 42,748 | | | 12 | | | | | | | | *12* |
| 190 | Other financial corporations | 37,056 | | | 8 | | | | | | | | *8* |
| 200 | Non-financial corporations | 199,468 | | | 1,539 | | | | | | | | *1,539* |
| 210 | Households | 16,434 | | | 59 | | | | | | | | *59* |
| **220** | **TOTAL** | **967,045** | **658,723** | **1,083** | **12,291** | **3,427** | **897** | **1,105** | **1,590** | **1,813** | **564** | **1,211** | ***12,291*** |

With regard to the on-balance sheet non-performing exposures, the table mainly shows an increase, compared to December 2022, in the level in the band Past due between 1 and 2 years (+4.3%) and a decrease in the band Not past due or past due by 90 days or less (-4.0%) and Past due by more than 7 years (-1.6%).

For the changes in gross values, see the description provided in table EU CR1 above. The gross NPE ratio as at 30 June 2023 was 2.25%, down slightly from 31 December 2022 (2.31%).

This ratio is calculated, in accordance with Regulation (EU) 2021/637, as the ratio of the gross value of non-performing loans and advances to the gross value of total loans and advances.

## Quality of non-performing exposures by geography as at 30 June 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** | **589,160** | ***10,607*** | ***10,607*** | ***587,598*** | **-7,820** | | **-22** |
| 2 | Italy | 384,251 | *8,307* | *8,307* | *383,146* | -5,515 | | -22 |
| 3 | U.S.A. | 26,077 | *19* | *19* | *26,038* | -47 | | - |
| 4 | France | 17,789 | *77* | *77* | *17,789* | -37 | | - |
| 5 | United Kingdom | 15,480 | *7* | *7* | *15,434* | -31 | | - |
| 6 | Spain | 17,446 | - | - | *17,446* | -10 | | - |
| 7 | Slovakia | 16,452 | *316* | *316* | *16,452* | -344 | | - |
| 8 | Germany | 8,265 | *41* | *41* | *8,265* | -43 | | - |
| 9 | Luxembourg | 7,988 | *6* | *6* | *7,934* | -18 | | - |
| 10 | Ireland | 5,821 | - | - | *5,821* | -34 | | - |
| 11 | Croatia | 9,692 | *359* | *359* | *9,692* | -306 | | - |
| 12 | Netherlands | 4,606 | *53* | *53* | *4,592* | -51 | | - |
| 13 | Hungary | 6,182 | *143* | *143* | *5,882* | -124 | | - |
| 14 | Serbia | 6,103 | *137* | *137* | *6,103* | -189 | | - |
| 15 | Belgium | 5,520 | - | - | *5,520* | -3 | | - |
| 16 | Qatar | 5,053 | - | - | *5,053* | -1 | | - |
| 17 | Egypt | 4,666 | *116* | *116* | *4,666* | -122 | | - |
| 18 | Other Countries | 47,769 | *1,026* | *1,026* | *47,765* | -945 | | - |
| **19** | **OFF-BALANCE-SHEET EXPOSURES** | **308,923** | ***1,684*** | ***1,684*** | | | **-540** | |
| 20 | Italy | 170,320 | *1,507* | *1,507* | | | -386 | |
| 21 | U.S.A. | 21,354 | *8* | *8* | | | -7 | |
| 22 | France | 12,916 | *5* | *5* | | | -2 | |
| 23 | United Kingdom | 10,800 | - | - | | | -4 | |
| 24 | Spain | 6,317 | *1* | *1* | | | -4 | |
| 25 | Slovakia | 3,699 | *17* | *17* | | | -15 | |
| 26 | Germany | 8,330 | *1* | *1* | | | -2 | |
| 27 | Luxembourg | 7,132 | - | - | | | -38 | |
| 28 | Ireland | 9,092 | - | - | | | -13 | |
| 29 | Croatia | 2,453 | *32* | *32* | | | -21 | |
| 30 | Netherlands | 6,444 | - | - | | | -1 | |
| 31 | Hungary | 1,636 | *5* | *5* | | | -4 | |
| 32 | Serbia | 1,538 | *5* | *5* | | | -5 | |
| 33 | Belgium | 2,098 | - | - | | | - | |
| 34 | Qatar | 819 | - | - | | | - | |
| 35 | Egypt | 1,149 | *3* | *3* | | | -5 | |
| 36 | Other Countries | 42,826 | *100* | *100* | | | -33 | |
| **37** | **TOTAL** | **898,083** | ***12,291*** | ***12,291*** | ***587,598*** | **-7,820** | **-540** | **-22** |

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 589,160 million euro include 1,562 million euro of exposures not subject to impairment and debt securities amounting to 122,383 million euro (of which 115 million euro non-performing).

In line with December 2022, the amount of exposures to Russian counterparties was below the materiality threshold indicated above and, as a result, Russia, also following the additional de-risking carried out in the first half of 2023, is not shown 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 Half-yearly Report of the Group as at 30 June 2023, with particular reference to the Group's presence in the two countries mentioned above, through its two subsidiaries: Banca Intesa Joint-Stock Company (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 30 June 2023 amounted to 2.1 billion euro in on-balance sheet exposures (net of ECA guarantees of around 0.8 billion euro) and 0.3 billion euro in off-balance sheet exposures (net of ECA guarantees of around 0.5 billion euro). Specifically, as at

30 June 2023, on-balance sheet exposures to customers amounted, in terms of gross values, to 0.3 billion euro with reference to Banca Intesa Russia and 0.9 billion euro with reference to cross-border exposures to customers resident in Russia (net of ECA guarantees of around 0.8 billion euro). These were accompanied by exposures to banks and in securities totalling 0.7 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 0.08 billion euro. Off-balance sheet exposures to customers included: 0.07 billion euro of Banca Intesa Russia and 0.04 billion euro to customers of Pravex, in addition to 0.03 billion euro in unsecured cross-border exposures to customers resident in Russia (net of ECA guarantees of around 0.5 billion euro) and 0.03 billion euro to customers resident in Ukraine; in addition, there were 0.1 billion euro in cross-border exposures to banks resident in Russia and 0.02 billion euro in cross-border exposures to banks resident in Ukraine.

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

### Credit quality of loans and advances to non-financial corporations by industry as at 30 June 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 | 3,963 | *187* | *187* | *3,962* | -149 | - |
| 2 | Mining and quarrying | 2,701 | *198* | *198* | *2,701* | -250 | - |
| 3 | Manufacturing | 52,859 | *1,377* | *1,377* | *52,581* | -928 | -16 |
| 4 | Electricity, gas, steam and air conditioning supply | 10,669 | *162* | *162* | *10,668* | -160 | - |
| 5 | Water supply | 2,317 | *42* | *42* | *2,317* | -36 | - |
| 6 | Construction | 13,915 | *1,260* | *1,260* | *13,894* | -739 | -3 |
| 7 | Wholesale and retail trade | 31,426 | *1,010* | *1,010* | *31,401* | -732 | -2 |
| 8 | Transport and storage | 12,118 | *202* | *202* | *12,118* | -173 | - |
| 9 | Accommodation and food service activities | 6,327 | *365* | *365* | *6,324* | -274 | - |
| 10 | Information and communication | 8,028 | *188* | *188* | *8,021* | -109 | -1 |
| 11 | Financial and Insurance activities | 9,287 | *18* | *18* | *9,287* | -34 | - |
| 12 | Real estate activities | 13,816 | *774* | *774* | *13,813* | -603 | - |
| 13 | Professional, scientific and technical activities | 12,731 | *212* | *212* | *12,708* | -143 | - |
| 14 | Administrative and support service activities | 4,933 | *149* | *149* | *4,933* | -113 | - |
| 15 | Public administration and defence, compulsory social security | 1 | - | - | *1* | - | - |
| 16 | Education | 284 | *10* | *10* | *284* | -7 | - |
| 17 | Human health services and social work activities | 2,562 | *80* | *80* | *2,562* | -102 | - |
| 18 | Arts, entertainment and recreation | 861 | *82* | *82* | *861* | -69 | - |
| 19 | Other services | 2,481 | *30* | *30* | *2,481* | -52 | - |
| **20** | **TOTAL** | **191,279** | ***6,346*** | ***6,346*** | ***190,917*** | **-4,673** | **-22** |

The total exposures, amounting to 191,279 million euro, include 362 million euro of exposures not subject to impairment. There were no significant changes in the breakdown by industry of loans and advances to non-financial companies compared to December 2022.

## Credit quality of performing and non-performing exposures by past-due days as at 30 June 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** | **5,863** | **3,630** | ***3,630*** | ***3,583*** | **-426** | **-1,531** | **5,470** | ***1,624*** |
| 20 | Central banks | - | - | *-* | *-* | - | - | - | *-* |
| 30 | General governments | 30 | 27 | *27* | *27* | - | -7 | 2 | *2* |
| 40 | Credit institutions | - | 119 | *119* | *119* | - | -15 | 77 | *77* |
| 50 | Other financial corporations | 198 | 120 | *120* | *120* | -7 | -64 | 165 | *34* |
| 60 | Non-financial corporations | 4,061 | 2,492 | *2,492* | *2,446* | -297 | -1,152 | 3,493 | *1,031* |
| 70 | Households | 1,574 | 872 | *872* | *871* | -122 | -293 | 1,733 | *480* |
| **80** | **Debt Securities** | **-** | **1** | **1** | **1** | **-** | **-** | **-** | **-** |
| **90** | **Loan commitments given** | **116** | **93** | **93** | **93** | **-1** | **-3** | **82** | ***45*** |
| **100** | **Total** | **5,979** | **3,724** | ***3,724*** | ***3,677*** | **-427** | **-1,534** | **5,552** | ***1,669*** |

The gross values relating to Loans and advances subject to forbearance measures as at 30 June 2023 were down overall (-1.7 billion euro) compared to 31 December 2022, and this change was mainly concentrated in the performing exposures to Non-financial companies (-1.4 billion euro).
There were no significant changes in the exposures to “Debt securities” compared to 31 December 2022, while “Loan commitments given” decreased by 0.1 billion euro.

## Collateral obtained by taking possession and execution processes as at 30 June 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 | 698 | -256 |
| *3* | *Residential immovable property* | *3* | *-* |
| *4* | *Commercial immovable property* | *332* | *-55* |
| *5* | *Movable property (auto, shipping, etc.)* | *1* | *-1* |
| *6* | *Equity and debt instruments* | *362* | *-200* |
| *7* | *Other collateral* | *-* | *-* |
| **8** | **TOTAL** | **700** | **-256** |

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 December 2022, there was a slight reduction in the value at initial recognition and the cumulative negative changes.

# Credit risk: disclosures on portfolios subject to the standardised approach

## Quantitative disclosure

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

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

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

### Standardised approach – Credit risk exposure and CRM effects as at 30 June 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 | 198,887 | 11,357 | 252,842 | 7,324 | 20,960 | 8.06 |
| 2 | Regional government or local authorities | 1,266 | 213 | 1,424 | 147 | 394 | 25.06 |
| 3 | Public sector entities | 1,379 | 177 | 782 | 109 | 414 | 46.48 |
| 4 | Multilateral development banks | 1,057 | 100 | 1,355 | 186 | - | - |
| 5 | International organisations | 730 | 38 | 730 | - | - | - |
| 6 | Institutions | 13,890 | 9,190 | 13,024 | 2,926 | 6,404 | 40.15 |
| 7 | Corporates | 27,328 | 12,377 | 17,436 | 2,934 | 17,898 | 87.86 |
| 8 | Retail | 16,637 | 6,748 | 11,753 | 577 | 8,022 | 65.06 |
| 9 | Secured by mortgages on immovable property | 6,589 | 101 | 6,211 | 66 | 2,248 | 35.81 |
| 10 | Exposures in default | 910 | 113 | 597 | 12 | 670 | 110.06 |
| 11 | Exposures associated with particularly high risk | 147 | 100 | 131 | 57 | 282 | 149.36 |
| 12 | Covered bonds | 3,035 | - | 3,035 | - | 354 | 11.65 |
| 13 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 14 | Collective investment undertakings | 3,312 | 1,248 | 3,312 | 671 | 4,494 | 112.82 |
| 15 | Equity | 699 | - | 699 | - | 1,134 | 162.23 |
| 16 | Other items | 17,383 | - | 17,385 | - | 12,128 | 69.76 |
| **17** | **TOTAL** | **293,249** | **41,762** | **330,716** | **15,009** | **75,402** | **21.81** |
| | **TOTAL ON- AND OFF-BALANCE SHEET AMOUNTS** | **335,011** | | **345,725** | | | |

(*) 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 June 2023 was 335 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 (+37.5 billion euro) and a decrease in the value of the off-balance-sheet items (-26.8 billion euro), with a differential of 10.7 billion euro at the end of the period. As at June, the total value of the prudential aggregate was consequently identified as 346 billion euro, corresponding to a weighted value of 75 billion euro RWAs, down sharply on December 2022 (-6 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 line with the trend recorded in the previous year, resulted in a sharply negative change in the "Central Governments or Central Banks" portfolio (-16.6 billion euro), along with a smaller decrease in the "Corporates" portfolio (-4 billion euro). The decrease in exposures to "Central Governments or Central Banks" was due to the reduction in the aggregate of deposits held with Central Banks, primarily a reduction of the liquidity held with the Bank of Italy, only partially offset by the increase in the Securities portfolio, as part of the normal Treasury movements. The decrease in capital absorption for the Corporates portfolio reflected the actions taken during the half year to achieve more favourable allocation efficiency through more extensive use of advanced approaches. These included i) the re-absorption of the number of unrated counterparties, thanks to a more effective periodic customer assessment; ii) the reclassification of exposures previously included in the Corporates scope, transferred to the Retail portfolio calculated using the advanced measurement approach, following the recognition of the eligibility of Retail guarantors obtained from the Regulator; and iii) the new method of calculation of the capital absorption on certain transactions previously subject to the standard approach because they could not be associated with an identified counterparty, such as transit items and cash items, for which the ECB's authorisation for the Corporates Model Change allowed a benchmark value to be assigned to the PD and LGD parameters, resulting in the reclassification of the exposures to the Corporates portfolio using the advanced measurement approach. The reduction in the values of the "Central Governments or Central Banks" and "Corporates" aggregates was offset by the increase in the "Institutions" portfolio (+3.2 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 21.81% as at June 2023 compared to 22.45% as at December 2022.

### Standardised approach – Exposures post CCF and CRM as at 30 June 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 | 240,982 | - | 73 | 385 | 2,190 | - | 2,244 | - | - |
| 2 | Regional government or local authorities | 155 | - | - | - | 1,278 | - | - | - | - |
| 3 | Public sector entities | 114 | - | - | - | 424 | - | 47 | - | - |
| 4 | Multilateral development banks | 1,541 | - | - | - | - | - | - | - | - |
| 5 | International organisations | 730 | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | 62 | - | - | 10,340 | - | 2,430 | - | - |
| 7 | Corporates | - | - | - | - | 1,076 | - | 1,612 | 47 | - |
| 8 | Retail exposures | - | - | - | - | - | 2,228 | - | - | 10,102 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | - | - | 5,471 | 806 | - | - |
| 10 | Exposures in default | - | - | - | - | - | - | - | - | - |
| 11 | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - | - |
| 12 | Covered bonds | - | - | - | 2,644 | 354 | - | 37 | - | - |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | 917 | - | - | - | - | - | 2 | - | - |
| 15 | Equity exposures | - | - | - | - | - | - | - | - | - |
| 16 | Other items | 4,687 | - | - | - | 774 | - | - | - | - |
| **17** | **Total** | **249,126** | **62** | **73** | **3,029** | **16,436** | **7,699** | **7,178** | **47** | **10,102** |

**Standardised approach – Exposures post CCF and CRM as at 30 June 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 | 10,275 | 956 | 3,061 | - | - | - | 260,166 | 5,351 |
| 2 | Regional government or local authorities | 138 | - | - | - | - | - | 1,571 | 997 |
| 3 | Public sector entities | 306 | - | - | - | - | - | 891 | 435 |
| 4 | Multilateral development banks | - | - | - | - | - | - | 1,541 | 17 |
| 5 | International organisations | - | - | - | - | - | - | 730 | 24 |
| 6 | Institutions | 3,061 | 57 | - | - | - | - | 15,950 | 9,288 |
| 7 | Corporates | 17,261 | 374 | - | - | - | - | 20,370 | 16,509 |
| 8 | Retail exposures | - | - | - | - | - | - | 12,330 | 12,330 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | - | - | - | 6,277 | 6,260 |
| 10 | Exposures in default | 486 | 123 | - | - | - | - | 609 | 602 |
| 11 | Exposures associated with particularly high risk | - | 188 | - | - | - | - | 188 | 186 |
| 12 | Covered bonds | - | - | - | - | - | - | 3,035 | 807 |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | 1,453 | 57 | - | 12 | 36 | 1,506 | 3,983 | 3,924 |
| 15 | Equity exposures | 409 | - | 290 | - | - | - | 699 | 699 |
| 16 | Other items | 11,826 | 98 | - | - | - | - | 17,385 | 17,385 |
| **17** | **Total** | **45,215** | **1,853** | **3,351** | **12** | **36** | **1,506** | **345,725** | **74,814** |

The value of the aggregate of the exposures included in the calculation using the standardised approach amounts to 346 billion euro, after the application of Credit Conversion Factors (CCFs) and prudential Credit Risk Mitigation (CRM) treatments. The breakdown of exposures by class and risk weight shows a favourable decrease in the average RWA density (-0.7%), which came – as already stated – to 21.81% during the half year, compared to the previous 22.45%, confirming the polarisation of exposures towards the zero-weighted classes (72.1% of the aggregate), albeit within a trend of contraction 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 30 June 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 | 189,833 | - | 73 | 370 | 2,071 | - | 1,450 | - | - |
| 2 | Regional government or local authorities | 149 | - | - | - | 1,173 | - | - | - | - |
| 3 | Public sector entities | 148 | - | - | - | 425 | - | 49 | - | - |
| 4 | Multilateral development banks | 1,157 | - | - | - | - | - | - | - | - |
| 5 | International organisations | 768 | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | 100 | - | - | 13,839 | - | 3,109 | - | - |
| 7 | Corporates | - | - | - | - | 1,021 | - | 1,616 | - | - |
| 8 | Retail exposures | - | - | - | - | - | 2,246 | - | - | 21,139 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | - | - | 5,863 | 827 | - | - |
| 10 | Exposures in default | - | - | - | - | - | - | - | - | - |
| 11 | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - | - |
| 12 | Covered bonds | - | - | - | 2,644 | 354 | - | 37 | - | - |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | 917 | - | - | - | - | - | 2 | - | - |
| 15 | Equity exposures | - | - | - | - | - | - | - | - | - |
| 16 | Other items | 4,685 | - | - | - | 773 | - | - | - | - |
| **17** | **Total** | **197,657** | **100** | **73** | **3,014** | **19,656** | **8,109** | **7,090** | **-** | **21,139** |

## Standardised approach - Exposures before CCF and CRM as at 30 June 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 | 12,412 | 974 | 3,061 | - | - | - | 210,244 | 6,481 |
| 2 | Regional government or local authorities | 157 | - | - | - | - | - | 1,479 | 1,042 |
| 3 | Public sector entities | 934 | - | - | - | - | - | 1,556 | 1,080 |
| 4 | Multilateral development banks | - | - | - | - | - | - | 1,157 | 3 |
| 5 | International organisations | - | - | - | - | - | - | 768 | 24 |
| 6 | Institutions | 5,973 | 59 | - | - | - | - | 23,080 | 14,849 |
| 7 | Corporates | 36,304 | 764 | - | - | - | - | 39,705 | 34,251 |
| 8 | Retail exposures | - | - | - | - | - | - | 23,385 | 23,385 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | - | - | - | 6,690 | 6,672 |
| 10 | Exposures in default | 811 | 212 | - | - | - | - | 1,023 | 861 |
| 11 | Exposures associated with particularly high risk | - | 247 | - | - | - | - | 247 | 245 |
| 12 | Covered bonds | - | - | - | - | - | - | 3,035 | 807 |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | 1,516 | 57 | - | 24 | 47 | 1,997 | 4,560 | 4,500 |
| 15 | Equity exposures | 409 | - | 290 | - | - | - | 699 | 699 |
| 16 | Other items | 11,826 | 99 | - | - | - | - | 17,383 | 17,382 |
| **17** | **Total** | **70,342** | **2,412** | **3,351** | **24** | **47** | **1,997** | **335,011** | **112,281** |

# Credit risk: disclosures on portfolios subject to IRB approaches

## Qualitative disclosure

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

The table below shows the scopes of companies for which the Group, as at 30 June 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.

### Regulatory portfolios for application of the IRB approaches

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

## Quantitative disclosure

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

### Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

| Regulatory portfolio | Exposure value | |
|---|---|---|
| | 30.06.2023 | 31.12.2022 |
| Exposures to or secured by corporates: | | |
| - Specialised lending | - | - |
| - SMEs (Small and Medium Enterprises) | 544 | 452 |
| - Other corporates | 1,504 | 1,318 |
| **Total credit risk (IRB)** | **2,048** | **1,770** |

### Exposure values by regulatory portfolio (Advanced IRB Approach)

(millions of euro)

| Regulatory portfolio | Exposure value | |
|---|---|---|
| | 30.06.2023 | 31.12.2022 |
| Exposures to or secured by corporates: | | |
| - Specialised lending | 13,560 | 12,161 |
| - SMEs (Small and Medium Enterprises) | 29,972 | 37,155 |
| - Other corporates | 121,838 | 120,994 |
| Exposures to or secured by Supervised Intermediaries, Public sector and local entities and Other entities | 28,792 | 30,311 |
| **Total credit risk (Advanced IRB approach)** | **194,162** | **200,621** |

### Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

| Regulatory portfolio | Exposure value | |
|---|---|---|
| | 30.06.2023 | 31.12.2022 |
| Retail exposures: | | |
| - Exposures secured by residential property: SMEs | 4,669 | 5,475 |
| - Exposures secured by residential property: private individuals | 116,335 | 117,900 |
| - Other retail exposures: SMEs | 10,328 | 12,394 |
| - Other retail exposures: private individuals | 30,415 | 22,401 |
| - Qualifying revolving exposures | 98 | 107 |
| **Total credit risk (IRB)** | **161,845** | **158,277** |

(millions of euro)

| Regulatory portfolio | Exposure value | |
|---|---|---|
| | 30.06.2023 | 31.12.2022 |
| Exposures in equity instruments subject to the PD/LGD approach | 1,297 | 1,452 |
| **Total credit risk (IRB)** | **1,297** | **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 weightings applied to said exposure.

### IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques as at 30 June 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** | **1,471** | **1,471** |
| 2 | Central governments and central banks | - | - |
| 3 | Institutions | - | - |
| 4 | Corporates | 1,471 | 1,471 |
| *4.1* | *of which Corporates - SMEs* | *364* | *364* |
| *4.2* | *of which Corporates - specialised lending* | - | - |
| **5** | **Exposures under A-IRB** | **135,276** | **135,276** |
| 6 | Central governments and central banks | - | - |
| 7 | Institutions | 11,218 | 11,218 |
| 8 | Corporates | 93,738 | 93,738 |
| *8.1* | *of which Corporates - SMEs* | *15,929* | *15,929* |
| *8.2* | *of which Corporates - specialised lending* | *7,785* | *7,785* |
| 9 | Retail | 30,320 | 30,320 |
| *9.1* | *of which Retail – SMEs, secured by immovable property collateral* | *1,198* | *1,198* |
| *9.2* | *of which Retail – non SMEs, secured by immovable property collateral* | *19,282* | *19,282* |
| *9.3* | *of which Retail – qualifying revolving* | *24* | *24* |
| *9.4* | *of which Retail – SMEs, other* | *2,263* | *2,263* |
| *9.5* | *of which Retail – non SMEs, other* | *7,553* | *7,553* |
| **10** | **TOTAL (including F-IRB exposures and A-IRB exposures)** | **136,747** | **136,747** |

The RWA values shown in the table before the application of risk mitigation techniques through the potential use of credit derivatives correspond to the actual RWA values, given the absence of those transactions.

## IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2023 (EU CR6 Reg. 2021/637) *(Table 1 of 4)*

(millions of euro)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | EL | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposures to Institutions** | 0.00 to < 0.15 | 7,563 | 18,628 | 2.87% | 8,120 | 0.07 | 832 | 41.05 | 2.77 | 2,487 | 30.62% | 2 | -1 |
| | 0.00 to < 0.10 | 6,316 | 14,762 | 2.89% | 6,761 | 0.06 | 551 | 41.93 | 2.74 | 1,970 | 29.14% | 1 | -1 |
| | 0.10 to < 0.15 | 1,247 | 3,866 | 2.79% | 1,359 | 0.12 | 281 | 36.66 | 2.92 | 517 | 37.99% | 1 | - |
| | 0.15 to < 0.25 | 3,211 | 7,366 | 12.40% | 4,072 | 0.19 | 713 | 30.47 | 2.53 | 1,640 | 40.26% | 2 | -3 |
| | 0.25 to < 0.50 | 3,920 | 6,410 | 9.88% | 4,422 | 0.41 | 863 | 30.96 | 3.07 | 2,603 | 58.87% | 6 | -3 |
| | 0.50 to < 0.75 | 373 | 459 | 22.26% | 398 | 0.61 | 199 | 24.95 | 2.87 | 183 | 45.90% | 1 | - |
| | 0.75 to < 2.50 | 3,940 | 8,795 | 3.89% | 4,304 | 1.22 | 1,213 | 18.98 | 3.67 | 2,162 | 50.24% | 10 | -12 |
| | 0.75 to < 1.75 | 3,535 | 7,826 | 4.13% | 3,925 | 1.13 | 1,028 | 18.76 | 3.64 | 1,908 | 48.62% | 8 | -9 |
| | 1.75 to < 2.5 | 405 | 969 | 1.93% | 379 | 2.19 | 185 | 21.22 | 3.89 | 254 | 67.02% | 2 | -3 |
| | 2.50 to < 10.00 | 771 | 3,419 | 4.08% | 879 | 5.45 | 721 | 29.44 | 2.28 | 938 | 106.79% | 14 | -14 |
| | 2.5 to < 5 | 317 | 1,280 | 6.39% | 375 | 3.49 | 428 | 26.79 | 2.37 | 321 | 85.65% | 3 | -3 |
| | 5 to < 10 | 454 | 2,139 | 2.71% | 504 | 6.91 | 293 | 31.42 | 2.21 | 617 | 122.50% | 11 | -11 |
| | 10.00 to < 100.00 | 372 | 397 | 5.08% | 374 | 14.43 | 413 | 39.07 | 3.48 | 796 | 213.12% | 20 | -5 |
| | 10 to < 20 | 347 | 374 | 3.93% | 343 | 13.04 | 231 | 40.52 | 3.64 | 756 | 220.58% | 18 | -5 |
| | 20 to < 30 | 9 | 1 | 44.58% | 9 | 25.41 | 34 | 21.61 | 3.14 | 12 | 128.18% | - | - |
| | 30.00 to < 100.00 | 16 | 22 | 22.49% | 22 | 31.88 | 148 | 23.47 | 1.20 | 28 | 130.64% | 2 | - |
| | 100.00 (Default) | 358 | 46 | 0.54% | 356 | 100.00 | 98 | 82.78 | 1.31 | 409 | 114.80% | 263 | -226 |
| | **Subtotal** | **20,508** | **45,520** | **5.90%** | **22,925** | **2.37** | **5,052** | **32.97** | **2.93** | **11,218** | **48.93%** | **318** | **-264** |
| **Exposures to corporates - SMEs (small and medium enterprises)** | 0.00 to < 0.15 | 483 | 618 | 26.91% | 477 | 0.12 | 3,507 | 38.19 | 1.88 | 75 | 15.68% | - | - |
| | 0.00 to < 0.10 | 116 | 150 | 32.91% | 110 | 0.07 | 1,226 | 39.88 | 1.80 | 12 | 11.08% | - | - |
| | 0.10 to < 0.15 | 367 | 468 | 24.99% | 367 | 0.13 | 2,281 | 37.69 | 1.90 | 63 | 17.06% | - | - |
| | 0.15 to < 0.25 | 1,271 | 1,610 | 25.41% | 1,150 | 0.19 | 6,208 | 39.95 | 1.93 | 265 | 23.06% | 1 | -1 |
| | 0.25 to < 0.50 | 6,855 | 6,312 | 23.73% | 4,884 | 0.38 | 26,926 | 40.69 | 1.82 | 1,605 | 32.87% | 8 | -9 |
| | 0.50 to < 0.75 | 5,995 | 3,903 | 24.00% | 3,786 | 0.60 | 18,966 | 40.44 | 1.84 | 1,599 | 42.23% | 10 | -9 |
| | 0.75 to < 2.50 | 15,907 | 7,014 | 23.76% | 9,182 | 1.45 | 43,914 | 39.05 | 2.06 | 5,248 | 57.15% | 53 | -70 |
| | 0.75 to < 1.75 | 11,647 | 5,435 | 23.33% | 6,779 | 1.27 | 32,549 | 39.37 | 2.00 | 3,745 | 55.25% | 35 | -38 |
| | 1.75 to < 2.5 | 4,260 | 1,579 | 25.24% | 2,403 | 1.97 | 11,365 | 38.17 | 2.22 | 1,503 | 62.53% | 18 | -32 |
| | 2.50 to < 10.00 | 10,934 | 2,440 | 22.34% | 5,901 | 5.45 | 28,702 | 37.38 | 2.48 | 4,870 | 82.53% | 121 | -207 |
| | 2.5 to < 5 | 4,487 | 1,158 | 22.78% | 2,510 | 3.34 | 11,666 | 37.81 | 2.23 | 1,807 | 72.00% | 32 | -46 |
| | 5 to < 10 | 6,447 | 1,282 | 21.95% | 3,391 | 7.01 | 17,036 | 37.05 | 2.67 | 3,063 | 90.32% | 89 | -161 |
| | 10.00 to < 100.00 | 2,237 | 276 | 26.44% | 1,365 | 19.30 | 7,788 | 35.49 | 3.17 | 1,703 | 124.78% | 96 | -183 |
| | 10 to < 20 | 1,645 | 213 | 25.67% | 936 | 14.31 | 4,827 | 35.42 | 3.12 | 1,094 | 116.87% | 48 | -101 |
| | 20 to < 30 | 394 | 33 | 28.49% | 240 | 24.02 | 1,428 | 34.79 | 2.98 | 324 | 135.08% | 20 | -35 |
| | 30.00 to < 100.00 | 198 | 30 | 29.72% | 189 | 38.10 | 1,533 | 36.73 | 3.66 | 285 | 150.92% | 28 | -47 |
| | 100.00 (Default) | 3,787 | 267 | 33.28% | 3,185 | 100.00 | 7,206 | 58.80 | 2.10 | 564 | 17.70% | 1,855 | -1,953 |
| | **Subtotal** | **47,469** | **22,440** | **23.99%** | **29,930** | **13.19** | **143,217** | **41.12** | **2.12** | **15,929** | **53.22%** | **2,144** | **-2,432** |
| **Exposures to corporates - Specialised lending** | 0.00 to < 0.15 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 0.00 to < 0.10 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 0.10 to < 0.15 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 0.15 to < 0.25 | 185 | 11 | 49.44% | 190 | 0.23 | 17 | 16.04 | 3.88 | 40 | 21.05% | - | - |
| | 0.25 to < 0.50 | 223 | 47 | 45.14% | 243 | 0.35 | 45 | 17.78 | 2.35 | 47 | 19.18% | - | - |
| | 0.50 to < 0.75 | 1,204 | 2,231 | 49.81% | 2,313 | 0.54 | 95 | 16.88 | 4.20 | 766 | 33.13% | 2 | -4 |
| | 0.75 to < 2.50 | 4,957 | 2,351 | 49.06% | 5,901 | 1.25 | 815 | 17.22 | 3.54 | 2,401 | 40.70% | 13 | -25 |
| | 0.75 to < 1.75 | 3,837 | 1,579 | 49.23% | 4,511 | 1.05 | 488 | 17.02 | 3.64 | 1,806 | 40.05% | 8 | -18 |
| | 1.75 to < 2.5 | 1,120 | 772 | 48.72% | 1,390 | 1.90 | 327 | 17.85 | 3.20 | 595 | 42.81% | 5 | -7 |
| | 2.50 to < 10.00 | 2,856 | 1,146 | 55.22% | 3,342 | 4.37 | 781 | 18.05 | 2.19 | 1,862 | 55.72% | 27 | -249 |
| | 2.5 to < 5 | 2,589 | 1,119 | 55.36% | 3,086 | 4.03 | 682 | 17.52 | 2.13 | 1,604 | 51.97% | 22 | -227 |
| | 5 to < 10 | 267 | 27 | 49.14% | 256 | 8.55 | 99 | 24.44 | 2.86 | 258 | 100.84% | 5 | -22 |
| | 10.00 to < 100.00 | 872 | 639 | 48.00% | 791 | 24.93 | 220 | 25.64 | 3.45 | 1,485 | 187.67% | 74 | -111 |
| | 10 to < 20 | 294 | 282 | 49.80% | 403 | 14.47 | 113 | 23.84 | 3.82 | 494 | 122.64% | 13 | -47 |
| | 20 to < 30 | - | - | - | - | 21.42 | 1 | 100.00 | 1.00 | - | 323.32% | - | - |
| | 30.00 to < 100.00 | 578 | 357 | 46.58% | 388 | 35.79 | 106 | 27.51 | 3.06 | 991 | 255.18% | 61 | -64 |
| | 100.00 (Default) | 696 | 50 | 48.50% | 681 | 100.00 | 298 | 47.33 | 2.91 | 114 | 16.67% | 314 | -364 |
| | **Subtotal** | **10,993** | **6,475** | **50.27%** | **13,461** | **8.26** | **2,271** | **19.38** | **3.26** | **6,715** | **49.88%** | **430** | **-753** |

## IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2023 (EU CR6 Reg. 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 adjustments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Exposures to corporates - Other corporates | 0.00 to < 0.15 | 17,011 | 54,961 | 18.76% | 27,020 | 0.10 | 2,063 | 34.37 | 1.89 | 7,789 | 28.83% | 9 | -8 |
| | 0.00 to < 0.10 | 4,869 | 24,115 | 21.25% | 10,046 | 0.06 | 1,050 | 33.78 | 1.78 | 1,943 | 19.35% | 2 | -4 |
| | 0.10 to < 0.15 | 12,142 | 30,846 | 16.81% | 16,974 | 0.12 | 1,013 | 34.71 | 1.96 | 5,846 | 34.44% | 7 | -4 |
| | 0.15 to < 0.25 | 15,575 | 33,104 | 17.90% | 22,188 | 0.20 | 2,440 | 34.19 | 1.75 | 9,490 | 42.77% | 15 | -8 |
| | 0.25 to < 0.50 | 20,628 | 28,519 | 20.82% | 24,466 | 0.35 | 6,832 | 33.08 | 1.82 | 12,754 | 52.13% | 29 | -28 |
| | 0.50 to < 0.75 | 9,173 | 9,930 | 20.20% | 9,656 | 0.62 | 3,964 | 33.79 | 1.77 | 6,218 | 64.39% | 20 | -16 |
| | 0.75 to < 2.50 | 23,080 | 20,628 | 27.94% | 24,862 | 1.53 | 10,453 | 32.73 | 1.88 | 21,516 | 86.54% | 125 | -95 |
| | 0.75 to < 1.75 | 16,085 | 15,373 | 27.31% | 17,366 | 1.31 | 7,559 | 33.16 | 1.77 | 13,960 | 80.39% | 76 | -41 |
| | 1.75 to < 2.5 | 6,995 | 5,255 | 29.76% | 7,496 | 2.04 | 2,894 | 31.73 | 2.13 | 7,556 | 100.81% | 49 | -54 |
| | 2.50 to < 10.00 | 7,177 | 4,835 | 29.24% | 6,642 | 5.10 | 5,632 | 31.03 | 2.09 | 7,590 | 114.29% | 105 | -120 |
| | 2.5 to < 5 | 3,769 | 3,098 | 31.64% | 3,628 | 3.59 | 4,127 | 31.46 | 2.02 | 3,904 | 107.62% | 41 | -41 |
| | 5 to < 10 | 3,408 | 1,737 | 24.95% | 3,014 | 6.91 | 1,505 | 30.52 | 2.17 | 3,686 | 122.31% | 64 | -79 |
| | 10.00 to < 100.00 | 2,964 | 482 | 28.19% | 2,125 | 17.26 | 1,011 | 31.15 | 2.30 | 4,284 | 201.58% | 117 | -246 |
| | 10 to < 20 | 2,480 | 417 | 26.98% | 1,830 | 15.89 | 592 | 30.64 | 2.28 | 3,699 | 202.11% | 90 | -210 |
| | 20 to < 30 | 400 | 44 | 40.97% | 232 | 23.78 | 149 | 35.70 | 2.51 | 478 | 205.69% | 20 | -31 |
| | 30.00 to < 100.00 | 84 | 21 | 25.57% | 63 | 32.94 | 270 | 29.13 | 2.28 | 107 | 170.84% | 7 | -5 |
| | 100.00 (Default) | 2,627 | 1,060 | 36.90% | 2,850 | 100.00 | 1,107 | 45.54 | 1.41 | 383 | 13.43% | 1,271 | -1,577 |
| | **Subtotal** | **98,235** | **153,519** | **20.77%** | **119,809** | **3.47** | **33,502** | **33.71** | **1.85** | **70,024** | **58.45%** | **1,691** | **-2,098** |
| Retail exposures: (*) - SME secured by immovable property collateral | 0.00 to < 0.15 | 1,343 | 18 | 51.06% | 1,321 | 0.10 | 12,070 | 21.12 | - | 53 | 3.98% | - | -1 |
| | 0.00 to < 0.10 | 779 | 11 | 57.87% | 776 | 0.07 | 6,902 | 21.12 | - | 23 | 3.00% | - | - |
| | 0.10 to < 0.15 | 564 | 7 | 40.90% | 545 | 0.14 | 5,168 | 21.13 | - | 30 | 5.38% | - | -1 |
| | 0.15 to < 0.25 | - | - | - | - | 0.20 | 15 | 36.37 | - | - | 12.48% | - | - |
| | 0.25 to < 0.50 | 755 | 13 | 38.48% | 711 | 0.33 | 6,921 | 21.23 | - | 70 | 9.90% | 1 | -1 |
| | 0.50 to < 0.75 | 443 | 9 | 37.34% | 401 | 0.62 | 3,946 | 21.31 | - | 62 | 15.51% | 1 | -1 |
| | 0.75 to < 2.50 | 1,373 | 23 | 24.49% | 1,141 | 1.64 | 12,138 | 21.27 | - | 332 | 29.10% | 4 | -8 |
| | 0.75 to < 1.75 | 787 | 12 | 25.26% | 669 | 1.17 | 6,870 | 21.26 | - | 159 | 23.84% | 2 | -4 |
| | 1.75 to < 2.5 | 586 | 11 | 23.58% | 472 | 2.31 | 5,268 | 21.28 | - | 173 | 36.54% | 2 | -4 |
| | 2.50 to < 10.00 | 628 | 7 | 18.93% | 494 | 5.74 | 5,899 | 21.52 | - | 295 | 59.81% | 6 | -11 |
| | 2.5 to < 5 | 390 | 4 | 20.11% | 307 | 4.24 | 3,652 | 21.54 | - | 161 | 52.39% | 3 | -5 |
| | 5 to < 10 | 238 | 3 | 17.54% | 187 | 8.21 | 2,247 | 21.47 | - | 134 | 72.04% | 3 | -6 |
| | 10.00 to < 100.00 | 402 | 3 | 29.88% | 316 | 29.97 | 4,160 | 21.35 | - | 282 | 89.19% | 20 | -24 |
| | 10 to < 20 | 141 | 2 | 40.41% | 111 | 14.02 | 1,363 | 21.45 | - | 98 | 88.45% | 3 | -5 |
| | 20 to < 30 | 102 | - | 16.13% | 76 | 21.42 | 967 | 21.20 | - | 74 | 97.29% | 4 | -6 |
| | 30.00 to < 100.00 | 159 | 1 | 22.49% | 129 | 48.73 | 1,830 | 21.35 | - | 110 | 85.01% | 13 | -13 |
| | 100.00 (Default) | 325 | 4 | 26.81% | 285 | 100.00 | 2,759 | 48.88 | - | 104 | 36.28% | 131 | -98 |
| | **Subtotal** | **5,269** | **77** | **34.31%** | **4,669** | **9.27** | **47,908** | **22.94** | **-** | **1,198** | **25.65%** | **163** | **-144** |
| Retail exposures (*) - Non-SME secured by immovable property collateral | 0.00 to < 0.15 | 61,652 | 419 | 69.96% | 59,741 | 0.08 | 691,079 | 24.34 | - | 3,189 | 5.34% | 12 | -20 |
| | 0.00 to < 0.10 | 40,658 | 155 | 53.80% | 39,422 | 0.07 | 442,721 | 23.81 | - | 1,709 | 4.33% | 6 | -11 |
| | 0.10 to < 0.15 | 20,994 | 264 | 79.47% | 20,319 | 0.12 | 248,358 | 25.35 | - | 1,480 | 7.29% | 6 | -9 |
| | 0.15 to < 0.25 | 7,267 | 29 | 08.37% | 6,760 | 0.19 | 82,812 | 23.40 | - | 647 | 9.58% | 3 | -2 |
| | 0.25 to < 0.50 | 24,379 | 144 | 36.58% | 22,765 | 0.34 | 279,179 | 23.57 | - | 3,347 | 14.70% | 18 | -11 |
| | 0.50 to < 0.75 | 10,639 | 77 | 50.86% | 10,016 | 0.70 | 124,835 | 23.53 | - | 2,445 | 24.41% | 16 | -12 |
| | 0.75 to < 2.50 | 9,153 | 43 | 37.16% | 8,527 | 1.35 | 111,917 | 23.16 | - | 3,159 | 37.04% | 27 | -37 |
| | 0.75 to < 1.75 | 9,151 | 43 | 37.24% | 8,526 | 1.35 | 111,893 | 23.16 | - | 3,158 | 37.04% | 27 | -37 |
| | 1.75 to < 2.5 | 2 | - | 11.95% | 1 | 2.17 | 24 | 19.09 | - | 1 | 41.75% | - | - |
| | 2.50 to < 10.00 | 5,153 | 34 | 62.22% | 4,856 | 3.16 | 81,116 | 22.32 | - | 2,892 | 59.57% | 35 | -65 |
| | 2.5 to < 5 | 4,104 | 27 | 67.55% | 3,882 | 2.61 | 66,910 | 22.15 | - | 2,090 | 53.85% | 23 | -44 |
| | 5 to < 10 | 1,049 | 7 | 41.71% | 974 | 5.32 | 14,206 | 22.97 | - | 802 | 82.37% | 12 | -21 |
| | 10.00 to < 100.00 | 2,579 | 14 | 35.20% | 2,488 | 21.06 | 32,403 | 23.18 | - | 3,135 | 125.97% | 123 | -173 |
| | 10 to < 20 | 1,200 | 10 | 38.60% | 1,150 | 10.86 | 15,557 | 23.16 | - | 1,312 | 114.03% | 29 | -42 |
| | 20 to < 30 | 900 | 2 | 09.84% | 870 | 21.91 | 11,682 | 22.60 | - | 1,183 | 135.93% | 43 | -62 |
| | 30.00 to < 100.00 | 479 | 2 | 41.51% | 468 | 44.54 | 5,164 | 24.31 | - | 640 | 136.81% | 51 | -69 |
| | 100.00 (Default) | 1,193 | 3 | 71.81% | 1,182 | 100.00 | 16,015 | 42.60 | - | 468 | 39.61% | 465 | -370 |
| | **Subtotal** | **122,015** | **763** | **56.59%** | **116,335** | **1.88** | **1,419,356** | **24.05** | **-** | **19,282** | **16.57%** | **699** | **-690** |

## IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2023 (EU CR6 Reg. 2021/637) *(Table 3 of 4)*

(millions of euro)

| A-IRB | PD scale | On-balance sheet exposures | Off-balance-sheet exposures pre-CCF | Exposure weighted average CCF | Exposure post CCF and post CRM | Exposure weighted average PD (%) | Number of obligors | Exposure weighted average LGD (%) | Exposure weighted average maturity (years) | Risk weighted exposure amount after supporting factors | Density of risk weighted exposure amount | EL | Value adjust-ments and provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Retail exposures (*) - qualifying revolving** | 0.00 to < 0.15 | 22 | 88 | 21.40% | 41 | 0.10 | 70,704 | 45.51 | - | 1 | 2.99% | - | - |
| | 0.00 to < 0.10 | 10 | 39 | 24.58% | 20 | 0.08 | 30,693 | 45.48 | - | - | 2.45% | - | - |
| | 0.10 to < 0.15 | 12 | 49 | 18.90% | 21 | 0.12 | 40,011 | 45.55 | - | 1 | 3.49% | - | - |
| | 0.15 to < 0.25 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 0.25 to < 0.50 | 15 | 41 | 17.94% | 22 | 0.33 | 40,337 | 45.48 | - | 2 | 7.66% | - | - |
| | 0.50 to < 0.75 | 7 | 9 | 21.05% | 9 | 0.62 | 12,774 | 46.44 | - | 1 | 12.95% | - | - |
| | 0.75 to < 2.50 | 6 | 4 | 24.50% | 7 | 1.31 | 9,212 | 46.44 | - | 2 | 23.05% | - | - |
| | 0.75 to < 1.75 | 6 | 4 | 24.50% | 7 | 1.31 | 9,212 | 46.44 | - | 2 | 23.05% | - | - |
| | 1.75 to < 2.5 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2.50 to < 10.00 | 6 | 2 | 24.76% | 7 | 4.02 | 8,361 | 46.37 | - | 3 | 50.71% | - | - |
| | 2.5 to < 5 | 5 | 2 | 24.33% | 6 | 3.46 | 6,897 | 46.38 | - | 2 | 46.19% | - | - |
| | 5 to < 10 | 1 | - | 28.03% | 1 | 6.62 | 1,464 | 46.31 | - | 1 | 71.71% | - | - |
| | 10.00 to < 100.00 | 3 | 1 | 27.55% | 3 | 24.53 | 2,508 | 47.22 | - | 3 | 122.56% | - | -1 |
| | 10 to < 20 | 2 | 1 | 25.22% | 2 | 14.07 | 1,674 | 46.47 | - | 2 | 108.80% | - | - |
| | 20 to < 30 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 30.00 to < 100.00 | 1 | - | 31.65% | 1 | 43.99 | 834 | 48.61 | - | 1 | 148.19% | - | -1 |
| | 100.00 (Default) | 9 | 1 | - | 9 | 100.00 | 8,969 | 74.00 | - | 12 | 127.52% | 6 | -9 |
| | **Subtotal** | **68** | **146** | **20.36%** | **98** | **10.82** | **152,865** | **48.50** | **-** | **24** | **24.93%** | **6** | **-10** |
| **Retail exposures (*) - SME other** | 0.00 to < 0.15 | 5,469 | 3,826 | 34.96% | 3,572 | 0.10 | 199,214 | 31.98 | - | 218 | 6.12% | 1 | -1 |
| | 0.00 to < 0.10 | 3,205 | 2,692 | 33.83% | 2,247 | 0.07 | 113,177 | 32.10 | - | 108 | 4.83% | - | -1 |
| | 0.10 to < 0.15 | 2,264 | 1,134 | 37.63% | 1,325 | 0.14 | 86,037 | 31.77 | - | 110 | 8.31% | 1 | - |
| | 0.15 to < 0.25 | 70 | 13 | 75.07% | 80 | 0.17 | 8,778 | 56.07 | - | 13 | 16.78% | - | - |
| | 0.25 to < 0.50 | 3,199 | 1,157 | 38.30% | 1,753 | 0.33 | 129,719 | 33.31 | - | 264 | 15.04% | 2 | -2 |
| | 0.50 to < 0.75 | 1,645 | 425 | 36.22% | 809 | 0.62 | 65,282 | 33.14 | - | 175 | 21.67% | 2 | -2 |
| | 0.75 to < 2.50 | 4,550 | 812 | 32.46% | 1,889 | 1.58 | 167,678 | 32.94 | - | 593 | 31.40% | 10 | -13 |
| | 0.75 to < 1.75 | 2,777 | 530 | 32.78% | 1,182 | 1.17 | 100,690 | 32.92 | - | 342 | 28.92% | 5 | -6 |
| | 1.75 to < 2.5 | 1,773 | 282 | 31.85% | 707 | 2.28 | 66,988 | 32.99 | - | 251 | 35.54% | 5 | -7 |
| | 2.50 to < 10.00 | 2,350 | 320 | 30.85% | 1,001 | 5.57 | 100,969 | 34.35 | - | 419 | 41.87% | 19 | -22 |
| | 2.5 to < 5 | 1,452 | 208 | 31.28% | 629 | 4.11 | 61,281 | 34.97 | - | 260 | 41.28% | 9 | -10 |
| | 5 to < 10 | 898 | 112 | 30.06% | 372 | 8.05 | 39,688 | 33.31 | - | 159 | 42.86% | 10 | -12 |
| | 10.00 to < 100.00 | 1,160 | 126 | 35.78% | 443 | 26.59 | 85,800 | 33.52 | - | 266 | 59.95% | 39 | -38 |
| | 10 to < 20 | 446 | 48 | 33.47% | 183 | 13.59 | 28,416 | 34.33 | - | 97 | 52.97% | 8 | -10 |
| | 20 to < 30 | 361 | 31 | 24.75% | 115 | 21.42 | 18,531 | 31.55 | - | 67 | 58.40% | 8 | -9 |
| | 30.00 to < 100.00 | 353 | 47 | 45.40% | 145 | 47.04 | 38,853 | 34.05 | - | 102 | 69.96% | 23 | -19 |
| | 100.00 (Default) | 1,283 | 51 | 37.26% | 779 | 100.00 | 62,059 | 69.40 | - | 315 | 40.39% | 517 | -581 |
| | **Subtotal** | **19,726** | **6,730** | **35.23%** | **10,326** | **9.65** | **819,499** | **35.78** | **-** | **2,263** | **21.92%** | **590** | **-659** |
| **Retail exposures (*) - Non-SME other** | 0.00 to < 0.15 | 4,965 | 2,646 | 70.24% | 10,121 | 0.08 | 1,874,602 | 34.11 | - | 771 | 7.62% | 3 | -63 |
| | 0.00 to < 0.10 | 2,888 | 2,034 | 68.29% | 6,788 | 0.07 | 1,324,021 | 33.24 | - | 422 | 6.21% | 2 | -44 |
| | 0.10 to < 0.15 | 2,077 | 612 | 76.74% | 3,333 | 0.12 | 550,581 | 35.87 | - | 349 | 10.48% | 1 | -19 |
| | 0.15 to < 0.25 | 1,017 | 300 | 79.31% | 1,727 | 0.19 | 254,470 | 34.59 | - | 237 | 13.73% | 1 | -12 |
| | 0.25 to < 0.50 | 4,206 | 891 | 80.55% | 7,050 | 0.35 | 935,957 | 35.79 | - | 1,467 | 20.80% | 9 | -78 |
| | 0.50 to < 0.75 | 1,790 | 235 | 76.02% | 3,043 | 0.69 | 341,700 | 36.39 | - | 943 | 31.00% | 8 | -72 |
| | 0.75 to < 2.50 | 2,353 | 248 | 84.38% | 3,334 | 1.34 | 465,996 | 36.87 | - | 1,410 | 42.28% | 16 | -76 |
| | 0.75 to < 1.75 | 2,352 | 248 | 84.38% | 3,278 | 1.33 | 464,933 | 36.99 | - | 1,392 | 42.45% | 16 | -72 |
| | 1.75 to < 2.5 | 1 | - | 75.70% | 56 | 1.93 | 1,063 | 29.81 | - | 18 | 32.44% | - | -4 |
| | 2.50 to < 10.00 | 2,089 | 148 | 84.05% | 2,603 | 3.65 | 399,641 | 36.13 | - | 1,362 | 52.34% | 34 | -110 |
| | 2.5 to < 5 | 1,313 | 98 | 81.89% | 1,664 | 2.68 | 241,107 | 36.07 | - | 840 | 50.49% | 16 | -59 |
| | 5 to < 10 | 776 | 50 | 88.27% | 939 | 5.37 | 158,534 | 36.25 | - | 522 | 55.63% | 18 | -51 |
| | 10.00 to < 100.00 | 1,041 | 110 | 80.67% | 1,277 | 18.52 | 360,972 | 36.97 | - | 998 | 78.18% | 90 | -163 |
| | 10 to < 20 | 564 | 58 | 84.37% | 723 | 11.05 | 154,803 | 37.00 | - | 482 | 66.75% | 30 | -61 |
| | 20 to < 30 | 337 | 33 | 87.05% | 398 | 21.91 | 159,356 | 35.08 | - | 337 | 84.74% | 31 | -56 |
| | 30.00 to < 100.00 | 140 | 19 | 58.19% | 156 | 44.46 | 46,813 | 41.63 | - | 179 | 114.38% | 29 | -46 |
| | 100.00 (Default) | 1,250 | 19 | 79.96% | 1,260 | 100.00 | 202,406 | 62.22 | - | 365 | 28.94% | 755 | -794 |
| | **Subtotal** | **18,711** | **4,597** | **74.63%** | **30,415** | **5.57** | **4,835,744** | **36.52** | **-** | **7,553** | **24.83%** | **916** | **-1,368** |
| **TOTAL** | | **342,994** | **240,267** | **20.60%** | **347,968** | | **7,459,414** | | **2.13** | **134,206** | **38.57%** | **6,957** | **-8,418** |

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

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

## IRB approach – Credit risk exposures by exposure class and PD scale as at 30 June 2023 (EU CR6 Reg. 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 | 13 | 18 | 47.71% | 22 | 0.10 | 107 | 42.79 | 2.50 | 4 | 19.59% | - | - |
| | 0.00 to < 0.10 | 5 | 2 | 40.52% | 6 | 0.07 | 30 | 38.82 | 2.50 | 1 | 15.20% | - | - |
| | 0.10 to < 0.15 | 8 | 16 | 48.71% | 16 | 0.11 | 77 | 44.35 | 2.50 | 3 | 21.33% | - | - |
| | 0.15 to < 0.25 | 5 | 46 | 61.82% | 34 | 0.19 | 133 | 44.14 | 2.50 | 11 | 31.69% | - | - |
| | 0.25 to < 0.50 | 52 | 73 | 52.27% | 91 | 0.33 | 277 | 43.14 | 2.50 | 34 | 37.51% | - | - |
| | 0.50 to < 0.75 | 43 | 129 | 39.75% | 94 | 0.55 | 284 | 43.42 | 2.50 | 47 | 49.94% | - | -1 |
| | 0.75 to < 2.50 | 94 | 208 | 56.67% | 211 | 1.43 | 494 | 44.11 | 2.50 | 176 | 83.29% | 1 | -1 |
| | 0.75 to < 1.75 | 34 | 139 | 51.19% | 105 | 1.04 | 325 | 44.22 | 2.50 | 69 | 65.85% | - | - |
| | 1.75 to < 2.5 | 60 | 69 | 67.75% | 106 | 1.83 | 169 | 44.00 | 2.50 | 107 | 100.55% | 1 | -1 |
| | 2.50 to < 10.00 | 16 | 101 | 46.95% | 63 | 4.43 | 273 | 44.19 | 2.50 | 66 | 103.79% | 2 | - |
| | 2.5 to < 5 | 12 | 62 | 50.50% | 43 | 3.38 | 204 | 44.06 | 2.50 | 41 | 94.83% | 1 | - |
| | 5 to < 10 | 4 | 39 | 41.38% | 20 | 6.75 | 69 | 44.47 | 2.50 | 25 | 123.49% | 1 | - |
| | 10.00 to < 100.00 | 5 | 25 | 55.99% | 19 | 17.24 | 111 | 43.56 | 2.50 | 26 | 140.09% | 2 | -2 |
| | 10 to < 20 | 5 | 15 | 59.37% | 14 | 12.84 | 69 | 43.00 | 2.50 | 18 | 128.68% | 1 | -1 |
| | 20 to < 30 | - | 10 | 50.68% | 5 | 27.14 | 27 | 45.00 | 2.50 | 8 | 171.22% | 1 | -1 |
| | 30.00 to < 100.00 | - | - | - | - | 53.08 | 15 | 45.00 | 2.50 | - | 148.26% | - | - |
| | 100.00 (Default) | 4 | 8 | 38.71% | 7 | 100.00 | 41 | 43.53 | 2.50 | - | - | 3 | -7 |
| | **Subtotal** | **232** | **608** | **50.79%** | **541** | **3.15** | **1,720** | **43.76** | **2.50** | **364** | **67.26%** | **8** | **-11** |
| Exposures to corporates - Other | 0.00 to < 0.15 | 275 | 320 | 35.05% | 387 | 0.11 | 43 | 44.97 | 2.50 | 157 | 40.61% | - | - |
| | 0.00 to < 0.10 | 13 | 140 | 53.27% | 87 | 0.05 | 6 | 45.00 | 2.50 | 19 | 22.15% | - | - |
| | 0.10 to < 0.15 | 262 | 180 | 20.91% | 300 | 0.13 | 37 | 44.96 | 2.50 | 138 | 45.98% | - | - |
| | 0.15 to < 0.25 | 248 | 64 | 92.50% | 308 | 0.20 | 20 | 45.00 | 2.50 | 186 | 60.41% | - | -1 |
| | 0.25 to < 0.50 | 204 | 62 | 51.18% | 210 | 0.34 | 68 | 43.76 | 2.50 | 142 | 67.68% | - | - |
| | 0.50 to < 0.75 | 98 | 100 | 66.14% | 165 | 0.55 | 50 | 44.22 | 2.50 | 125 | 75.49% | 1 | - |
| | 0.75 to < 2.50 | 406 | 145 | 56.42% | 371 | 1.21 | 104 | 44.52 | 2.50 | 396 | 106.67% | 2 | -2 |
| | 0.75 to < 1.75 | 366 | 120 | 57.63% | 318 | 1.09 | 71 | 44.56 | 2.50 | 334 | 104.98% | 2 | -2 |
| | 1.75 to < 2.5 | 40 | 25 | 50.68% | 53 | 1.89 | 33 | 44.28 | 2.50 | 62 | 116.86% | - | - |
| | 2.50 to < 10.00 | 8 | 82 | 34.40% | 36 | 2.98 | 40 | 44.88 | 2.50 | 48 | 135.31% | - | -1 |
| | 2.5 to < 5 | 8 | 82 | 34.40% | 36 | 2.98 | 39 | 44.88 | 2.50 | 48 | 135.31% | - | -1 |
| | 5 to < 10 | - | - | - | - | 6.86 | 1 | 45.00 | 2.50 | - | 179.17% | - | - |
| | 10.00 to < 100.00 | 24 | - | - | 24 | 52.82 | 7 | 45.00 | 2.50 | 53 | 221.30% | 6 | - |
| | 10 to < 20 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 20 to < 30 | - | - | - | - | 23.25 | 1 | 45.00 | 2.50 | - | 182.58% | - | - |
| | 30.00 to < 100.00 | 24 | - | - | 24 | 53.08 | 6 | 45.00 | 2.50 | 53 | 221.64% | 6 | - |
| | 100.00 (Default) | 1 | - | 50.00% | 1 | 100.00 | 8 | 45.00 | 2.50 | - | - | - | -1 |
| | **Subtotal** | **1,264** | **773** | **49.10%** | **1,502** | **1.44** | **340** | **44.61** | **2.50** | **1,107** | **73.73%** | **9** | **-5** |
| **TOTAL** | | **1,496** | **1,381** | **49.84%** | **2,043** | | **2,060** | | **2.50** | **1,471** | **72.01%** | **17** | **-16** |

(**) 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 (350 billion euro), recorded a net decrease of -2.7 billion euro in the half year (-0.8% compared to December 2022), while the corresponding value of the risk-weighted assets increased by +2.8 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 the sharp growth in the “Corporates - Other Corporates” portfolio (RWAs +13.5 billion euro), although without any appreciable and corresponding increase in operating volumes. This performance was essentially a reflection of the Regulator’s authorisation of the application made by the Bank for the Corporates Model Change, which, however, was accompanied by the requirement to temporarily apply a particularly penalising MOC (Margin of Conservatism) of 45% of RWAs for exposures in the AIRB Large Corporate portfolio and 40% of RWAs for exposures in the FIRB Large Corporate portfolio. The Corporates segment was also affected by the dynamics of the securitised portfolios with two new transactions completed in the half year (GARC New Origination-1 for EAD 0.5 billion euro and RWAs 0.2 billion euro and GARC USD Corp-1 for EAD 2.2 billion euro and RWAs 1.2 billion euro) and the early termination of several existing transactions (GARC SME-8, GARC SME-9 and GARC SME Initiative for a total EAD 1.6 billion euro and RWAs 0.7 billion euro).

The reasons for the other main changes in the period were: i) the reclassification of exposures previously included in the Corporates scope, measured using the standardised approach, which during the half year were transferred to the Retail portfolio calculated using the advanced measurement approach, following the authorisation from the Regulator which recognised the eligibility of Retail guarantors, consequently resulting in the transfer of risk and the consequent change in prudential classification; and ii) the option of assigning a benchmark value to the PD and LGD parameters on exposures for which it is not possible to identify a real counterparty, such as transit items and cash items, with the transfer of the capital absorption calculation from the standard model to advanced models. In particular, the recognition of the eligibility of Retail IRB guarantors led to a rearrangement of the exposures among the portfolios. This consisted of 1) a notable reduction in the scope of exposures previously belonging to the retail exposures portfolios, respectively amounting to EAD -2.1 billion euro

and RWAs -0.8 billion euro for “Retail exposures - SMEs” and EAD -0.8 billion euro and RWAs -0.2 billion euro for “Retail exposures - SMEs, secured by real estate”; 2) a significant decrease in the scope of exposures in the Corporates portfolios, overall amounting to around EAD -4 billion euro and RWAs -3 billion euro in the “Corporates - SMEs” and “Corporates - Other Corporates” exposure classes; 3) a corresponding and significant increase in the exposures included in the “Retail exposures – non-SMEs” portfolio, amounting to around EAD +8 billion euro and RWAs +0.8 billion euro, also attributable – together with the above-mentioned stock of exposures transferred to other portfolios – to the extension of the Group’s internal models to former UBI Group customers, authorised by the Regulator, with consequent update of the risk parameters (EAD, PD and LGD) and superseding of the previous calculation criteria adopted since the completion of the company acquisition, with the effect of increasing the exposure value for the higher credit conversion factors (CCFs).
Lastly, there was a reduction in the exposures in the “Institutions” class (EAD -1.6 billion euro and RWAs -3.3 billion euro) and in the “Retail exposures - Non-SMEs, secured by real estate” class (EAD -1.6 billion euro and RWAs -1.4 billion euro) due to the restrictive monetary policy stance that characterised the macroeconomic scenario in the half year, which had a dampening effect on demand for loans due to the sharp and sudden rise in key interest rates.
On the whole, the average risk (PD) improved significantly on the values recorded in the second half of 2022 (1.33% in June 2023 versus 1.50% in December 2022), due to the migration of a part of the exposures to more favourable risk profiles and the reabsorption of a part of the exposures with an above-average risk profile. With regard to the estimation of the recovery capacity, the average value of the LGD (30.8%) remained substantially stable compared to the previous half year (30.9%).

### Specialised lending exposures under the slotting approach as at 30 June 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 | 304 | 59 | 70% | 349 | 244 | 1 |
| Category 2 | Less than 2.5 years | - | - | 70% | - | - | - |
| | Equal to or more than 2.5 years | 253 | 94 | 90% | 323 | 291 | 3 |
| Category 3 | Less than 2.5 years | - | - | 115% | - | - | - |
| | Equal to or more than 2.5 years | 294 | 44 | 115% | 327 | 376 | 9 |
| Category 4 | Less than 2.5 years | - | - | 250% | - | - | - |
| | Equal to or more than 2.5 years | 64 | - | 250% | 64 | 160 | 5 |
| Category 5 | Less than 2.5 years | - | - | - | - | - | - |
| | Equal to or more than 2.5 years | 5 | - | - | 5 | - | 3 |
| **Total** | **Less than 2.5 years** | **-** | **-** | | **-** | **-** | **-** |
| | **Equal to or more than 2.5 years** | **920** | **197** | | **1,068** | **1,071** | **21** |

The comparison with the values in December 2022 shows substantial stability (please note that the Slovakian subsidiary VUB is the only Group company that still adopts this approach).

Tables EU CR10.2, EU CR10.3 and EU CR10.4 (Reg. 2021/637) have not been presented because the Intesa Sanpaolo Group did not have any of these types of exposures as at 30 June 2023.

## Equity exposures under the simple risk-weighted approach as at 30 June 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 | 828 | - | 190% | 828 | 1,574 | 7 |
| Exchange-traded equity exposures | 204 | - | 290% | 204 | 592 | 1 |
| Other equity exposures | 6,134 | 32 | 370% | 6,166 | 22,815 | 148 |
| **TOTAL** | **7,166** | **32** | | **7,198** | **24,981** | **156** |

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 first half, the total aggregate exposure value increased by +528 million euro, broken down into the exposure classes “Private equity exposures” weighted at 190% (+113 million euro), “Exchange-traded equity exposures” weighted at 290% (-29 million euro) and “Other equity exposures” weighted at 370% (+444 million euro). The increase for the items weighted at 370% was mainly attributable to the already mentioned regulatory change in the treatment of the goodwill of insurance subsidiaries, together with the completion of the acquisition of a business line taken over by Blue Assistance and merged into the investee company InSalute e Servizi.

## 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 sustitution effects) |
| 1 | Central governments and central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Institutions | 22,925 | 0.10 | 1.01 | 1.01 | - | - | - | - | - | - | 3.37 | - | 11,449 | 11,218 |
| 3 | Corporates | 164,267 | 0.68 | 8.35 | 8.35 | - | - | - | - | - | - | 25.67 | - | 124,998 | 93,738 |
| *3.1* | *Of which Corporates – SMEs* | *29,930* | *1.67* | *26.44* | *26.44* | - | - | - | - | - | - | *82.70* | - | *30,885* | *15,929* |
| *3.2* | *Of which Corporates – Specialised lending* | *14,528* | *0.23* | *9.51* | *9.51* | - | - | - | - | - | - | *6.74* | - | *10,320* | *7,785* |
| *3.3* | *Of which Corporates – Other* | *119,809* | *0.49* | *3.69* | *3.69* | - | - | - | - | - | - | *13.71* | - | *83,793* | *70,024* |
| 4 | Retail | 161,843 | 0.28 | 74.78 | 74.72 | - | 0.06 | - | - | - | - | 12.31 | - | 33,750 | 30,320 |
| *4.1* | *Of which Retail – Immovable property SMEs* | *4,669* | *0.14* | *99.42* | *99.42* | - | - | - | - | - | - | *13.57* | - | *1,559* | *1,198* |
| *4.2* | *Of which Retail – Immovable property non-SMEs* | *116,335* | *0.02* | *99.86* | *99.77* | - | *0.09* | - | - | - | - | *5.26* | - | *20,726* | *19,282* |
| *4.3* | *Of which Retail – Qualifying revolving* | *98* | - | - | - | - | - | - | - | - | - | - | - | *24* | *24* |
| *4.4* | *Of which Retail – Other SMEs* | *10,326* | *2.10* | *2.09* | *2.09* | - | - | - | - | - | - | *119.54* | - | *4,936* | *2,263* |
| *4.5* | *Of which Retail – Other non-SMEs* | *30,415* | *0.67* | - | - | - | - | - | - | - | - | *2.72* | - | *6,505* | *7,553* |
| **5** | **Total** | **349,035** | **0.45** | **38.67** | **38.64** | **-** | **0.03** | **-** | **-** | **-** | **-** | **18.01** | **-** | **170,197** | **135,276** |

### 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 sustitution effects) |
| 1 | Central governments and central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Institutions | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Corporates | 2,043 | 0.04 | 6.53 | 6.53 | - | - | - | - | - | - | 6.92 | - | 1,615 | 1,471 |
| *3.1* | *Of which Corporates – SMEs* | *541* | *0.14* | *12.95* | *12.95* | - | - | - | - | - | - | - | - | *364* | *364* |
| *3.2* | *Of which Corporates – Specialised lending* | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *3.3* | *Of which Corporates – Other* | *1,502* | - | *4.22* | *4.22* | - | - | - | - | - | - | *9.41* | - | *1,251* | *1,107* |
| **4** | **Total** | **2,043** | **0.04** | **6.53** | **6.53** | **-** | **-** | **-** | **-** | **-** | **-** | **6.92** | **-** | **1,615** | **1,471** |

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 type of collateral" 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 (-2.7 billion euro) in the aggregate of exposures subject to the A-IRB and F-IRB model (351 billion euro in June), there was a slight reduction in the weight of the exposures secured by immovable property collateral, which represent 38.5% of the aggregate, compared to 39.3% in December. More in detail, the retail exposure, equal to 162 billion euro, showed a coverage of 74.7% of exposures, of which 116 billion euro consisted of "exposures to non-SMEs", with almost total coverage (99.8%). With regard to the portfolio of "exposures to Corporates", which reflected the capital movements in the half year, there was a decrease of -4.7 billion euro, down to 166 billion euro compared to the previous level of 171 billion euro in December 2022, and with real estate collateral accounting for 8.3%. The use of personal guarantees (17.9%) as a credit risk mitigation technique resulted (substitution effect) in a reduction of -35 billion euro in the calculation of the RWAs as at June 2023, with a concentrated benefit, both in terms of volumes and related percentage level, on exposures in the "Corporates" portfolio (-31.4 billion euro), while maintaining a proportionally more limited benefit for exposures in the "Retail" portfolio (-3.4 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.

# Credit risk mitigation techniques

## Quantitative disclosure

As required by the applicable regulations, this Section reports the amounts of the exposures, split between secured and unsecured. The secured exposures are also broken down by type of guarantee.

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

This table presents the Loans and Debt Securities distinguishing between "Unsecured carrying amounts" and "Secured carrying amounts", broken down by type of guarantee: collateral and financial guarantees, with the latter showing the "of which" secured by credit derivatives.
The presentation has been made 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 | 252,333 | 288,121 | 211,800 | 76,321 | - |
| 2 | Debt securities | 119,909 | 2,207 | 9 | 2,198 | |
| **3** | **Total** | **372,242** | **290,328** | **211,809** | **78,519** | |
| *4* | *of which non-performing exposures* | *1,427* | *3,982* | *2,675* | *1,307* | - |
| *EU5* | *of which defaulted* | *1,427* | *3,982* | | | |

For Loans and advances, the secured carrying amount was 288 billion euro and represented around 53% of the exposure (up on 50% in December 2022), of which 212 billion euro secured by collateral (representing around 74% of the total secured carrying amount, in line with the situation as at December 2022). The change in the unsecured carrying amount reflected the decrease of 32.5 billion euro in the cash balances at central banks and other demand deposits with credit institutions.
For Debt securities, the secured carrying amount was 2.2 billion euro, almost entirely secured by financial guarantees (99.6%).

# Counterparty risk

## Qualitative disclosure

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

The Group uses techniques to mitigate counterparty risk through bilateral netting arrangements which enable the netting off of credit and debit positions in the event of counterparty default.
This is achieved by entering into ISDA (International Swaps and Derivatives Association) agreements, for OTC derivatives, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
In addition, the Group establishes margining arrangements, where possible, typically with daily frequency, to hedge bilateral OTC derivatives (CSAs or Credit Support Annexes) and SFTs (GMRAs or Global Master Repurchase Agreements and GMSLAs or General Market Securities Lending Agreements). Transactions in ETD is also subject to daily margining, according to the rules of the reference markets.

For reporting purposes, Intesa Sanpaolo has been authorised to use the internal models approach to calculate the counterparty risk requirement for OTC and ETD derivatives and SFTs.
Those advanced risk measurement methods are also used at operational level to perform the “use test”: the IMI CIB Risk Management Head Office Department calculates, validates and sends the metrics to the credit monitoring systems on a daily basis to measure the use of the credit lines for derivatives and SFTs.
The Group’s other banks, which have operations that involve a residual counterparty risk requirement with respect to the Parent Company, apply the advanced metrics in a simplified manner at operational level.

To perform the use test of the model, the Group has implemented the processes required by the “Basel 3” regulations. In particular, stress tests are carried out to measure the impacts on risk measures under extreme market conditions. Backtesting is also conducted to ensure the robustness of the model.
In addition, to complete the risk analysis process, the following corporate processes have been activated:

- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analyses of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty’s probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for margined OTC derivatives and SFTs;
- periodic reporting to 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 backtesting 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.

## Quantitative disclosure

### Analysis of CCR exposure by approach as at 30 June 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) | 76 | 234 | | 1,40 | 435 | 435 | 435 | 308 |
| 2 | IMM (for derivatives and SFTs) | | | 5,178 | 1.47 | 7,611 | 7,611 | 7,611 | 2,712 |
| *2a* | *Of which securities financing transactions netting sets* | | | *1,197* | | *1,760* | *1,760* | *1,760* | *529* |
| *2b* | *Of which derivatives and long settlement transactions netting sets* | | | *3,981* | | *5,851* | *5,851* | *5,851* | *2,183* |
| *2c* | *Of which from contractual cross-product netting sets* | | | - | | - | - | - | - |
| 3 | Financial collateral simple method (for SFTs) | | | | | - | - | - | - |
| 4 | Financial collateral comprehensive method (for SFTs) | | | | | 4,014 | 3,895 | 3,895 | 537 |
| 5 | VaR for SFTs | | | | | - | - | - | - |
| **6** | **TOTAL** | | | | | **12,061** | **11,942** | **11,942** | **3,558** |

The table does not include the transactions with central counterparties, the values of which are shown in table CCR8 below.

As described above, the Parent Company is authorised to use EPE (Expected Positive Exposure) internal models to determine the capital requirement for counterparty risk.
This approach has been applied since March 2014 to almost the entire derivatives portfolio (as shown in the table, as at 30 June 2023 approximately 93% of the total EAD of financial and credit derivatives is measured using EPE models). At consolidated level, derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 30 June 2023 accounting for approximately 7% of overall EAD) and refer to:
- residual contracts of Intesa Sanpaolo 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 report using the standardised approaches.

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid.
As part of the stress test programme on counterparty risks, it was estimated that a downgrade of Intesa Sanpaolo by the rating agencies would generate additional liquidity outflows (in terms of collateral paid) of 2.1 billion euro for the Parent Company (almost all to vehicles of the Group, and only 2.6 million euro to non-Group counterparties), linked to contractual clauses that would be activated following this event.
Starting from the reporting as at 31 December 2016, also SFTs were reported with the EPE internal models approach. The existing contracts are all supported by margin agreements – GMRA (for repurchase agreements) and GMSLA (for securities lending).

### Transactions subject to own funds requirements for CVA risk as at 30 June 2023 (EU CCR2 Reg. 2021/637)

(millions of euro)

| | | Exposure value | RWEA |
|---|---|---|---|
| **1** | **Total transactions subject to the Advanced method** | **1,037** | **927** |
| 2 | (i) VaR component (including the 3× multiplier) | | 360 |
| 3 | (ii) stressed VaR component (including the 3× multiplier) | | 567 |
| **4** | **Transactions subject to the Standardised method** | **102** | **16** |
| **EU4** | **Transactions subject to the Alternative approach (Based on the Original Exposure Method)** | **-** | **-** |
| **5** | **Total transactions subject to own funds requirements for CVA risk** | **1,139** | **943** |

RWEAs for credit valuation adjustment risk (CVA) were up slightly compared to December 2022, mainly due to the increase in credit spread volatility from the first quarter of 2023, which was reflected in the current VaR component of the advanced approach.

### Standardised approach – CCR exposures by regulatory exposure class and risk weights as at 30 June 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 | 2,591 | - | - | 2 | - | - | - | - | - | - | - | 2,593 |
| 2 | Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Multilateral development banks | 594 | - | - | - | - | - | - | - | - | - | - | 594 |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | 10,494 | 52 | - | 52 | 230 | - | - | 221 | 2 | - | 11,051 |
| 7 | Corporates | - | - | - | - | 29 | 5 | - | - | 170 | - | - | 204 |
| 8 | Retail | - | - | - | - | - | - | - | 2 | - | - | - | 2 |
| 9 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other items (*) | - | - | - | - | - | - | - | - | - | - | - | - |
| **11** | **TOTAL EXPOSURE VALUE** | **3,185** | **10,494** | **52** | **2** | **81** | **235** | **-** | **2** | **391** | **2** | **-** | **14,444** |

(*) 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 more than 0.6 billion euro over December 2022, with the total aggregate amounting to 14.4 billion euro. This change was driven by: a) the increase in exposures to "Institutions", of +0.5 billion euro, with substantial stability in terms of percentage of the aggregate (77%, corresponding to 11 billion euro); b) the increase in exposures to "Central Governments and Central Banks", of +0.4 billion euro, which recorded a modest increase in relative weight (18%, corresponding to 2.6 billion euro); and c) the reabsorption of exposures to "Corporates", in the amount of -0.2 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 30 June 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 | 2,469 | - | - | 2 | - | - | - | - | - | - | - | 2,471 |
| 2 | Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Multilateral development banks | 594 | - | - | - | - | - | - | - | - | - | - | 594 |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | 11,306 | 52 | - | 67 | 268 | - | - | 286 | 2 | - | 11,981 |
| 7 | Corporates | - | - | - | - | 29 | 5 | - | - | 208 | - | - | 242 |
| 8 | Retail | - | - | - | - | - | - | - | 2 | - | - | - | 2 |
| 9 | Institutions and corporates with a short-term credit rating | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other items (*) | - | - | - | - | - | - | - | - | - | 1 | - | 1 |
| **11** | **TOTAL EXPOSURE VALUE (without CRM)** | **3,063** | **11,306** | **52** | **2** | **96** | **273** | **-** | **2** | **494** | **3** | **-** | **15,291** |

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

## IRB approach – CCR exposures by exposure class and PD scale as at 30 June 2023 (EU CCR4 Reg. 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 | 2,600 | 0.08 | 101 | 24.85 | 1.85 | 376 | 14.44% |
| | 0.15 to <0.25 | 804 | 0.16 | 38 | 26.11 | 1.70 | 213 | 26.44% |
| | 0.25 to <0.50 | 1,938 | 0.45 | 66 | 23.02 | 1.38 | 587 | 30.26% |
| | 0.50 to <0.75 | 57 | 0.61 | 5 | 31.91 | 2.94 | 35 | 61.15% |
| | 0.75 to <2.50 | 390 | 1.34 | 47 | 26.58 | 3.48 | 270 | 69.02% |
| | 2.50 to <10.00 | 35 | 5.49 | 20 | 35.28 | 3.04 | 49 | 139.09% |
| | 10.00 to <100.00 | 38 | 13.34 | 5 | 0.25 | 1.03 | 1 | 3.38% |
| | 100.00 (Default) | 5 | 100.00 | 3 | 42.70 | 2.01 | 3 | 56.75% |
| | **Subtotal** | **5,867** | **0.50** | **285** | **24.52** | **1.79** | **1,534** | **26.11%** |
| Exposures to corporates - SMEs (small and medium enterprises) | 0.00 to <0.15 | 1 | 0.12 | 40 | 48.26 | 2.71 | - | 25.37% |
| | 0.15 to <0.25 | 2 | 0.20 | 110 | 48.74 | 1.50 | - | 27.41% |
| | 0.25 to <0.50 | 9 | 0.39 | 595 | 48.82 | 1.87 | 4 | 43.21% |
| | 0.50 to <0.75 | 5 | 0.61 | 481 | 47.61 | 2.53 | 3 | 56.86% |
| | 0.75 to <2.50 | 15 | 1.48 | 1,191 | 47.04 | 3.10 | 12 | 81.23% |
| | 2.50 to <10.00 | 8 | 6.07 | 666 | 48.04 | 3.50 | 10 | 122.57% |
| | 10.00 to <100.00 | 2 | 18.63 | 84 | 48.37 | 4.67 | 5 | 191.71% |
| | 100.00 (Default) | - | 100.00 | 93 | 68.30 | 3.19 | - | 28.94% |
| | **Subtotal** | **42** | **3.71** | **3,260** | **48.01** | **2.86** | **34** | **81.46%** |
| Exposures to corporates - Specialised lending | 0.00 to <0.15 | - | - | - | - | - | - | 0.00% |
| | 0.15 to <0.25 | 1 | 0.23 | 2 | 15.00 | 1.19 | - | 12.90% |
| | 0.25 to <0.50 | 3 | 0.35 | 3 | 16.40 | 5.00 | 1 | 25.16% |
| | 0.50 to <0.75 | 55 | 0.54 | 11 | 15.00 | 5.00 | 18 | 32.52% |
| | 0.75 to <2.50 | 30 | 1.11 | 77 | 15.94 | 4.58 | 13 | 43.38% |
| | 2.50 to <10.00 | 6 | 3.83 | 24 | 15.78 | 1.72 | 3 | 49.27% |
| | 10.00 to <100.00 | 1 | 32.75 | 4 | 18.11 | 4.58 | - | 90.96% |
| | 100.00 (Default) | 3 | 100.00 | 2 | 27.70 | 5.00 | 1 | 28.66% |
| | **Subtotal** | **99** | **4.25** | **123** | **15.80** | **4.62** | **36** | **36.58%** |

## IRB approach – CCR exposures by exposure class and PD scale as at 30 June 2023 (EU CCR4 Reg. 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 | 290 | 0.08 | 74 | 37.51 | 3.08 | 99 | 34.18% |
| | 0.15 to <0.25 | 580 | 0.21 | 115 | 37.92 | 2.16 | 310 | 53.50% |
| | 0.25 to <0.50 | 558 | 0.34 | 364 | 37.39 | 2.58 | 386 | 69.22% |
| | 0.50 to <0.75 | 272 | 0.62 | 217 | 37.86 | 1.98 | 231 | 84.83% |
| | 0.75 to <2.50 | 284 | 1.16 | 465 | 36.85 | 3.15 | 314 | 110.18% |
| | 2.50 to <10.00 | 42 | 6.40 | 113 | 31.09 | 1.95 | 59 | 141.07% |
| | 10.00 to <100.00 | 3 | 16.32 | 12 | 38.56 | 1.98 | 6 | 247.64% |
| | 100.00 (Default) | - | 100.00 | 8 | 38.00 | 3.10 | - | 18.06% |
| | **Subtotal** | **2,029** | **0.58** | **1,368** | **37.42** | **2.52** | **1,405** | **69.27%** |
| **Retail exposures (*) - SME other** | 0.00 to <0.15 | 1 | 0.10 | 422 | 33.43 | - | - | 6.55% |
| | 0.15 to <0.25 | - | - | - | - | - | - | 0.00% |
| | 0.25 to <0.50 | - | 0.33 | 191 | 33.10 | - | - | 15.02% |
| | 0.50 to <0.75 | - | 0.62 | 96 | 33.09 | - | - | 21.56% |
| | 0.75 to <2.50 | 1 | 1.59 | 266 | 33.24 | - | - | 31.58% |
| | 2.50 to <10.00 | - | 5.80 | 107 | 33.14 | - | - | 40.33% |
| | 10.00 to <100.00 | - | 21.82 | 43 | 33.39 | - | - | 58.42% |
| | 100.00 (Default) | - | 100.00 | 37 | 61.70 | - | - | 48.69% |
| | **Subtotal** | **2** | **5.17** | **1,162** | **34.13** | **-** | **-** | **24.25%** |
| **Retail exposures (*) - Non-SME other** | 0.00 to <0.15 | - | 0.09 | 50 | 34.17 | - | - | 8.44% |
| | 0.15 to <0.25 | - | 0.19 | 9 | 100.00 | - | - | 40.96% |
| | 0.25 to <0.50 | - | 0.38 | 32 | 35.61 | - | - | 22.73% |
| | 0.50 to <0.75 | - | 0.70 | 13 | 45.70 | - | - | 41.75% |
| | 0.75 to <2.50 | - | 1.23 | 20 | 72.57 | - | - | 85.28% |
| | 2.50 to <10.00 | - | 4.44 | 16 | 32.38 | - | - | 49.53% |
| | 10.00 to <100.00 | - | 32.05 | 9 | 40.84 | - | - | 102.63% |
| | 100.00 (Default) | - | 100.00 | 6 | 60.20 | - | - | 13.67% |
| | **Subtotal** | **-** | **6.47** | **155** | **36.49** | **-** | **-** | **27.24%** |
| **TOTAL** | | **8,039** | **0.58** | **6,353** | **27.79** | **2.02** | **3,009** | **37.42%** |

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

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

## IRB approach – CCR exposures by exposure class and PD scale as at 30 June 2023 (EU CCR4 Reg. 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 | - | 0.15 | 4 | 45.00 | 2.50 | - | 27.38% |
| | 0.25 to <0.50 | 2 | 0.29 | 5 | 45.00 | 2.50 | 1 | 52.38% |
| | 0.50 to <0.75 | - | 0.54 | 3 | 45.00 | 2.50 | - | 52.39% |
| | 0.75 to <2.50 | 1 | 0.94 | 9 | 45.00 | 2.50 | - | 62.20% |
| | 2.50 to <10.00 | - | 3.61 | 7 | 45.00 | 2.50 | - | 124.35% |
| | 10.00 to <100.00 | - | 13.11 | 2 | 45.00 | 2.50 | - | 147.92% |
| | 100.00 (Default) | - | - | - | - | - | - | 0.00% |
| | **Subtotal** | **3** | **0.65** | **30** | **45.00** | **2.50** | **1** | **56.31%** |
| **Exposures to corporates - Other corporates** | 0.00 to <0.15 | - | - | - | - | - | - | 0.00% |
| | 0.15 to <0.25 | - | - | - | - | - | - | 0.00% |
| | 0.25 to <0.50 | - | 0.35 | 3 | 45.00 | 2.50 | - | 63.53% |
| | 0.50 to <0.75 | - | 0.57 | 1 | 45.00 | 2.50 | - | 109.51% |
| | 0.75 to <2.50 | 2 | 1.52 | 3 | 45.00 | 2.50 | 3 | 156.60% |
| | 2.50 to <10.00 | - | 2.90 | 1 | 45.00 | 2.50 | - | 140.53% |
| | 10.00 to <100.00 | - | - | - | - | - | - | 0.00% |
| | 100.00 (Default) | - | - | - | - | - | - | 0.00% |
| | **Subtotal** | **2** | **1.58** | **8** | **45.00** | **2.50** | **3** | **147.71%** |
| **TOTAL** | | **5** | **1.04** | **38** | **45.00** | **2.50** | **4** | **94.50%** |

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

The aggregate of exposures subject to counterparty risk valued using the advanced measurement approach was substantially stable in the first half (+56 million euro), with an accompanying increase in RWEAs (+204 million euro) attributable to the "Corporates" portfolio, following the implementation of the ECB's authorisation of the Corporates Model Change, which applies a MOC (Margin of Conservatism) of 45% on RWAs of AIRB Large Corporate exposures and 40% on FIRB Large Corporate exposures. The average risk profile (PD) was substantially stable over the half year (0.48%) and the estimated recovery capacity improved, with the value of the parameter standing at 27.8% in June 2023 compared to 29.9% in December 2022.

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

(millions of euro)

| | Collateral type | COLLATERAL USED IN DERIVATIVE TRANSACTIONS | | | | COLLATERAL USED IN SFTs | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| | | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | - | 15,597 | 16 | 12,898 | - | 237 | - | 2,050 |
| 2 | Cash – other currencies | - | 1,211 | - | 329 | - | 20 | - | - |
| 3 | Domestic sovereign debt | 336 | 268 | 254 | 2,960 | - | 29,747 | - | 46,446 |
| 4 | Other sovereign debt | 455 | 808 | 265 | 678 | - | 4,733 | - | 53,944 |
| 5 | Government agency debt | - | - | - | - | - | - | - | - |
| 6 | Corporate bonds | 7 | 135 | 228 | 207 | - | 2,859 | - | 12,589 |
| 7 | Equity securities | 32 | - | - | - | - | 666 | - | 959 |
| 8 | Other collateral | - | - | - | - | - | 2,167 | - | 1,070 |
| **9** | **TOTAL** | **830** | **18,019** | **763** | **17,072** | **-** | **40,429** | **-** | **117,058** |

With regard to the collateral for derivatives transactions, there was an increase in margins received through foreign government bonds, mainly related to clearing at central counterparties on behalf of third parties, and a decrease in margins paid through Italian government bonds, mainly due to a reduction in initial margins paid to EUREX. With regard to securities financing transactions (SFTs), there was an increase in collateral provided through corporate bonds, linked to funding repos through own covered issuances.

## Credit derivatives exposures as at 30 June 2023 (EU CCR6 Reg. 2021/637)

(millions of euro)

| | | Protection bought | Protection sold |
|---|---|---|---|
| | **Notionals** | | |
| 1 | Single-name credit default swaps | 7,285 | 8,829 |
| 2 | Index credit default swaps | 70,049 | 65,923 |
| 3 | Total return swaps | 1,744 | - |
| 4 | Credit options | - | - |
| 5 | Other credit derivatives | 2,850 | 2,158 |
| **6** | **Total notionals** | **81,928** | **76,910** |
| | **Fair values** | | |
| 7 | Positive fair value (asset) | 268 | 1,042 |
| 8 | Negative fair value (liability) | -1,030 | -306 |

The change compared to December 2022 (in particular, the increase of around 6 billion euro and 3.8 billion euro, respectively, in the notional amounts of the purchased and sold protection) was attributable to the increase in purchases and sales on credit derivatives with the main sector indices as underlyings, and to the opening of total return swap protection purchase 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 30 June 2023 (EU CCR8 Reg. 2021/637)

(millions of euro)

| | | EXPOSURE VALUE | RWEA |
|---|---|---|---|
| **1** | **Exposures to QCCPs (total)** | | **470** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 3,883 | 78 |
| *3* | *i) OTC derivatives* | *1,726* | *35* |
| *4* | *ii) Exchange-traded derivatives* | *277* | *5* |
| *5* | *iii) SFTs* | *1,880* | *38* |
| *6* | *iv) Netting sets where cross-product netting has been approved* | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Non-segregated initial margin | 6,663 | 134 |
| 9 | Prefunded default fund contributions | 1,659 | 258 |
| 10 | Unfunded default fund contributions | - | - |
| **11** | **Exposures to non-QCCPs (total)** | | **2** |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | 2 | 2 |
| *13* | *i) OTC derivatives* | *2* | *2* |
| *14* | *ii) Exchange-traded derivatives* | - | - |
| *15* | *iii) SFTs* | - | - |
| *16* | *iv) Netting sets where cross-product netting has been approved* | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Non-segregated initial margin | - | - |
| 19 | Prefunded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

Compared to December 2022, both exposures and RWEAs showed an increase mainly resulting from higher prefunded contributions, mainly to Eurex, and higher initial margins posted, mainly to LCH SA for repos.

# Securitisations

## Qualitative and quantitative disclosure

This section provides the quantitative disclosure for securitisations, as required by the new Regulation (EU) 2021/637, applicable since June 2021.

Within the active credit risk management (GARC) programme, the following own synthetic non-STS transactions with SRT were structured:

- GARC New Origination-1, transaction carried out on a portfolio of medium/long-term loans to Corporate and Corporate SME customers, for a value of around 0.5 billion euro, net of the portion retained by Intesa Sanpaolo to meet the risk retention requirement in compliance with EU Regulation 625/2014 Article 5(a) (i.e. Retention on Assets of 5%). The junior tranche is fully covered by collateral, while the senior tranche is subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 0.5 billion euro, equal to RWAs of 0.1 billion euro;
- GARC USD Corp-1, transaction carried out on a portfolio of medium/long-term loans in US dollars mainly granted by Intesa Sanpaolo's international branches to performing Corporate and Large Corporate customers, for a value of around 2.4 billion dollars (equivalent to 2.2 billion euro), net of the portion retained by Intesa Sanpaolo to meet the risk retention requirement in compliance with EU Regulation 625/2014 Article 5(a) (i.e. Retention on Assets with diversified values per ratio, at least equal to 5%). The junior tranche is fully covered by collateral, while the senior tranche is subscribed by Intesa Sanpaolo. The securitisation exposure amounted to around 1.9 billion euro, equal to RWAs of 0.3 billion euro.

Moreover, during the half year, the early terminations of the GARC SME-8, GARC SME-9 and GARC SME Initiative transactions were carried out, which led to a reduction in securitisation exposures of around 1.5 billion euro, equal to a decrease of 0.3 billion euro in terms of RWAs.

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. There was an increase in exposure of 0.4 billion euro on this transaction mainly related to the entry of new STS positions, with no significant change in terms of RWAs. For more details on the operations where the Group acts as sponsor see the tables below.

### 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** | **-** | **-** | **46,558** | ***4,503*** | **21,438** | ***21,438*** | **67,996** |
| **2** | **Retail (total)** | **-** | **-** | **21,633** | ***11*** | **3,250** | ***3,250*** | **24,883** |
| 3 | Residential mortgage | - | - | 16,021 | *4* | 3,250 | *3,250* | 19,271 |
| 4 | Credit card | - | - | - | - | - | - | - |
| 5 | Other retail exposures | - | - | 5,612 | *7* | - | - | 5,612 |
| 6 | Re-securitisation | - | - | - | - | - | - | - |
| **7** | **Wholesale (total)** | **-** | **-** | **24,925** | ***4,492*** | **18,188** | ***18,188*** | **43,113** |
| 8 | Loans to corporates | - | - | 21,935 | *1,502* | 14,779 | *14,779* | 36,714 |
| 9 | Commercial mortgage | - | - | - | - | 1,421 | *1,421* | 1,421 |
| 10 | Lease and receivables | - | - | 2,990 | *2,990* | 1,988 | *1,988* | 4,978 |
| 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 SRT conditions have not been met essentially relate to self-securitisations with an amount of underlying loans of around 41.8 billion euro (44.9 billion euro in December 2022). Compared to December 2022, the decrease of around 3.1 billion euro was mainly attributable to the repayment of the loans underlying the self-securitisations, partially offset by a new transfer of loans for the Giada SEC revolving transaction.

## 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** | **1,080** | **9,633** | **-** | **10,713** |
| **2** | **Retail (total)** | **-** | **1,848** | **-** | **1,848** |
| 3 | Residential mortgage | - | 12 | - | 12 |
| 4 | Credit card | - | - | - | - |
| 5 | Other retail exposures | - | 1,836 | - | 1,836 |
| 6 | Re-securitisation | - | - | - | - |
| **7** | **Wholesale (total)** | **1,080** | **7,785** | **-** | **8,865** |
| 8 | Loans to corporates | 94 | 2,244 | - | 2,338 |
| 9 | Commercial mortgage | - | - | - | - |
| 10 | Lease and receivables | 301 | 4,761 | - | 5,062 |
| 11 | Other wholesale | 685 | 780 | - | 1,465 |
| 12 | Re-securitisation | - | - | - | - |

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

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

(millions of euro)

| | | INSTITUTION ACTS AS INVESTOR | | | |
|---|---|---|---|---|---|
| | | Traditional | | Synthetic | SUB-TOTAL |
| | | STS (*) | Non-STS | | |
| **1** | **Total exposures** | **505** | **2,981** | **-** | **3,486** |
| **2** | **Retail (total)** | **434** | **632** | **-** | **1,066** |
| 3 | Residential mortgage | 260 | 349 | - | 609 |
| 4 | Credit card | - | - | - | - |
| 5 | Other retail exposures | 174 | 283 | - | 457 |
| 6 | Re-securitisation | - | - | - | - |
| **7** | **Wholesale (total)** | **71** | **2,349** | **-** | **2,420** |
| 8 | Loans to corporates | 18 | 1,928 | - | 1,946 |
| 9 | Commercial mortgage | - | 45 | - | 45 |
| 10 | Lease and receivables | 2 | - | - | 2 |
| 11 | Other wholesale | 51 | 376 | - | 427 |
| 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 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** | **220** | **659** | **-** | **879** |
| **2** | **Retail (total)** | **174** | **137** | **-** | **311** |
| 3 | Residential mortgage | 90 | 137 | - | 227 |
| 4 | Credit card | - | - | - | - |
| 5 | Other retail exposures | 84 | - | - | 84 |
| 6 | Re-securitisation | - | - | - | - |
| **7** | **Wholesale (total)** | **46** | **522** | **-** | **568** |
| 8 | Loans to corporates | 8 | 429 | - | 437 |
| 9 | Commercial mortgage | - | 86 | - | 86 |
| 10 | Lease and receivables | 14 | 6 | - | 20 |
| 11 | Other wholesale | 24 | 1 | - | 25 |
| 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 30 June 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** | **29,791** | **3,912** | **1,939** | **985** | **27** | **22,894** | **-** | **13,015** | **27** | **718** |
| **2** | **Traditional transactions** | **11,405** | **1,332** | **1,467** | **985** | **27** | **1,456** | **-** | **13,015** | **27** | **718** |
| 3 | Securitisation | 11,405 | 1,332 | 1,467 | 985 | 27 | 1,456 | - | 13,015 | 27 | 718 |
| 4 | Retail | 1,849 | - | - | - | 10 | - | - | 1,849 | 10 | - |
| 5 | of which STS | - | - | - | - | - | - | - | - | - | - |
| 6 | Wholesale | 9,556 | 1,332 | 1,467 | 985 | 17 | 1,456 | - | 11,166 | 17 | 718 |
| **7** | of which STS | 1,080 | - | - | - | - | - | - | 1,080 | - | - |
| 8 | Re-securitisation | - | - | - | - | - | - | - | - | - | - |
| **9** | **Synthetic transactions** | **18,386** | **2,580** | **472** | **-** | **-** | **21,438** | **-** | **-** | **-** | **-** |
| 10 | Securitisation | 18,386 | 2,580 | 472 | - | - | 21,438 | - | - | - | - |
| 11 | Retail underlying | 855 | 2,395 | - | - | - | 3,250 | - | - | - | - |
| 12 | Wholesale | 17,531 | 185 | 472 | - | - | 18,188 | - | - | - | - |
| 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** | **5,468** | **-** | **2,899** | **-** | **718** | **422** | **-** | **166** | **-** | **36** |
| **2** | **Traditional transactions** | **1,560** | **-** | **2,899** | **-** | **718** | **124** | **-** | **166** | **-** | **36** |
| 3 | Securitisation | 1,560 | - | 2,899 | - | 718 | 124 | - | 166 | - | 36 |
| 4 | Retail | - | - | 278 | - | - | - | - | 22 | - | - |
| 5 | of which STS | - | - | - | - | - | - | - | - | - | - |
| 6 | Wholesale | 1,560 | - | 2,621 | - | 718 | 124 | - | 144 | - | 36 |
| **7** | of which STS | - | - | 108 | - | - | - | - | 7 | - | - |
| 8 | Re-securitisation | - | - | - | - | - | - | - | - | - | - |
| **9** | **Synthetic transactions** | **3,908** | **-** | **-** | **-** | **-** | **298** | **-** | **-** | **-** | **-** |
| 10 | Securitisation | 3,908 | - | - | - | - | 298 | - | - | - | - |
| 11 | Retail underlying | 939 | - | - | - | - | 61 | - | - | - | - |
| 12 | Wholesale | 2,969 | - | - | - | - | 237 | - | - | - | - |
| 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.

## 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** | **2,827** | **31** | **213** | **413** | **2** | **-** | **182** | **3,159** | **2** | **143** |
| 2 | **Traditional securitisation** | **2,827** | **31** | **213** | **413** | **2** | **-** | **182** | **3,159** | **2** | **143** |
| 3 | Securitisation | 2,827 | 31 | 213 | 413 | 2 | - | 182 | 3,159 | 2 | 143 |
| 4 | Retail underlying | 767 | 3 | 24 | 272 | - | - | 36 | 1,028 | - | 2 |
| 5 | of which STS | 434 | - | - | - | - | - | - | 434 | - | - |
| 6 | Wholesale | 2,060 | 28 | 189 | 141 | 2 | - | 146 | 2,131 | 2 | 141 |
| 7 | of which STS | 58 | 13 | - | - | - | - | 43 | 28 | - | - |
| 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** | **-** | **132** | **2,687** | **-** | **143** | **-** | **9** | **160** | **-** | **12** |
| 2 | **Traditional securitisation** | **-** | **132** | **2,687** | **-** | **143** | **-** | **9** | **160** | **-** | **12** |
| 3 | Securitisation | - | 132 | 2,687 | - | 143 | - | 9 | 160 | - | 12 |
| 4 | Retail underlying | - | 51 | 1,614 | - | 2 | - | 3 | 129 | - | - |
| 5 | of which STS | - | - | 43 | - | - | - | - | 3 | - | - |
| 6 | Wholesale | - | 81 | 1,073 | - | 141 | - | 6 | 31 | - | 12 |
| 7 | of which STS | - | 6 | 3 | - | - | - | 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.

## 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** | **114,863** | ***25,187*** | **-29** |
| **2** | **Retail (total)** | **29,919** | ***2,416*** | **-37** |
| 3 | Residential mortgage | 20,335 | *712* | -17 |
| 4 | Credit card | - | - | - |
| 5 | Other retail exposures | 9,584 | *1,704* | -20 |
| 6 | Re-securitisation | - | - | - |
| **7** | **Wholesale (total)** | **84,944** | ***22,771*** | **8** |
| 8 | Loans to corporates | 63,052 | *21,610* | 7 |
| 9 | Commercial mortgage | 1,551 | - | 1 |
| 10 | Lease and receivables | 16,114 | *1,115* | - |
| 11 | Other wholesale | 4,227 | *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 65.7 billion euro, of which 0.3 billion euro in default. In the first half of 2023, the GARC SME-8, GARC SME-9 and GARC SME Initiative synthetic securitisations were terminated for a total amount of 1.8 billion euro. In addition, the synthetic securitisations GARC New Origination-1 and GARC USD Corp-1 (Loans to corporates and SMEs) totalling 2.6 billion euro were structured;

– loans originated by the Intesa Sanpaolo Group and derecognised relating to traditional securitisations totalling 28.2 billion euro, of which 24.7 billion euro in default, with the latter consisting of securitisations of portfolios of non-performing exposures.
With regard to the securitisations of non-performing exposures, around 19 billion euro refers to securitisations covered by government guarantees (GACS). Overall, the Intesa Sanpaolo Group recognised assets, in relation to those transactions, for 3.7 billion euro of senior notes (of which 2.3 billion euro are fully backed by government guarantee through GACS), and a total of 0.1 billion euro of mezzanine and junior notes;

– loans originated by third parties totalling 21 billion euro, of which 0.2 billion euro in default.

# Market risks

## Qualitative and quantitative disclosure regarding the trading book

Among risks associated with trading activity, i.e. market risks deriving from the effect that changes in market variables may generate on the Group's various assets and liabilities, the latter are generally quantified through daily and periodic analysis designed to determine the vulnerability of the Intesa Sanpaolo Group's trading book. A list of the main risk factors to which the Group's trading book is exposed is set out below:

- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

The monitoring scope for the managerial VaR regarding the above risk factors is calculated at the level of the banking group both on the trading book and on the HTCS book (areas consistent with the market risk rules, defined in the internal Market Risk Charter document, for the scope measured at fair value).

### 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) | 197 |
| 2 | Equity risk (general and specific) | 401 |
| 3 | Foreign exchange risk | 1,575 |
| 4 | Commodity risk | - |
| | **Options** | |
| 5 | Simplified approach | - |
| 6 | Delta-plus approach | - |
| 7 | Scenario approach | - |
| **8** | **Securitisation (specific risk)** | **508** |
| **9** | **Total** | **2,681** |

The main sources contributing to market RWEAs under the standardised approach were the following:
- currency exposure (foreign exchange risk)[9],
- securitisations,
- debt securities not included in the internal model,
- CIUs (to a smaller extent).

The RWEAs of the trading book securitisations were 508 million euro at the end of June 2023, in line with the 511 million euro at the end of December 2022. The total exposure of the trading book amount to EAD 884 million euro, up slightly from EAD 818 million euro at the end of 2022. Specifically, the CLO exposure (Senior tranche - AAA-A rating) increased by over 100 million euro.
The RWEAs relating to foreign exchange risk at the end of June 2023 amounted to 1,575 million euro, down on the figure of 1,917 million euro at the end of December 2022. This change was mainly due to the entry of the Croatian Kuna into the euro area from 1 January 2023, resulting in a decrease in the foreign currency exposure and the RWEAs.

## Market risk under the Internal Model Approach (IMA)[10] (EU MR2-A Reg. 2021/637)

(millions of euro)

| | | | RWEAs | Own funds requirements |
|---|---|---|---|---|
| **1** | | **VaR (higher of values a and b)** | **3,328** | **266** |
| | a) | Previous day's VaR (VaRt-1) | | 84 |
| | b) | Multiplication factor (mc) x average of previous 60 working days (VaRavg) | | 266 |
| **2** | | **SVaR (higher of values a and b)** | **3,842** | **308** |
| | a) | Latest available SVaR (SVaRt-1) | | 84 |
| | b) | Multiplication factor (ms) x average of previous 60 working days (sVaRavg) | | 308 |
| **3** | | **IRC (higher of values a and b)** | **2,513** | **201** |
| | a) | Most recent IRC measure | | 185 |
| | b) | 12 weeks average IRC measure | | 201 |
| **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** | **9,683** | **775** |

[9] As at 1 January 2022, the figure included the effects of the introduction of the new EBA Guidelines for foreign exchange risk.
[10] The VaR figure in the table includes the Risk Not In Model requirement.

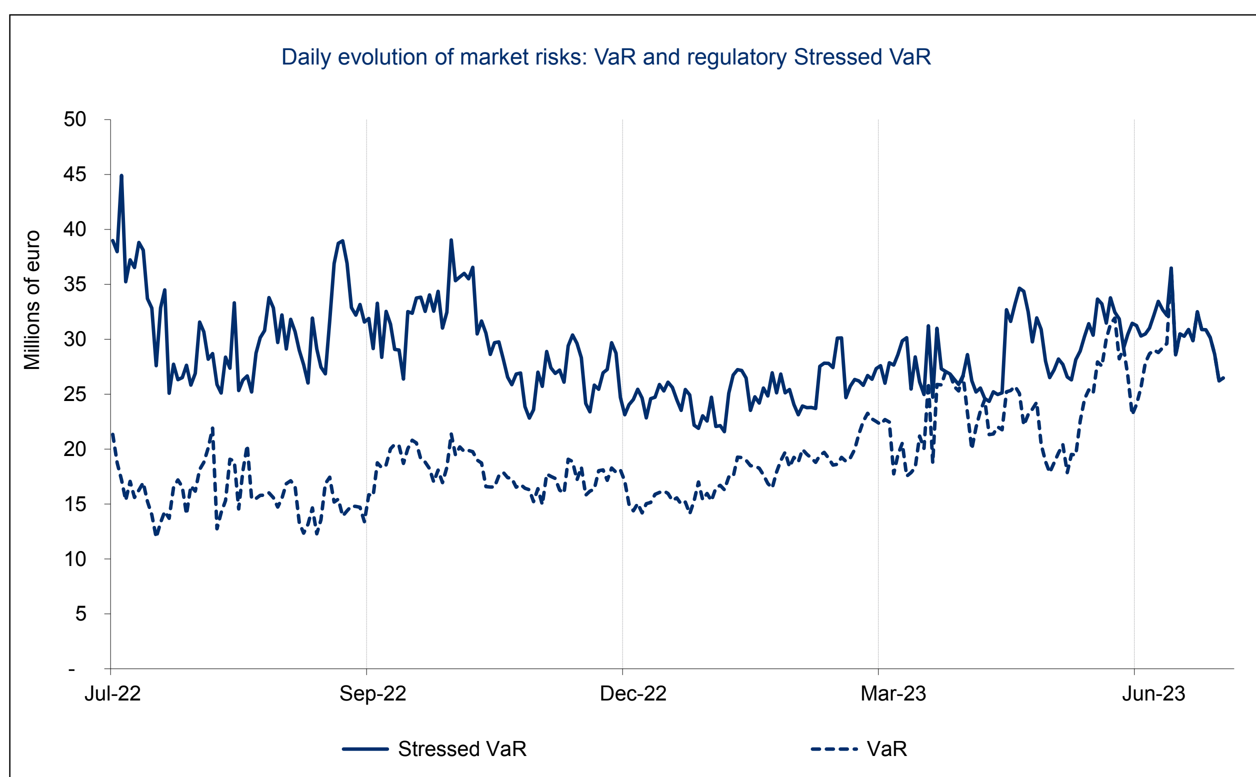
As of June 30, 2023, capital requirements were higher compared to the previous six months. All measures has increased compared to December 2022. This increase was driven by elevated volatility in interest rates and an expansion of the trading book portfolio.

### 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 Half-yearly Report as at 30 June 2023, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.
For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group’s portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).
The graph below shows the trend of the measures.



The table below shows the breakdown of the capital requirements for current VaR, Stressed VaR and Incremental Risk Charge measures.

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

(millions of euro)

| | | |
|---|---|---|
| **VaR (10 day 99%)** | | |
| 1 | Maximum value | 115 |
| 2 | Average value | 72 |
| 3 | Minimum value | 48 |
| 4 | Period end | 84 |
| **SVaR (10 day 99%)** | | |
| 5 | Maximum value | 115 |
| 6 | Average value | 88 |
| 7 | Minimum value | 68 |
| 8 | Period end | 84 |
| **IRC (99.9%)** | | |
| 9 | Maximum value | 311 |
| 10 | Average value | 203 |
| 11 | Minimum value | 125 |
| 12 | Period end | 185 |
| **Comprehensive risk measure (99.9%)** | | |
| 13 | Maximum value | - |
| 14 | Average value | - |
| 15 | Minimum value | - |
| 16 | Period end | - |

The most recent changes in the VaR metrics were due to the exposure to interest rate risk and the positioning on credit risk spreads. Overall, the volume of the trading book increased in the half year, leading to an increase in the risk measures.

***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)

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | average 2nd quarter | minimum 2nd quarter | maximum 2nd quarter | average 1st quarter | average 4th quarter | average 3rd quarter | average 2nd quarter | average 1st quarter |
| **Total GroupTrading Book (a)** | 35.5 | 26.9 | 45.9 | 27.9 | 26.6 | 26.0 | 22.8 | 21.4 |
| *of which: Group Treasury and Finance Department* | *4.4* | *3.5* | *5.6* | *5.1* | *6.6* | *7.2* | *6.1* | *3.8* |
| *of which: IMI C&IB Division* | *33.7* | *25.5* | *43.7* | *25.3* | *24.7* | *26.0* | *21.2* | *17.5* |

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

During the second quarter of 2023, as shown in the table above, there was an increase in managerial risk of the trading book, from 27.9 million euro (2023 first quarter average) to 35.5 million euro (2023 second quarter average) compared to the averages of the first quarter of 2023. The increase is mainly attributable to the management of exposure to interest rate risk of the trading book.
Also with regard to the overall performance in the first half of 2023 compared to the same period in 2022, there was an increase in the trading managerial VaR. This increase was attributable both to portfolio actions for interest rate risk management and to market scenarios characterised by higher volatility than in the same period of 2022.

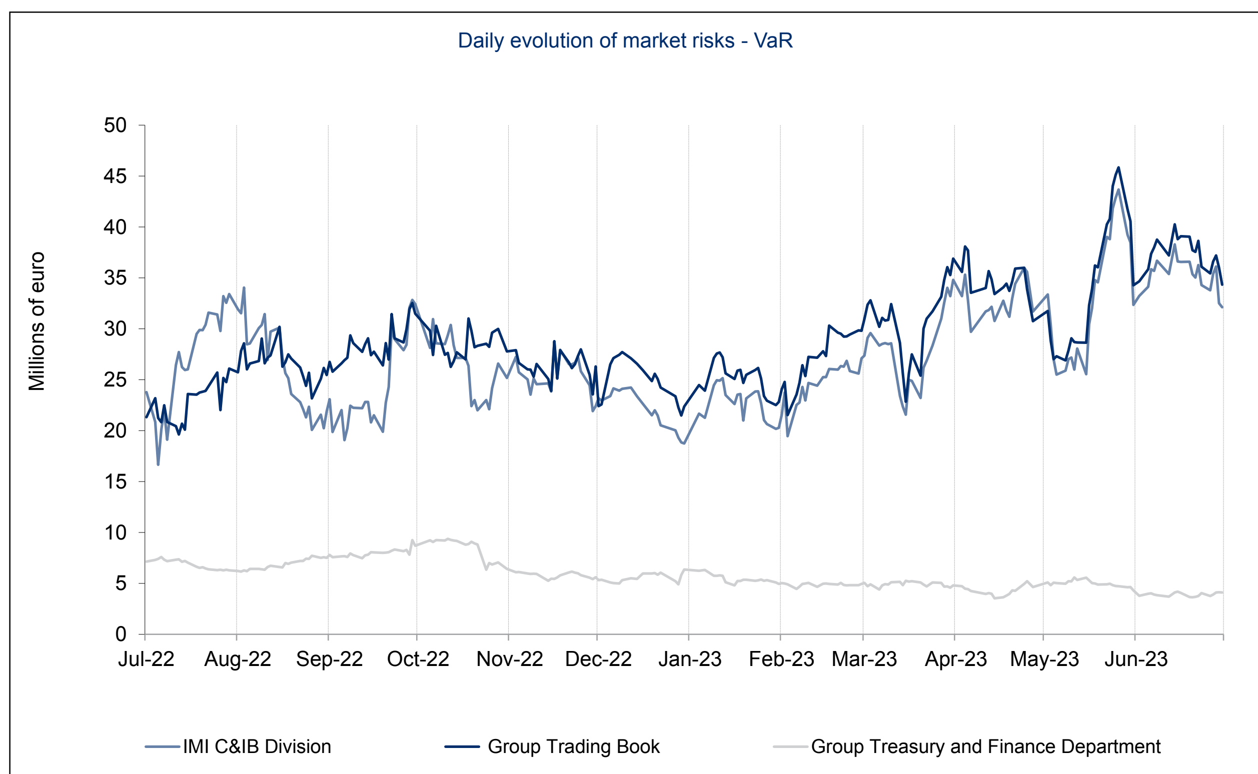
(millions of euro)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | average 1st half | minimum 1st half | maximum 1st half | average 1st half | minimum 1st half | maximum 1st half |
| **Total GroupTrading Book (a)** | 31.6 | 21.5 | 45.9 | 22.1 | 15.4 | 29.6 |
| *of which: Group Treasury and Finance Department* | *4.8* | *3.5* | *6.3* | *5.0* | *2.4* | *7.1* |
| *of which: IMI C&IB Division* | *29.3* | *19.5* | *43.7* | *19.4* | *13.9* | *28.9* |

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

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

The trend in the trading VaR in the second quarter of 2023 was mainly marked by transactions conducted by the IMI C&IB Division. Specifically, as shown in the chart below, there was an initial increase and then a reduction, mainly attributable to the management of interest rate risk of the trading book.




### *Contribution of risk factors to total managerial VaR*

| 2nd quarter 2023 | Shares | Interest rates | Credit spreads | Foreign exchange rates | Other parameters | Commodities |
|---|---|---|---|---|---|---|
| Group Treasury and Finance Department | 8% | 37% | 6% | 49% | 0% | 0% |
| IMI C&IB Division | 10% | 34% | 42% | 5% | 5% | 4% |
| **Total** | **9%** | **35%** | **41%** | **7%** | **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 second 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.

The breakdown of the Group's risk profile in the trading book in the second quarter of 2023 shows a prevalence of credit spread risk and interest rate risk, accounting for 41% and 35%, 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 (49% and 37%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (42% and 34%, respectively).

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

(millions of euro)

| | EQUITY | | INTEREST RATES | | CREDIT SPREADS | | FOREIGN EXCHANGE RATES | | COMMODITIES | | INFLATION | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Crash | Bullish | +40bps | lower rate | -25bps | +25bps | -5% | +5% | Crash | Bullish | Up | Down |
| Total Trading Book | 64 | 94 | -30 | 51 | -3 | 9 | 16 | -10 | -10 | 0 | 6 | -6 |

In particular:
- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
- for positions in interest rates, there would be potential losses of 30 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 3 million euro;
- for positions in exchange rates, there would be potential losses of 10 million euro in the event of appreciation in the Euro against the other currencies;
- for positions in commodities, there would be a loss of 10 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 6 million euro in the event of a reduction in inflation.

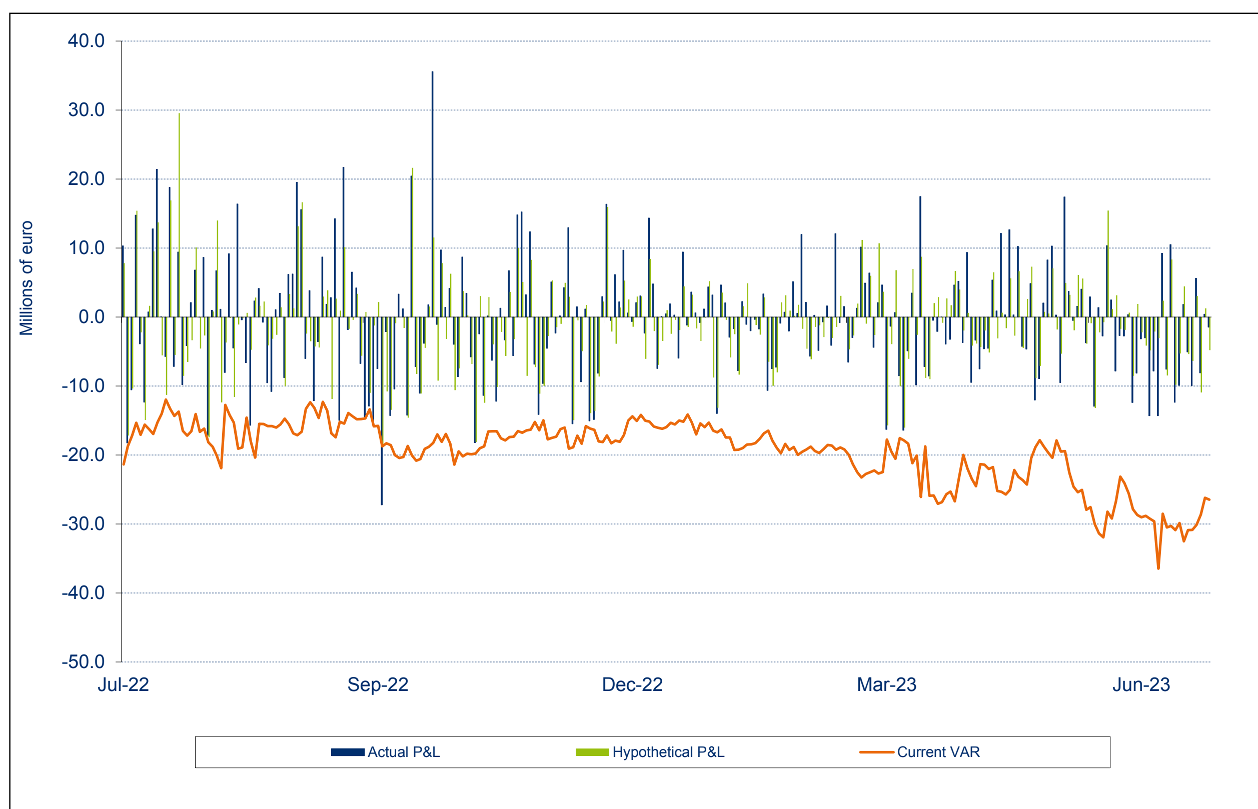
## Backtesting

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 was only one backtesting exception for the regulatory VaR measure of Intesa Sanpaolo.




### Issuer risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, and is monitored through a system of operating limits based on both sector/rating classes and concentration indexes.

#### *Breakdown of exposures by type of issuer*

| | Total | Of which | | | | | |
|---|---|---|---|---|---|---|---|
| | | Corporate | Financial | Emerging | Covered | Governement | Securitis. |
| Group Treasury and Finance Department | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| IMI C&IB Division | 100% | 18% | 27% | 8% | 4% | 18% | 25% |
| **Total** | **100%** | **18%** | **27%** | **8%** | **4%** | **18%** | **25%** |

The table sets out in the Total column the contribution of the Group Treasury and Finance Department and the IMI C&IB Division to overall issuer risk exposures, breaking down the exposure by type of issuer. The scope corresponds to the trading portfolio with an issuer ceiling (excluding Italian Government bonds, AAA and own bonds) and including CDS (absolute value).

The breakdown of the portfolio subject to issuer risk shows, in the second quarter of 2023, the prevalence of an exposure attributable solely to the IMI C&IB Division and mainly in securities in the financial and securitisation segments.

## Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

- **first-level limits (VaR)**: the overall limits of the Group as well as those of the IMI C&IB Division and the Treasury Department of the Parent Company are included in the Group's Risk Appetite Framework. At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal. Following approval, these limits are then allocated to the desks of the individual legal entities, considering the proposals by the business units. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risk Committee and Board of Directors within the framework of the Tableau de Bord for the Group's risks;
- **second level limits** (**sensitivity and greeks**): they have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures;
- **other significant limits:** they have the objective of monitoring particular transactions (e.g. ceiling for transactions with issuer risk, Incremental Risk Charge limit).

Some of these limits may be covered by the RAF rules.

### *Incremental Risk Charge – Summary of 2023 performance*

(millions of euro)

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | average 2nd quarter | minimum 2nd quarter | maximum 2nd quarter | average 1st quarter | average 4th quarter | average 3rd quarter | average 2nd quarter | average 1st quarter |
| Intesa Sanpaolo | 201.0 | 128.3 | 278.4 | 204.5 | 114.0 | 177.8 | 278.3 | 140.6 |

## Financial measurements

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

### *Fair value of financial instruments*

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the "Group Guidelines/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.
The methodologies for the fair value measurement of financial instruments, as well as any adjustments attributable to uncertainties in valuation, are governed by the Intesa Sanpaolo Group through the "Rules for Valuation of Financial Instruments at Fair Value" and are described in detail in the 2022 Annual Report, to which reference is made for more information.

IFRS 13 establishes a fair value hierarchy in which inputs to fair value measurement techniques are divided into three levels. That hierarchy assigns top priority to (unadjusted) quoted prices on active markets for identical assets or liabilities (level 1 data) and the lowest priority to unobservable inputs (level 3 data). 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), 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 "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.
Such techniques include:

- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2 inputs);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3 inputs).

In case of level 2 inputs, 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.

### Independent price verification (IPV)

Independent Price Verification (IPV) is "a process by which market prices or marking to model inputs are regularly verified for accuracy and independence" (Article 4(1.70) Regulation (EU) 575/2013), carried out "in addition to daily marking to market or marking to model [...] by a person or unit independent from persons or units that benefit from the trading book" (Article 105(8) Regulation (EU) 575/2013).
The Intesa Sanpaolo Group has structured an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013, incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.
The Intesa Sanpaolo Group governs and formalises its independent price verification process through the Group's "Guidelines/Rules for Independent Price Verification", which are described in detail in the 2022 Annual Report and to which reference is made for further information.

### Prudent value of financial instruments

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value. In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.
The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. The Group governs and formalises the measurement of the prudent value of financial instruments through the Group's "Guidelines/Rules for Prudent Valuation of Financial Instruments at Fair Value", which are described in detail in the 2022 Annual Report and to which reference is made for further information.

# Operational risk

## Qualitative and quantitative disclosure

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[11].

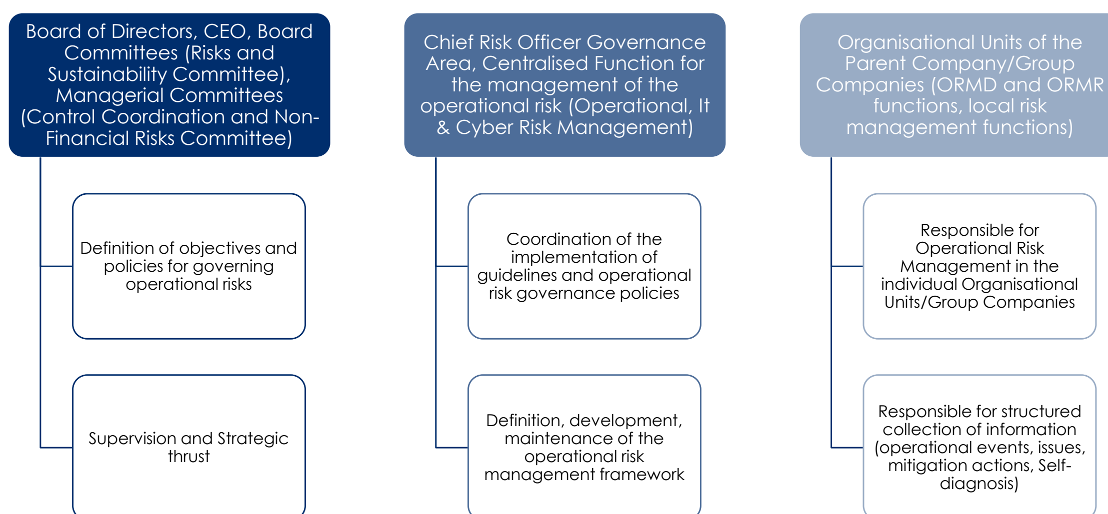
### General operational risk management aspects

The Intesa Sanpaolo Group adopts an undertaking and management strategy of operational risk based on prudent management principles and aimed at guaranteeing long-term solidity and continuity for the company. In addition, the Group pays particular attention to achieving an optimal balance between growth and profitability and the resulting risks.

In line with these objectives, the Intesa Sanpaolo Group has long since established an overall operational risk governance framework, by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

### Governance Model

An effective and efficient framework for managing operational risks must be fully integrated into decision-making processes and management of business operations. Accordingly, the Intesa Sanpaolo Group has chosen to involve the organisational units (business units, central/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational risk management process.




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

- identification: identification and description of potential areas of operational risk (e.g., operating events, presence of critical elements, applicability of risk factors, significant risk scenarios);
- assessment and measurement: determination of exposure to operational risks (e.g., self-diagnosis[12], determination of economic and regulatory capital, preventive analyses of operational and ICT risks, assessment of the significance of the issues identified);
- monitoring and control: ongoing supervision of the development of the exposure to operational risks, including to prevent the occurrence of harmful events and promote active risk management;
- mitigation: containment of operational risks through appropriate mitigation actions and suitable risk-transfer strategies according to a risk-driven approach;
- reporting: preparation of information flows related to operational risk management, designed to ensure adequate knowledge of the exposure to this risk.

[11] 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.

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

## ICT risk

The Intesa Sanpaolo Group considers its information system a tool of primary importance to the achievement of its strategic, business and social responsibility objectives, including in the light of the critical nature of the company processes that depend on it. Accordingly, it undertakes to create a resilient environment and to invest in assets and infrastructure designed to minimise the potential impact of ICT events and to protect its business, image, customers and employees.
The Group has therefore adopted a system of principles and rules intended to identify and measure the ICT risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational risk management process.
In line with the methodological framework established for the governance of operational risks, the ICT risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.
ICT (Information and Communication Technology) risk means the risk of economic, reputational or market share losses related to the use of information and communication technology. In the integrated view of corporate risk for supervisory purposes, this risk is considered, according to specific aspects, as operational, reputational and strategic risk. ICT risk includes Cyber risk and IT risk.

## Internal model for the measurement of operational risk

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

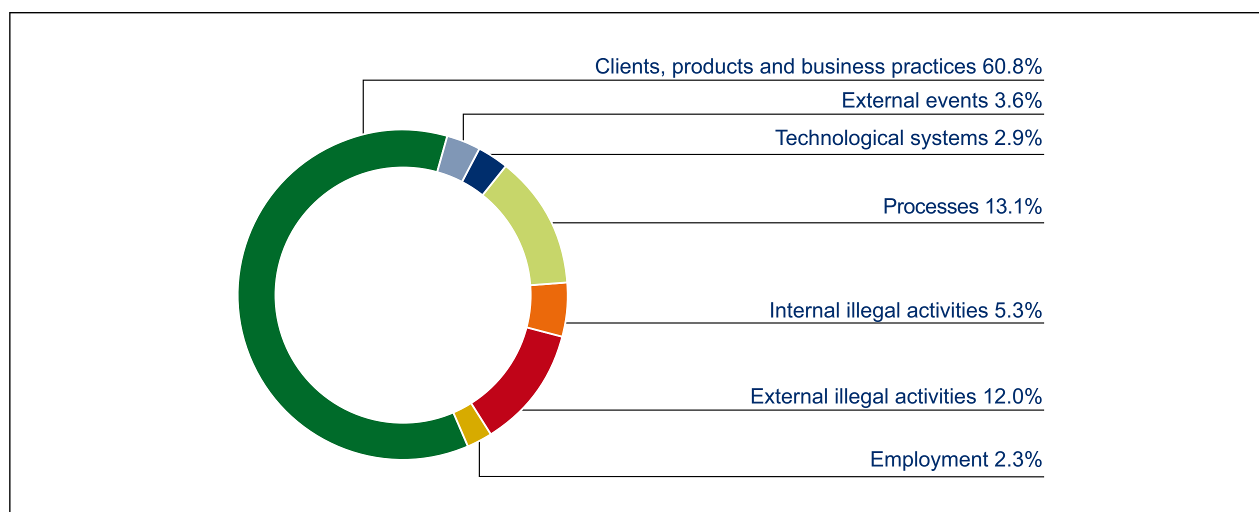
- the historical component, based on an analysis of historical data concerning internal events (recorded by the organisational units, appropriately verified by Central Operational Risk Management and managed by a dedicated information system) and external events (provided by the Operational Riskdata 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 99.9%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.
The internal model's insurance mitigation component was approved by the Competent Authority in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

For regulatory purposes, the Group adopts the Advanced Measurement Approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement.
As at 30 June 2023, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb Banka.

The capital absorption thus determined came to 2,119 million euro as at 30 June 2023, up slightly from 2,039 million euro as at 31 December 2022. That increase (+1 billion euro in RWAs) is fully attributable to the component subject to the advanced approach, following the update of the historical component of that approach.

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



# Interest rate risk on positions not included in the trading book

## Qualitative disclosure

The “banking book” is defined as the trade portfolio consisting of all on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group's lending and deposit collecting activities. Therefore, the interest rate risk of the banking book (hereinafter “interest rate risk” or IRRBB) refers to the current and prospective risk of changes in the Group's banking book due to adverse changes in interest rates, which are reflected in both economic value and net interest income.
The 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 (shift sensitivity or ΔEVE) and net interest income sensitivity (ΔNII). The consolidated ΔEVE limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group's EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group's consolidated sensitivity limits EVE and NII are accompanied by two risk indicators, which constitute an “early warning” threshold, and are 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 (∆NII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **shift sensitivity of the economic value** (or fair value shift sensitivity) measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks 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 shift 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 GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency.
The limit assigned to each Company is defined consistently with the strategies and limits defined for the sensitivity of economic value.

The **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in the price of credit risk, liquidity premium and potentially other components of instruments with credit risk that cause fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by the interest rate risk of the banking book. The reference area is represented by the HTCS securities portfolio, whose changes in value have an immediate impact on the Group's capital.

**Value at Risk** (VaR) is a probability-based metric that expresses the maximum potential loss of portfolio value that could be incurred within a specific time horizon, at a pre-defined confidence level. VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, also taking into account the benefits of diversification and the correlation between various risk factors and different currencies. This measure is calculated and monitored, for the entire scope, by the 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);
- 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.

The scenarios underlying the measurement processes are defined in the IRRBB Guidelines and fall into the following categories:

- base scenarios: these are run on a monthly basis and involve:
  - fair value scenarios, which include different parallel and non-parallel parametric instantaneous shock scenarios. These scenarios, in addition to the base shock scenario expressed by a parallel increase or decrease of 100 basis points at all maturities, include the non-parallel scenarios that highlight the risk arising from curve shifts (yield curve risk) that cannot be captured with parallel shocks alone. These scenarios are obtained in a manner consistent with the parameters for non-parallel shocks (steepener, flattener, short rate up and short rate down) set by the IRRBB Standards of the Basel Committee on Banking Supervision (below the BCBS shock) except for the proportionality coefficient applied to them in order to calibrate them to the management shock of 100 basis points;
  - net interest income scenarios (shock +/-50 basis points);
- management stress scenarios: run at least quarterly; the stress analyses used in the internal measurement system involve:
  - fair value stress scenarios (shock +/-200 basis points, and a historical simulation of worst case shock);
  - net interest income stress scenarios (shock +/-100 basis points);
  - dynamic net interest income stress scenarios (shock +/-200 basis points, shock +/-100 basis points and BCBS shock);
- regulatory scenarios: at the frequency required by the supervisory regulations or authorities. In particular, the results of the supervisory outlier test (SOT) – introduced by the EBA Guidelines in terms of change in economic value (EVE) – are communicated to the supervisory authority within the short term exercise (STE). In July 2018, the EBA issued the new Guidelines for the management of interest rate risk deriving from assets not included in the trading book, implementing the Standards on interest rate risk in the banking book published by the Basel Committee on Banking Supervision (BCBS) in April 2016 and introducing a new threshold of 15% of Tier 1 as an early warning calculated on the basis of the six BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down).

  The SOT, as defined by the EBA Guidelines 2018/02, identifies the maximum loss deriving from the application of the six scenarios set out in the IRRBB Standards of the Basel Committee on Banking Supervision (below the BCBS scenarios) and implemented in the EBA Guidelines: these scenarios require the application of specific shocks for each currency:
  - parallel shock up;
  - parallel shock down;
  - steepener shock (decrease in short-term rates and increase in long-term rates);
  - flattener shock (increase in short-term rates and decrease in long-term rates);
  - short rates shock up;
  - short rates shock down.

Intesa Sanpaolo also monitors the SOT on the changes in net interest income, introduced by the DRAFT RTS on SOTs issued by the EBA in October 2022 in compliance with the requirements of the CRDV directive. This SOT was set at 5% of TIER1 and defined as the maximum loss recognised in the Parallel shock up and Parallel shock down scenarios already in place for the EVE SOT. 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 levels set within the Risk Appetite Framework.

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 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.

## Quantitative information

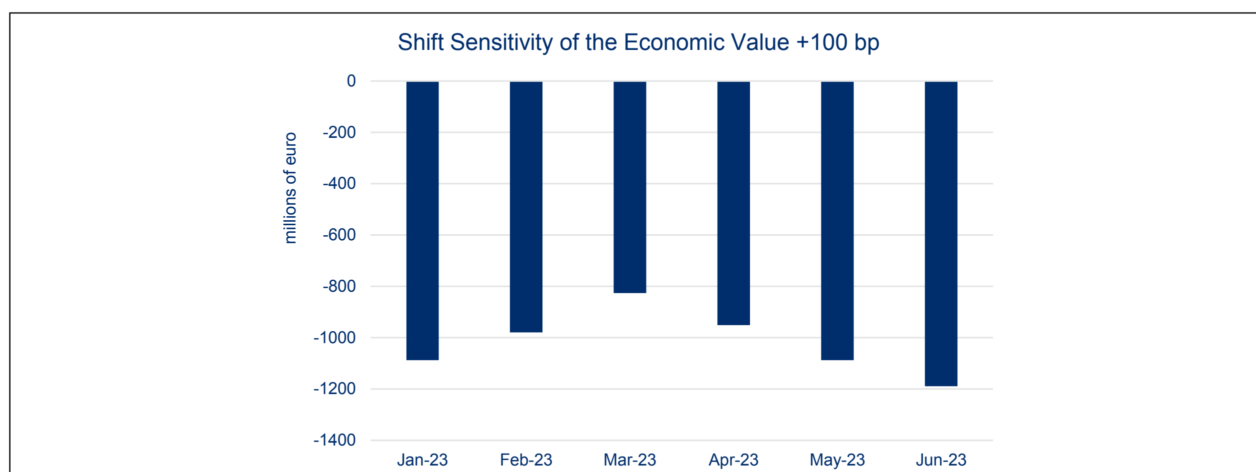
### Interest rate risk

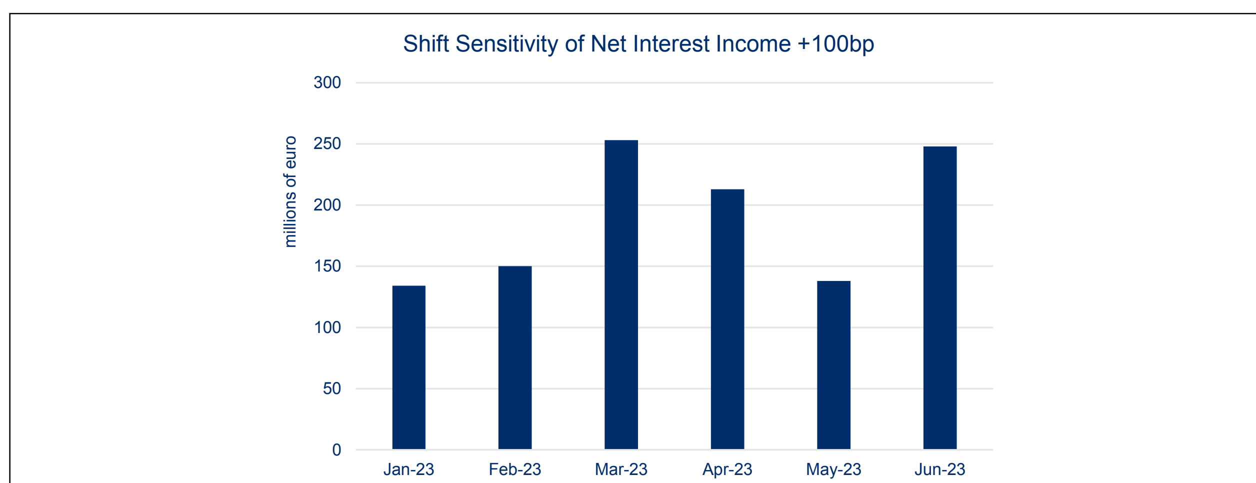
In the first half of 2023, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of economic value, averaged -1,020 million euro, with a minimum of -826 million euro and a maximum value of -1,189 million euro, with the latter coinciding with the value at the end of June 2023. The latter figure increased by -173 million euro on the end of 2022, when it came to -1,016 million euro. This was due to the increase in exposure of the portfolio of securities HTC and HTCS recorded during the half year, and to new derivatives hedging core deposits, partially offset by new derivatives hedging fixed-rate loans to customers.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 160 million euro, -424 million euro and 248 million euro, respectively, at the end of June 2023. The latter figure was stable (-3 million euro) on the value at the end of 2022, amounting to 251 million euro. The decrease in the measure due to the reduction in volumes of demand deposits from customers during the half year, the new derivatives hedging the core deposits model and the repricing of floating-rate loans to customers, was offset by a decline in implicit reactivity of core deposits, specifically starting in March.

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)

| | 1st half 2023 | | | 30.06.2023 | 31.12.2022 |
|---|---|---|---|---|---|
| | average | minimum | maximum | | |
| Shift Sensitivity of the Economic Value +100 bp | -1,020 | -826 | -1,189 | -1,189 | -1,016 |
| Shift Sensitivity of Net Interest Income -50bp | -474 | -424 | -575 | -424 | -668 |
| Shift Sensitivity of Net Interest Income +50bp | 269 | 157 | 495 | 160 | 633 |
| Shift Sensitivity of Net Interest Income +100bp | 189 | 134 | 253 | 248 | 251 |



Interest rate risk, measured in terms of VaR, averaged 517 million euro in the first half of 2023, with a maximum value of 584 million euro, reached in April, and a minimum value of 427 million euro, recorded in January 2023. The figure at the end of June 2023 came to 475 million euro, up on the value at the end of December 2022, equal to 442 million euro, due to the increased exposure to increases in interest rates.

Foreign exchange risk, expressed by equity investments in foreign currency (banking book) and measured in terms of VaR, averaged 130 million euro in the first half of 2023, with a maximum value of 178 million euro, reached in January, and a minimum value of 111 million euro, recorded in June 2023. The latter figure decreased on the value of 126 million euro at the end of December 2022. That change was mainly linked to the exit of the currency HRK from the scope of structural foreign exchange risk.

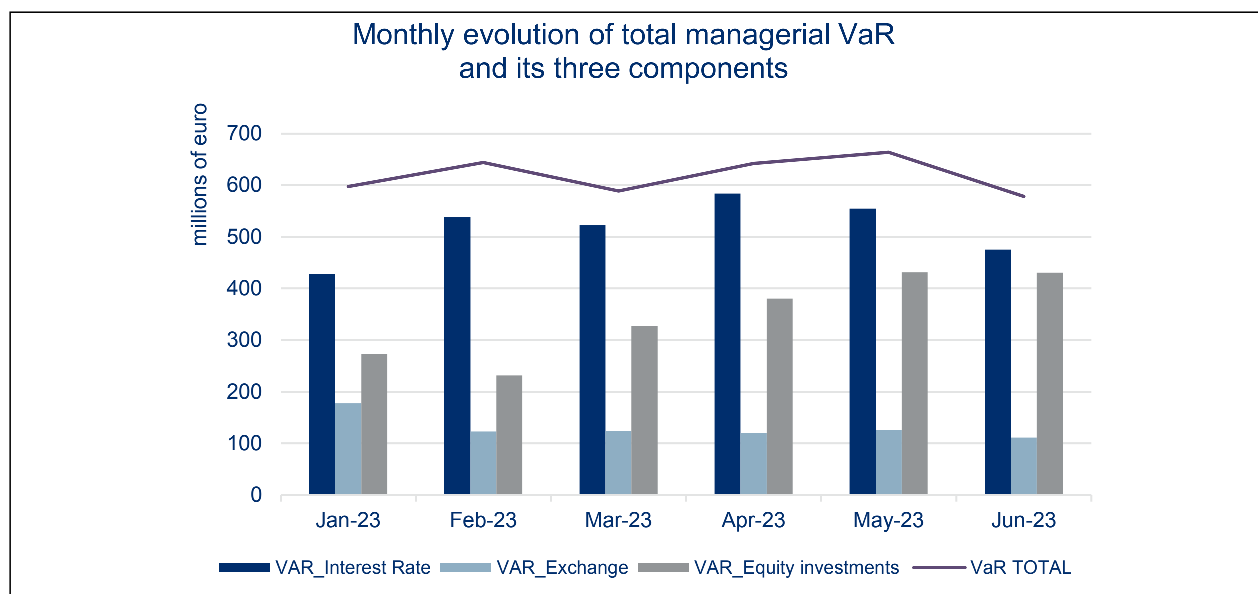
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during the first half of 2023 of 346 million euro, with minimum and maximum values of 232 million euro and 431 million euro, respectively, the latter being the figure of the end of June 2023, up on the value at the end of December 2022 of 334 million euro. That growth was mainly due to the increase in the volatility of prices of the equity portfolio.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange Rate VaR and Equity VaR) averaged 619 million euro in the first half of 2023, with a maximum value of 664 million euro and a minimum value of 578 million euro, recorded at the end of June 2023. This figure decreased on the value of 639 million euro at the end of December 2022, due to the increase in the benefit of overall diversification, linked to the recomposition of the portfolio illustrated with regard to the single risks (Interest Rate, Foreign Exchange and Equity Investments).

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)

| | 1st half 2023 | | | 30.06.2023 | 31.12.2022 |
|---|---|---|---|---|---|
| | **average** | **minimum** | **maximum** | | |
| Value at Risk - Interest Rate | 517 | 427 | 584 | 475 | 442 |
| Value at Risk - Exchange | 130 | 111 | 178 | 111 | 126 |
| Value at Risk - Equity investments | 346 | 232 | 431 | 431 | 334 |
| **Value at Risk complessivo** | **619** | **578** | **664** | **578** | **639** |



## Price risk related to the minority equity portfolio

The table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the portfolio of quoted minority stakes, largely classified to the HTCS category.

### *Price risk: impact on Shareholders' Equity*

(millions of euro)

| | | 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% | 58 | 65 | 73 |
| Price shock | -10% | -58 | -65 | -73 |

In the first six months of 2023, no hedging activities were performed to cover the price risk of the banking book.

In accordance with Article 448 of Regulation (EU) 2019/876 (CRR II), 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 - as amended by Reg. 2022/631)

(millions of euro)

| Supervisory shock scenarios | ΔEVE | | ΔNII | |
|---|---|---|---|---|
| | 30.06.2023 | 31.12.2022 | 30.06.2023 | 31.12.2022 |
| Parallel up | -2,549 | -4,307 | 326 | -719 |
| Parallel down | 1,418 | 1,021 | -1,812 | -2,518 |
| Steepener | -704 | -1,746 | | |
| Flattener | 133 | 345 | | |
| Short rates up | -705 | -657 | | |
| Short rates down | 364 | 331 | | |
| **Maximum potential loss** | **-2,549** | **-4,307** | **-1,812** | **-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 half 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.

# Leverage Ratio

## Qualitative disclosure

Under the Basel 3 prudential regulations, the Leverage ratio entered definitively into effect on 1 January 2015. The Leverage ratio measures the degree to which Tier 1 Capital covers the Banking Group's total exposure. The ratio is calculated by considering off-balance sheet exposures and assets.
The objective of the indicator is to contain the degree of indebtedness on banks' accounts by establishing a minimum level of coverage of exposures with equity. The ratio, which is monitored by the authorities, is expressed as a percentage and is subject to a minimum threshold of 3%. From June 2021, this limit became a Pillar 1 requirement under the provisions of Article 92(1)(d) of Regulation (EU) 2019/876 (CRR II).

The Leverage ratio is calculated quarterly. The indicator is monitored at both the individual and Banking Group level.

The Leverage ratio is calculated as the ratio of Tier 1 Capital to total exposure. The total exposure includes the on-balance sheet exposures, net of deductions and offsetting allowed by the regulations, and the off-balance sheet exposures.

### Description of the processes used to manage the risk of excessive leverage

The Intesa Sanpaolo Group shares the regulatory indication of monitoring and containing a leverage ratio to integrate the capital ratios based on risk, and acknowledges their usefulness in order to limit the excessive accumulation of leverage in the banking system, and especially to provide supplementary control against model risk and the possible related measurement errors.
Accordingly, the Leverage ratio is given a high level of attention and, as such, it has been selected as a reference metric within the scope of the Risk Appetite Framework (RAF) for the control of the overall risk and, more specifically, of the Group's capital adequacy. In this regard, it is noted that the governance of the Risk Appetite Framework includes particularly strict escalation mechanisms in the event of breach of the Group's leverage limit, with the requirement for the Board of Directors to rapidly approve a remediation plan that can have a maximum duration of one year.
In line with the previous year, the annual update of the RAF confirmed both the choice to define its limit by adding a stress buffer to the regulatory minimum set by Article 92(1)(d) CRR II and the decision to also set an Early Warning threshold quantified based on an additional prudential buffer. In line with the limit established at Group level, the individual leverage ratio limits have also been set for the subsidiary Fideuram Intesa Sanpaolo Private Banking S.p.A., for Isybank and the Group's international subsidiary banks (both those belonging to the International Subsidiary Banks Division and those within the scope of the IMI Corporate & Investment Banking Division). In this regard, it is noted that the governance of the Risk Appetite Framework establishes specific escalation mechanisms for the Group companies. Accordingly, in the event of breach of the individual leverage limits, the Body with strategic supervision function of the company concerned rapidly approves a remediation plan that can have a maximum duration of one year, and there is also the obligation to involve the competent Parent Company structures.
Compliance with these limits is monitored in the Risks Tableau de Bord and reported to the Risks and Sustainability Committee and the Board of Directors on a quarterly basis.
Lastly, it is noted that the Group has one of the best leverage ratios in comparison to the main European banking groups and, in view of the operations carried out, the management of the risk of excessive leverage, although it is subject to the utmost attention from Top Management, is not a significant constraint for the Group's strategic planning.

### Description of the factors that had an impact on the Leverage ratio during the period

As at 30 June 2023, the leverage ratio stood at 5.7% (without the application of the IFRS 9 transitional period provided for by Article 473a of the CRR, which ended on 1 January 2023) compared to 5.6% in the previous period, as a result of the following movements during the half year:

- decrease in the level of capital (Tier 1 capital). See the Own Funds section of this document for more details;
- decrease in the total exposure, mainly attributable to a reduction in on-balance sheet exposures (excluding Securities Financing Transactions - SFTs and derivatives) and derivatives exposures, partially offset by a slight increase in off-balance sheet exposures and Securities Financing Transactions (SFTs). 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 30 June 2023, provided in accordance with the regulatory principles of the CRR amended by Regulation (EU) 2019/876 (CRR II) and set out according to the provisions of Regulation (EU) 2021/637, is presented below.
As already stated, the IFRS 9 transitional period provided for in Article 473a of the CRR ended on 1 January 2023.

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

The table shows the leverage ratio as at 30 June 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) | 30.06.2023 | 31.12.2022 |
|---|---|---|---|
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 723,218 | 742,157 |
| 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) | -10,858 | -10,689 |
| 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) | -10,450 | -10,409 |
| **7** | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **701,910** | **721,059** |
| | **Derivative exposures** | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 8,031 | 9,844 |
| EU-8a | Derogation for derivatives: replacement costs contribution under the simplified standardised approach | - | 1 |
| 9 | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 10,085 | 9,614 |
| EU-9a | Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach | - | 5 |
| EU-9b | Exposure determined under Original Exposure Method | 1 | 2 |
| 10 | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR) | - | - |
| EU-10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | - | - |
| EU-10b | (Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method) | - | - |
| 11 | Adjusted effective notional amount of written credit derivatives | 75,745 | 72,481 |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | -74,730 | -70,905 |
| **13** | **Total derivatives exposures** | **19,132** | **21,042** |
| | **Securities financing transaction (SFT) exposures** | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 22,758 | 21,305 |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | -5,107 | -1,462 |
| 16 | Counterparty credit risk exposure for SFT assets | 5,348 | 3,105 |
| EU-16a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR | - | - |
| 17 | Agent transaction exposures | - | - |
| EU-17a | (Exempted CCP leg of client-cleared SFT exposure) | - | - |
| **18** | **Total securities financing transaction exposures** | **22,999** | **22,948** |
| | **Other off-balance sheet exposures** | | |
| 19 | Off-balance sheet exposures at gross notional amount | 299,091 | 294,659 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | -201,640 | -201,421 |
| 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** | **97,451** | **93,238** |

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

(millions of euro)

| | Excluded exposures | 30.06.2023 | 31.12.2022 |
|---|---|---|---|
| EU-22a | (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet)) | - | - |
| EU-22c | (Excluded exposures of public development banks (or units) - Public sector investments) | - | - |
| EU-22d | (Excluded exposures of public development banks (or units) - Promotional loans) | - | - |
| EU-22e | (Excluded passing-through promotional loan exposures by non-public development banks (or units)) | - | - |
| EU-22f | (Excluded guaranteed parts of exposures arising from export credits) | -2,983 | -3,005 |
| 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)** | **-2,983** | **-3,005** |
| | **Capital and total exposure measure** | | |
| **23** | **Tier 1 capital** | **47,822** | **47,979** |
| **24** | **Total exposure measure (sum of lines 7, 13, 18, 22 and EU-22k)** | **838,509** | **855,282** |
| | **Leverage ratio** | | |
| 25 | Leverage ratio | 5.70% | 5.61% |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 5.70% | 5.61% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 5.70% | 5.61% |
| 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 | Transitional |
| | **Disclosure of mean values** | | |
| 28 | Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable | 17,400 | 20,778 |
| 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 | 17,651 | 19,843 |
| 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) | 838,258 | 856,217 |
| 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) | 838,258 | 856,217 |
| 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) | 5.70% | 5.60% |
| 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) | 5.70% | 5.60% |

(*) 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 | 30.06.2023 | 31.12.2022 |
|---|---|---|---|
| 1 | Total assets as per published financial statements | 955,205 | 975,683 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | -173,244 | -173,223 |
| 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 | 2 | - |
| 8 | Adjustments for derivative financial instruments | -18,877 | -19,966 |
| 9 | Adjustment for securities financing transactions (SFTs) | 241 | 1,643 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 97,451 | 93,238 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | - | - |
| EU-11a | (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-11b | (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR) | - | - |
| 12 | Other adjustments (*) | -22,269 | -22,093 |
| **13** | **Total exposure measure** | **838,509** | **855,282** |

(*) "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 | |
|---|---|---|---|
| | | 30.06.2023 | 31.12.2022 |
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **722,194** | **739,799** |
| EU-2 | Trading book exposures | 16,335 | 11,633 |
| EU-3 | Banking book exposures, of which: | 705,859 | 728,166 |
| *EU-4* | *Covered bonds* | *5,257* | *2,399* |
| *EU-5* | *Exposures treated as sovereigns* | *203,092* | *219,481* |
| *EU-6* | *Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns* | *10,853* | *11,189* |
| *EU-7* | *Institutions* | *44,282* | *41,781* |
| *EU-8* | *Secured by mortgages of immovable properties* | *142,927* | *144,182* |
| *EU-9* | *Retail exposures* | *52,618* | *54,271* |
| *EU-10* | *Corporate* | *165,522* | *168,139* |
| *EU-11* | *Exposures in default* | *6,396* | *6,759* |
| *EU-12* | *Other exposures (eg equity, securitisations, and other non-credit obligation assets)* | *74,912* | *79,965* |

# 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)[13].
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 (GAR and BTAR) and on any other mitigation actions.
Regulation (EU) 2022/2453 provides for a phase-in period for certain more complex information in terms of data collection and related risk measurement methodology, such as, in particular, information related to emissions reporting and alignment metrics, i.e. the disclosure of the Green Asset Ratio (GAR). This information will therefore be 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 Banking Taxonomy Alignment Ratio (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 Target Setting project was initiated for the financed emissions values to be pursued for the priority sectors and the related monitoring process.
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 strongly oriented towards the creation and promotion of sustainable financial products and services, also in consideration of the EU Taxonomy.

[13] Information on environmental, social and governance risks is also reported, on a consistent basis, in the Intesa Sanpaolo Group's Consolidated Non-Financial Statement (CNFS) and Task Force on Climate-related Financial Disclosures (TCFD) Report.

Intesa Sanpaolo is committed 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[14]. 8 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 – has been in place since 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 all the major GFANZ (Glasgow Financial Alliance for Net Zero) alliances – the largest international coalition of financial institutions committed to bringing the global economy to zero greenhouse gas emissions by 2050 – covering all the Group's main business lines and has set its first climate and environmental 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) in 2023 and 2024, the target setting will be extended to other sectors, as envisaged within the Net Zero Banking Alliance (NZBA); and ii) the work has continued for the submission of the necessary documentation for the validation of the Science Based Targets Initiative (SBTi) by the first quarter of 2024[15].
Other targets have been set in relation to environmental protection, through the Bank's commitment to plant 100 million trees, either directly or through dedicated customer loans, and adopting a specific biodiversity policy over the period of the Business Plan.
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.

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 points between entrepreneurs, aimed at facilitating networking between enterprises, promoting discussion and raising awareness, particularly regarding climate-related issues. The companies involved in this process share their experiences and, if they request it, can be supported by the technical partners of Laboratories in identifying the improvement actions and initiatives needed to draw up a strategic ESG development plan. The project is aimed at all companies interested in ESG issues. In the first half of 2023, more than 40 events, both physical and online, were held as part of the ESG Labs, dealing with 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[16], a Group company, in partnership with Cariplo Factory aimed at supporting and accompanying the transformation of the Italian economic system and 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:

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[14] 2021-2026.

[15] Partnership between CDP, United Nations Global Compact (UNGC), World Resources Institute (WRI) and WWF.

[16] 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 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.

- 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 C&IB Divisions, provides advisory and non-financial services, offering customers transformation pathways towards innovation/circular economy. The service includes the assessment of the technical and financial aspects of the investment and its sustainability.
The IMI C&IB Division provides a full range of advisory services to customer companies, especially in relation to transition financing. It analyses customers' sustainability strategies, annual financial statements and capex plans, in addition to assisting them as an ESG structuring advisor in identifying targeted loans (including green, sustainability and sustainability-linked loans). This is accompanied by the advisory services provided by the Automotive, Power Generation and Oil & Gas desks, staffed with sustainability experts who provide customers technical and financial advice on the best solutions for financing the transition.
The Banca dei Territori Division 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 Division released the ESG Questionnaire on the Inbiz platform, which 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. Lastly, the Division is developing a dedicated ESG platform to support its customers in assessing their ESG performance and accessing training content on key sustainability issues and recent market trends.
To provide effective support to customers in their transition to Net Zero, Intesa Sanpaolo, as part of the commitments made in joining the NZBA, is developing a framework for the structured analysis of the Transition Plans of its counterparties, conducting sectoral benchmarking and analysing the investments identified by the corporate customers to achieve their decarbonisation targets. Specifically, Intesa Sanpaolo is working on pilot projects in specific sectors to develop an internal methodology for the in-depth assessment of the transition risk of the counterparties, covering a scope of large and long-term exposures. This methodology is designed to assess the presence of a climate strategy and the consistency of the Transition Plans and to support customers in improving their alignment with industry best practices and the guidelines for the path to Net Zero. Customers' transition plans are then assessed on three different levels: overall greenhouse gas reduction, technical feasibility, and economic and financial impact.
The results of these assessments are taken into account both during the origination discussions with customers and in the loan approval process. Where there is a lack of consistency in the Transition Plan, the Bank will engage with customers to review the plan (corrective measure), where necessary considering an adjustment to the terms and conditions of the loans.
Intesa Sanpaolo's commitment also extends to the Group's asset management and insurance companies, which published their individual engagement and stewardship targets in 2022, in accordance with their respective GFANZ Alliances.
Eurizon Capital SGR's stewardship target, in accordance with the NZAMI, includes a commitment to establishing robust plans 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 Net Zero includes its participation in the following working groups:

- IIGCC Bondholder Working Group aimed at developing guidelines for fixed income investor engagement;
- IIGCC Proxy Advisor Engagement Working Group aimed at engaging proxy advisors in the development of guidelines for assessing climate-related governance best practices;
- PRI Listed Equity Working Group aimed at identifying the best valuation approaches for equity investments in listed companies.

Eurizon has implemented its adherence to the Stewardship Code promoted at European level by the European Fund and Asset Management Association (EFAMA), in continuity with its adherence to the Italian Stewardship Principles promoted by Assogestioni and signed in 2014.
Fideuram Asset Management and Fideuram Asset Management Ireland have set a Stewardship and Engagement Target in accordance with the NZAMI. Fideuram Asset Management has estimated that it will need to engage with 53 companies by 2025, to reach the target of covering 70% of financed emissions, and with 165 companies by 2030 (to reach 90% of financed emissions). Fideuram Asset Management Ireland intends to do the same for 66 companies by 2025 (70% of financed emissions) and 195 by 2030 (to cover 90% of financed emissions).

## Governance

e) Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels[17]

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.

| | |
|---|---|
| **Board of Directors** | With the support of the Risks and Sustainability Committee, the Board of Directors approves:<br>– 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;<br>– 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;<br>– This Pillar 3 disclosure, that includes qualitative and quantitative sections devoted to ESG topics;<br>– the Group's Code of Ethics and Code of Conduct. The Code of Ethics stresses that:<br>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;<br>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.<br>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.<br>The Board of Directors also verifies the proper implementation of risk governance strategies and policies, also in relation to ESG risks. |
| **Risks and Sustainability Committee** | The Risks and Sustainability Committee supports the Board of Directors: in the assessment and investigation of the sustainability issues (ESG) associated with the performance of the Bank's activities and in the approval of the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, contributing to ensuring more efficient risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders; in approving the list of ESG-sensitive sectors for the purposes of the Group's loan activity; in approving the updates to the Code of Ethics and reviewing the Annual Report on the Code of Ethics; in approving the CNFS, analysing, in particular, the potentially most relevant sustainability issues, as well as any other report of particular importance in this area submitted to the Board of Directors; in verifying the Group's positioning with respect to national and international best practices in sustainability, with particular reference to Intesa Sanpaolo's participation in the main sustainability indices. |
| **Management Control Committee** | The Management Control Committee, with the support of the competent sustainability (ESG) and internal audit 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. |
| **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. |

[17] For point f) see the paragraph below.

| | |
|---|---|
| **Steering Committee** | The Steering Committee is a managerial committee chaired by the Managing Director and CEO and includes his/her first lines of reporting, i.e. the heads of the Governance Areas and Divisions.<br>The Committee 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. It reviews the CNFS prior to its presentation to the Board. In order to review these issues, the Committee meets at least on a quarterly basis in the context of the Business Plan and Sustainability (ESG) Session. It is also tasked with guiding the consistency of technological development with 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 Support Department and relies on the Sustainability Managers, identified in each Governance Area and Division, who guarantee an overall and integrated supervision of ESG initiatives for the relevant scope and contribute to the Group's strategic proposition on these issues. It was introduced as part of the ISP4ESG Programme and has been operational since October 2020. The ESG Control Room supports the Steering Committee – Business Plan and Sustainability (ESG) Session – in the strategic proposition relating to ESG issues; it performs operating coordination duties for the implementation of the most relevant ESG initiatives and assesses the opportunity and solidity of any new initiatives in this area. |

### 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 Support Head Office Department, supports the Steering Committee – Business Plan and Sustainability (ESG) Session – in the strategic proposition relating to ESG issues and uses the Sustainability Managers, identified in each Governance Area and Division, to ensure the supervision of the initiatives.

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 Consolidated Non-Financial Statement (CNFS) and a report in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Report; and 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 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.

The Chief Risk Officer Governance Area (CRO) ensures the measurement and control of ESG risks and, in particular, environmental and climate change risks. The CRO also provides quarterly updates to the Risks and Sustainability Committee on the monitoring of the loan portfolio's exposure to climate-sensitive sectors. Within the Chief Risk Officer Governance Area:

- the Enterprise Risk Management Head Office Department draws up, among others, the proposed Risk Appetite Framework. It is responsible for the identification, assessment and management of climate-related risks, in collaboration with the other competent corporate functions. 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 IMI CIB 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 is responsible for developing and managing the Internal Rating Models.

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.

The Strategic Support Head Office Department, reporting directly to the CEO, performs the following tasks, among others:
– develops the Group's overall ESG strategy, together with the Chief Financial Officer Governance Area, and supports the Steering Committee and Corporate Bodies in preparing a proposal for the strategic ESG guidelines;
– co-chairs the ESG Control Room together with the Chief Financial Officer Governance Area;
– coordinates the relevant specific interdivisional and interfunctional projects, through the Strategic Initiatives function, to ensure consistency and develop synergies in line with the Group's strategic guidelines. This function, together with the CFO Governance Area, is responsible for managing the ISP4ESG Programme (see below) with a dedicated PMO.

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 Integrated Management System (IMS) – Health and Safety, Environment and Energy – applied in all the Italian branches and buildings and certified by an international third party in accordance with ISO 14001, 50001 and 45001 standards, and for the related policies. 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 has also drawn up the "ESG Risks" Audit Programme for 2023, 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 internal ISP4ESG Programme, launched in 2019 to consolidate Intesa Sanpaolo's leadership in sustainability, aims to integrate ESG into the Bank's business model and strategy to generate a concrete impact within the Company and on society. This is a wide-ranging initiative with significant impact, led by the Strategic Support Department and the CFO Governance Area, within which the ESG Control Room was established. In the first half of 2023 there were also numerous strategic and important sustainability-related projects for the Group, coordinated by the ESG Control Room. These focused on the continuation of the EU Taxonomy Green Enhancement project, aimed at ensuring the availability of all the methodological and informational components needed to calculate the GAR and dynamically steer the loans portfolio; the continued implementation of the new credit framework, which includes ESG factors; and the supervision of the activities related to the other Net-Zero Alliances (i. e. e. NZAMI, NZAOA, NZIA) carried out by Group Companies that have joined them. In addition, the activities of the Target Setting project continued during 2023 in order to set further intermediate targets in areas of the NZBA and submit the targets for validation by the Science Based Target Initiative.

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. During 2023, the activities have mainly focused on the regulatory disclosure deadlines during the year and the managerial reporting (monitoring process for the ESG KPIs to oversee the achievement of Plan targets; 2023 Budget process for the relevant ESG KPIs).

### 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 8 times during the first half of 2023 and

climate-related issues were discussed at 4 meetings;
- the ESG Control Room met 5 times in the first half of 2023, including a session dedicated to Sustainable Investment, and each meeting covered several climate-related issues.

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).
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 has a minimum weight of 10% and is measured 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 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 projects/actions in relation to ESG are assessed, as well as the achievement of the commitments on gender equality expressed in line with the Group's Principles on Diversity & Inclusion.

The ESG component, albeit based on different mechanisms, has 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[18]. 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%[19], relates to the new lending for the green/circular economy and green transition with a focus on supporting the transition of Corporates/SMEs.

[18] 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%.

[19] See the previous note.

## Risk management

### j) Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

To enable the assessment of the short-, medium- and long-term effects of environmental factors and risks in the risk framework, climate-related time horizons have been identified and subdivided into:

- Short-term (ST): 0 to 5 years;
- Medium-term (MT): 5 to 10 years;
- Long-term (LT): 10 to 30 years.

This structure is in line with the assessment time horizons of the scenario analysis.

The table below provides a breakdown of the potential impacts of climate change risks for the different risk categories, assessed over the short, medium and long term. See also paragraph r) for further information.

| Risks Concerned | Physical | | Transition |
|---|---|---|---|
| | Climate-related | Environmental | Climate-related Environmental |
| | - *Extreme weather events*<br>- *Chronic weather patterns* | - *Water stress*<br>- *Resource scarcity*<br>- *Biodiversity loss*<br>- *Pollution*<br>- *Other* | - *Economic policies and regulation*<br>- *Technology*<br>- *Market sentiment*<br>- *Preferences and expectations of consumers and investors* |
| **Credit risks** | The estimated Probability of Default (PD) and Loss Given Default (LGD) of exposures within sectors or geographies vulnerable to physical risk may be affected by physical events that impact the counterparties' assets (with consequent effects on the financials) or the collateral securing the loans | | Energy efficiency standards will, on the one hand, lead to high adaptation costs with possible strains on the profitability indicators and a consequent increase in PD; on the other hand, properties that do not adapt will have a lower value with a consequent impact on the value of the collateral |
| **Market risks** | Severe physical events may lead to shifts in market expectations and could result in sudden risk reassessment, higher volatility and losses in asset values on some markets | | Transition risk factors may generate impacts, also sudden in nature, on the prices of financial instruments, similar asset classes or market sectors, as well as significant increases in the volatility associated with those instruments |
| **Liquidity risks** | Climate-related and environmental risks may have direct impacts in determining cash outflows (e.g. cash withdrawals from accounts by customers to finance damages) or indirect impacts, for example as a result of potential strains in financial markets | | Transition risk factors may, directly and indirectly, adversely affect the expected cash flows, i.e. they may affect the available liquidity reserves, making some assets less liquid or reducing their value, with an adverse impact on the Bank's overall liquidity position |
| **Reputational risks** | Extreme weather events may result in disruptions to the Group's operations, with possible repercussions in terms of image.<br>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:<br>– failure to comply with international standards/objectives the Group has subscribed to;<br>– complaints from customers concerning climate-related and environmental issues;<br>– 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 and/or IT systems, 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, including environmental risks, on the basis of the principles set out by international best practices and the developments promoted and issued by the Supervisory Authorities at international level.

Specifically, the **regulatory framework and guidelines** include:

- European Parliament Resolution of 29 May 2018 on Sustainable Finance;
- EBA Action Plan on sustainable finance of 6 December 2019;
- ECB Guide on climate-related and environmental risks of 27 November 2020;
- EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06);
- EBA Report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18);
- Regulation (EU) 2019/2088 (SFDR) of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector;
- Regulation (EU) 2020/852 (Taxonomy Regulation) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment;
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives;
- Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ("European Climate Law");
- Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation;
- UNEP FI, "Guidelines for Climate Target Setting for Banks", developed by the signatories of the commitment, as part of the UNEP FI Principles for Responsible Banking;
- Science Based Targets, "Financial Sector Science-Based Targets Guidance", which outlines the requirements for setting targets for both scope 1+2 and scope 3 for investment and lending activities.

Intesa Sanpaolo is also committed to observing the principles of sustainable development and has subscribed to important international initiatives (e.g. UN Global Compact, UNEP FI, Principles for Responsible Banking, Principles for Responsible Investment, Principles for Sustainable Insurance, and Equator Principles) aimed at promoting dialogue between enterprises, supranational bodies and civil society and pursuing respect for the environment and human rights, in addition to supporting associations that promote the dissemination of a culture of sustainability and transparency (e.g. TCFD, Global Reporting Initiative).

As described in point b) of this section, the Intesa Sanpaolo Group has joined all the major GFANZ (Glasgow Financial Alliance for Net Zero) alliances.

The **internal regulatory framework**, developed taking into account the above-mentioned regulations, is made up of documents providing guidelines, principles and definitions, together with more operational documents. These include in particular:

- Guidelines for the governance of ESG risks, which define the roles and responsibilities of the corporate functions and the Corporate Bodies and the macro-processes controlling those risks, and identify the sectors most exposed to ESG and reputational risks;
- Group Guidelines for the Governance of the Most Significant Transactions;
- Self-regulatory policies, aimed at setting the limits and exclusions in relation to operations in sectors most exposed to ESG risks;
- Rules relating to the Equator Principles;
- Rules for the classification of sustainable credit products and transactions, aimed at improving internal and external transparency in relation to sustainable products and transactions;
- Rules for Valuation of Financial Instruments at Fair Value, which set out the criteria for the valuation of financial instruments that contain clauses conditioning contractual cash flows on the achievement of environmental, social or governance objectives;
- Investment Guidelines for the Corporate portfolios of the IMI Corporate & Investment Banking Division that integrate sustainability criteria into the economic and financial metrics for the investments. The sustainability criteria are currently structured in terms of sectoral and counterparty exclusion criteria (set in line with the Guidelines for the governance of ESG risks), inclusion criteria based on the use of ESG scores at counterparty level, and average ESG profile targets summarised by the portfolio ESG score;
- ESG scoring rules;
- Rules on credit strategies.

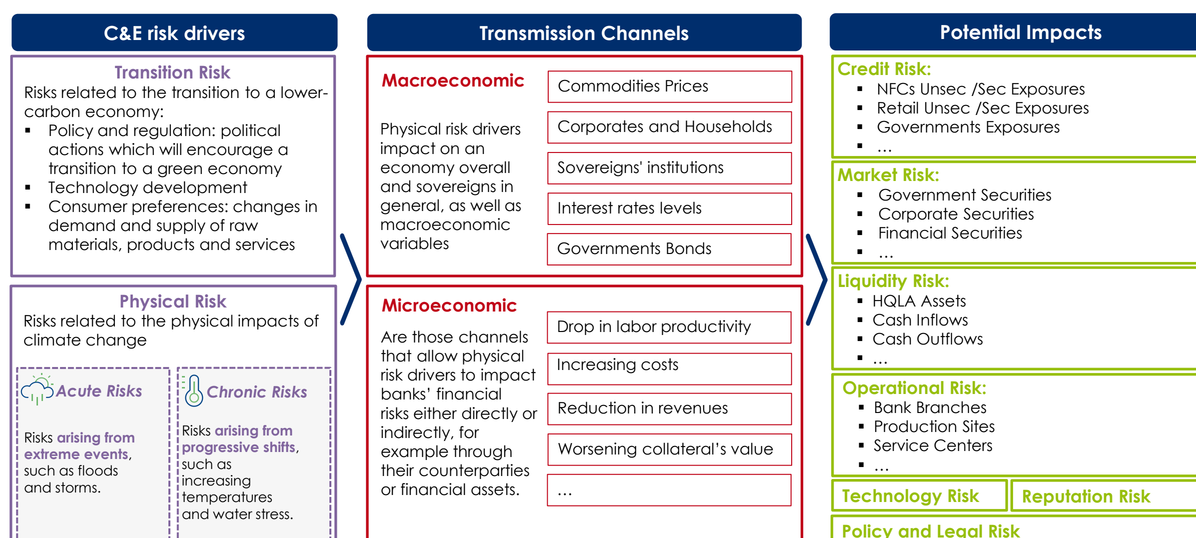
With specific regard to climate change risk, the **taxonomy adopted** by Intesa Sanpaolo divides climate change risks into physical and transition risks.
**Physical risks** represent the negative financial impact from climate change, including more frequent extreme weather events and gradual climate 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 and non-financial risks through the relevant transmission channels.




The likelihood and magnitude of the impact of climate-related risk factors may be influenced by a number of additional variables such as the 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.

### I) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels

Proper risk management and control are essential to ensuring reliable and sustainable value generation and protecting the Group's financial strength and reputation. To this end, specific processes and responsibilities have been defined and set up to also identify, manage and monitor environmental/climate-related risks, in order to ensure long-term solidity and business continuity, extending the benefits to the Group's stakeholders.
With regard to the **identification and monitoring of environmental risks** in particular, the ESG risk governance framework includes:

- a **materiality analysis** (ESG/Climate Materiality Assessment), based on the ESG Sectoral Assessment, aimed at assessing the relevance of ESG risk factors with respect to different risk portfolios and categories;
- a **counterparty ESG score** for the scope currently covered;
- a **process of identification and assessment of the ESG and reputational risks** associated with corporate counterparties most exposed to ESG risks (ESG & Reputational Risk Clearing);
- **monitoring** of the exposure to these risks with particular regard to the results of the materiality analysis, the exposures in the relevant geographies and portfolios, the limits/attention thresholds and key risk indicators defined in the Risk Appetite Framework, and the Net Zero targets set by the Group.

The **materiality assessment** is a process of assessing the potential impacts of ESG risks, and in particular climate-related risks, for the Group. This analysis involves a granular breakdown of the risk drivers and the incorporation of forward-looking elements.
The materiality assessment is based on an analysis of the composition of each exposure class for each financial risk considering, with regard to climate-related risks, the operational impact and transmission channels identified for each climate-related risk driver. The main supporting tool for this analysis is the ESG Sectoral Assessment, updated annually, which enables the identification of sectors most exposed to climate change and ESG risks, by assigning a score to each risk driver (transition risk, physical risk, environmental risk, social risk and governance risk).
The results of the Materiality Assessment form the basis for setting the ESG sectoral strategies and guide the identification of dedicated controls within the Risk Appetite Framework and specific actions aimed at containing ESG risks, particularly with regard to the sectors most exposed to those risks (e.g. establishment of criteria for limiting or excluding loans for certain sectors or economic activities).
In addition to the sectoral identification of ESG risks, Intesa Sanpaolo has developed a **counterparty ESG score** for non-financial companies. The ESG Score is a qualitative/quantitative assessment that analyses information on the ESG profile of a customer company and takes into account both the risks it is exposed to and the opportunities that may arise in these areas. The main purpose of the ESG Score is to provide a better understanding of the ESG profile of customers in order to mitigate the risks and enable the pursuit of sustainable transition opportunities.
The analysis of the score is carried out on over 100 parameters (for larger companies), both point data relating to environmental, social and governance issues and indicators of possible disputes that enable the analysis of risks and areas of attention related to these domains. The data used to build the ESG Score come from both internal data sources, derived from knowledge of customers, and external data sources via a panel of leading data providers.
The ESG Score is a summary assessment made up of three pillars (Environmental, Social and Governance), which in turn consist of thematic blocks that summarise a variety of information gathered on that topic for that specific counterparty.
The Environmental Pillar is a summary assessment of a company's performance in several environmental thematic areas, including all the areas considered by the EU Taxonomy as well as aspects of opportunities arising from the development and sale of green products and services. The elements assessed include, in particular, carbon footprint, water consumption, biodiversity protection, etc.
The Social Pillar analyses the quality of relationships with all the company's main stakeholders: employees, customers and the community where the company operates. The elements assessed also include the development of human capital, diversity and inclusion.
Lastly, the Governance Pillar assesses the company's alignment with responsible conduct and best practices in corporate governance, also taking into account the diversity of the composition of the management bodies, as well as their independence, and the quality and transparency of reporting.
The ESG Score is already used in a variety of decision-making processes. For example, it is employed within the credit strategies that steer the development of the Bank's loan portfolio towards virtuous sectors and counterparties and support businesses that are committed to a sustainable transition. The ESG Score is also considered for the purposes of the Governance of Environmental, Social and Governance Risks of the Group. Specifically, the ESG Score is used within the Credit Risk Appetite, whose purpose is to guide behaviour towards prudent credit risk management by identifying parts of the loan portfolio with growth potential and parts requiring careful management.
In addition, within corporate credit granting, the counterparty ESG Score is one of the triggers for the **ESG & Reputational Risk Clearing process**, aimed at the prior identification and assessment of potential ESG and reputational risks associated with credit transactions involving counterparties operating in sectors most exposed to ESG and/or reputational risks. This clearing process is applied on a proportional basis and in a differentiated manner according to the complexity of the counterparties/transactions and has escalation mechanisms differentiated according to the ESG/reputational risk class assigned to the transaction/counterparty.
The process is divided into two levels of control:
- a first level performed by the line functions, which verify certain potentially critical elements of the transaction and counterparty ESG profile (e.g. internal ESG score) and the feasibility with respect to limits and exclusions established by the company regulations, in addition to carrying out an assessment of the counterparty's transition plan, for the sectors with high transition risk;
- a second level, activated according to the outcome of the first level, by the risk management function, which carries out a detailed assessment of the ESG and reputational risk associated with the transaction and counterparty, considering both the structural elements of the company's sustainability profile and more contingent elements (e.g. adverse media campaigns). The second level assessment assigns an ESG/reputational risk class to the transaction, with the activation of escalation mechanisms when there are risk classes that are not consistent with the Bank's risk appetite.

The second level assessment includes:
- for reputational risk profiles, the analysis of the counterparty's media exposure caused by information campaigns by NGOs or negative media reports;
- for environmental risks, the assessment of the risks related to the environmental impacts of the counterparty's sector and operations, for example with respect to pollutant emissions and effects on biodiversity, and verification of whether the counterparty has adopted containment and mitigation measures to improve the sustainability of the business; for climate change risk (transition risk) in particular, the degree of exposure to this risk is assessed, examining the counterparty's commitment to adopting transition plans aimed at reducing GHG (GreenHouse Gas) emissions and setting targets within an established timeframe for achieving carbon neutrality and increasing the use and/or production of energy from renewable sources, together with an assessment, for the sectors subject to target setting, of consistency with the commitment made by Intesa Sanpaolo;
- for social risks, the analysis considers the impacts that the counterparty's business generates on communities, local areas and people, as well as the level of disclosure and information that the borrower makes available, e.g. through non-financial reporting/sustainability reporting to assess whether the actions taken or planned can mitigate any social impacts generated. The assessment also considers the adoption, within the internal organisation, of measures to promote the

protection of health and safety, gender balance, and clarity of remuneration policies;
- for governance risk, a review of the level of transparency of the corporate organisation, control systems and independent bodies, the adoption of ethical standards, the governance model and any negative media exposure of the top management.

Within the ESG & Reputational Risk Clearing process, particular importance is also given to the application of the Equator Principles, which are international guidelines, for all countries and all industrial sectors, applicable to the financing of infrastructure and industrial projects (e.g. power plants, petrochemical plants, mines, transport and telecommunications infrastructure) that due to their nature may have adverse effects on people and the environment. In compliance with these guidelines, applied on a voluntary basis by Intesa Sanpaolo, transactions governed by the Equator Principles are subject to a specific analysis of the ESG risks related to the project and subsequent monitoring over the course of its implementation.
Environmental risks are **monitored and reported** on a quarterly basis in the Tableau de Bord for the Group's risks, with particular regard to:
- representation of the exposure to the sectors most exposed to ESG risks;
- monitoring of the limits/attention thresholds and indicators established in the Risk Appetite Framework (see point q).

The following monitoring processes are also in place:
- quarterly monitoring of the relevant loan portfolio against the Net Zero targets (performance of emission intensity curves related to the exposures to the sectors subject to commitments);
- weekly monitoring of Intesa Sanpaolo's web reputation, which includes specific focuses on ESG and climate-related risks (e.g. monitoring of transactions with counterparties involved in disputes and/or subject to negative media attention, also for environmental or social reasons);
- quarterly monitoring of the investment portfolio of the IMI Corporate & Investment Banking Division aimed at reporting the exposures to the sectors and counterparties most exposed to ESG risks and verifying the consistency of the investment activity with the sustainability criteria established within the investment guidelines. The results of the monitoring are reported to the Group Financial Risk Committee.

### m) Activities, commitments and exposures contributing to mitigate environmental risks

At Intesa Sanpaolo, environmental risk mitigation is based on a structure that includes limits and processes for risk management and mitigation for the most relevant ESG risk exposures, with a focus on climate change risks.
As discussed in point b) of this section, Intesa Sanpaolo has established objectives and commitments in line with the Net Zero target and approved exclusion policies for coal and unconventional oil & gas. The Group's strategic objectives are then also implemented through controls in the risk management processes with particular regard to the Risk Appetite Framework and the credit framework (see points l) and q) of this section).
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).

Intesa Sanpaolo's main lines of action in relation to the potential impacts of indirect risks related to climate change, and their timeframes, are summarised below.

| Potential risks | Timeframe (*) | Potential impacts | Actions | Opportunities |
|---|---|---|---|---|
| **Transition**<br><br>Changes in public policies<br><br>Technological changes<br><br>Changes in customer/consumer preferences | Short/medium/long-term | **Loans**<br><br>Reduction of business or increased costs for corporate customers with possible consequences on creditworthiness and solvency<br><br>Reputational impacts | **Loans**<br><br>Assessment of ESG and climate risks on loans<br><br>Inclusion of ESG risks when assessing creditworthiness<br><br>Assessment of the materiality of ESG risks in the business sectors<br><br>Counterparty ESG scoring<br><br>Implementation and updating of self-regulatory policies for the assessment and management of socio-environmental risk of loans in sensitive sectors<br><br>Partecipation in Net-Zero initiatives with a reduction in emissions associated with loans<br><br>Active monitoring of ESG regulations | **Loans**<br><br>Energy transition support through lending for the green and circular economy and related advisory services |
| | | **Asset Management**<br><br>Consequences of climate change on companies in the portfolio with consequent reduction in the value of assets under management<br><br>Documentary impacts<br><br>Impacts on the offering of products and services to customers<br><br>Impacts on internal and IT procedures<br><br>Reputational impacts | **Asset Management**<br><br>Assessment and control of ESG risks in the investment portfolio<br><br>Implementation of sustainability self-regulation policies<br><br>Partecipation in Net-Zero initiatives with a reduction in emissions associated with investments<br><br>Active monitoring of ESG regulations<br><br>IT investments | **Asset Management**<br><br>Adaptation and expansion of the range of products and services |
| **Transition**<br><br>Changes in public policies<br><br>Technological changes<br><br>Changes in customer/consumer preferences | Short/medium/long-term | Reputational impact, negative perception from stakeholders and in particular by ESG investors due to nil of or inadequate management of such risks<br><br>Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower ranking | Inclusion of ESG risks when assessing creditworthiness<br><br>Implementation and updating of self-regulatory policies for the assessment and management of socio-environmental risk of loans in sensitive sectors<br><br>Stakeholder engagement initiatives<br><br>Participation in international working groups on climate change issues<br><br>Participation in Net-Zero initiatives with objectives to reduce financed emissions<br><br>Active monitoring of ESG regulations | |

| | | | | |
|---|---|---|---|---|
| **Transition**<br><br>Changes in environmental regulations<br><br>Introduction of new greenhouse gas emissions limits or new related reporting systems | Short/medium-term | **Loans**<br><br>Financial implications of environmental and ESG regulations and emission limits and/or taxes imposed on customers operating in certain economic sectors | **Loans**<br><br>Participation in working groups and initiatives related to climate change<br><br>Active collaboration with policy makers to highlight the need for stable and clear environmental and ESG regulations<br><br>Target setting initiatives for the reduction of credit portfolio emissions | **Loans**<br><br>Offering of dedicated financial solutions and specialist advisory services for customers in the field of renewable energy and energy efficiency and transition |
| **Transition**<br><br>Introduction of regulations on climate risks for the financial sector | Short/medium-term | Reduction of Group revenues deriving from excessive exposure to more vulnerable sectors to climate risk | Inclusion of climate risk in risk management systems<br><br>Target setting initiatives for the reduction of credit portfolio emissions<br><br>Counterparty ESG scoring<br><br>ESG sectoral mapping | Expansion of the offering of transition-related products and services<br><br>Rebalancing of portfolios |
| **Transition**<br><br>Changes in customer/consumer preferences | Short/medium-term | Reduction in Group revenues due to increased competition generated by the growing demand for ESG products and the fall in demand for non-ESG services/products | Identification of sustainable credit products on the basis of the “Rules for the Identification of sustainable credit products and lending transactions” as part of the Group’s Product Governance processes | Strengthening of the offering of products and services for the green economy, the circular economy and ecological transition<br><br>Green and ESG bond issuances |
| **Physical**<br><br>Extreme atmospheric events (floods, landslides, avalanches, rains, hailstorms, heavy snowfall, tornadoes, hurricanes, cyclones and storm surges) | Short/medium/long-term | Financial implications for corporate and retail customers demaged by extreme weather events with possible consequences on creditworthiness and solvency | Suspension or moratorium of repayments of loans issued to customers who incurred damage | New subsidised loans intended to restore damaged structures<br><br>Insurance products for damage caused by extreme climate events |

(*) 0-5 years short-term; 5-10 years medium-term; 10-30 years long-term.

n) Implementation of tools for identification, measurement and management of environmental risks

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. In general, Climate Scenario Analysis is used to explore potential portfolio vulnerabilities, particularly credit related, within regulatory stress testing exercises or the ICAAP.
In 2022, Intesa Sanpaolo participated in the 2022 SSM Climate Risk Stress Test conducted by the ECB for the purpose of assessing banks' vulnerability to climate and environmental risks. The results of this exercise were integrated into the supervisory review and assessment process (SREP). Starting from the 2023 ICAAP/ILAAP, capabilities and methodologies to integrate climate-related scenarios have also been developed, in order to provide an overall picture of the main vulnerabilities to Climate-Related Risk, for the Group's main exposures and main assets.
In conducting this activity, Intesa Sanpaolo adopts an approach that incorporates the following components:

- **dedicated solution for verifying the impact of transition risk on the NFC portfolio**: the assessment is carried out through shocks applied to the financial statements of each company, differentiating between Corporate and Corporate SME. For the former, the impact of the climate scenario on the financial statements is derived through a bottom-up approach, while for Corporate SMEs, the model involves top-down modelling, where the impact on the company's financial statements is determined by the evolution of its sector;
- **dedicated solution for verifying the impact of transition risk on the Residential Real Estate portfolio**: the assessment is carried out at asset level and is aimed at measuring the loss of value of the properties provided as collateral in relation to the energy class they belong to;
- **methodology for quantifying the physical risk on the properties underlying the collateral for the mortgage portfolio and the corporate portfolio with real estate collateral**: the impact in this case depends on the geographical location of the properties and the types of damage resulting from the different levels of risk of acute and chronic weather events.

For the calibration of the calculation engines, NGFS scenarios were considered as a common reference for the climate-related stress testing. Specifically, the following scenarios were used:

- **Orderly Transition** ("Net Zero 2050"): assuming that climate policies are introduced in advance and gradually become more stringent;
- **Disorderly Transition** ("Divergent Net Zero"): exploring risks related to delayed or divergent policies across countries and sectors;
- **Hot House World** ("Current Policies"): based on the assumption that some climate policies are implemented in some jurisdictions, but that global efforts are insufficient to stop significant global warming. These scenarios involve serious physical risks.

The integrated ICAAP/ILAAP exercise was carried out over a **short-term to medium-term** perspective aimed at assessing the impact – in a macroeconomic scenario that considers the current context (e.g. geopolitical tensions and possible energy crises) – of specific climate-related risk events (e.g. floods, heat waves), assuming that there is no immediate response by the Bank (static balance sheet).
For the ICAAP, a **long-term** perspective was also included to assess how the Bank may approach an Orderly Transition or, conversely, a Current Policies situation. This exercise includes transition and physical risk drivers (chronic risk, included in the NGFS scenarios, as well as two acute risks) and was performed assuming a portfolio recomposition due to market needs and the Bank's strategy.
The results of the analyses conducted so far (materiality assessment and the stress test), have shown that the Group is not exposed in the short term to a material extent to the above-mentioned risks. In particular, with regard to the Transition Risk on the most emission-intensive sectors of the Banking Book (Oil & Gas, Power Generation and Automotive), intermediate sector targets to 2030 have been set in the Business Plan – aligned to the Net Zero target by 2050 – subject to a transition plan in accordance with the NZBA guidance, to mitigate the potential future risk. Further areas will gradually be added to the three mentioned above, as a result of the analyses that will be carried out in relation to the commitments made when joining the NZBA and to the SBTi (Science Based Target Initiative) validation.

p) Data availability, quality and accuracy, and efforts to improve these aspects

ESG risk management requires the identification, collection and analysis of specific data as an increasingly crucial resource for banks. An ESG database that is as complete, accurate and robust as possible is a fundamental element of the framework for governing these risks. To this end, Intesa Sanpaolo, in line with the Group's Data Strategy, has established an ESG data framework that involves the implementation of a common reference database aimed at supporting the internal analysis and assessment processes and enabling the development of reporting processes, in order to avoid fragmented, redundant data solutions with inconsistent information among the various uses. The common ESG database now feeds the processes for the calculation of the ESG Score, counterparty credit risk and physical risk metrics, and scenario analyses, and has been established as the main feeding source of the GAR (Green Asset Ratio) 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);
– specialised info-providers (e.g. MSCI, Moody's, CDP) and research institutes (e.g. UNEP-FI);
– computations produced by the risk management function (risk metrics).

It is well known that the domain of ESG data suffers from gaps in terms of completeness for certain scopes, as well as a lack of standardisation in the universe of descriptors available from different sources and a high degree of variability in the KPIs used to measure them. In some cases these factors result in the need to use proxies, generally developed to supplement the point data already available.
With regard to climate change risk, particular attention is given to collecting and analysing data on $CO_2$ emissions, a key element for the assessments and actions related to the NZBA commitments (climate neutrality by 2050). The use of a variety

of sources (external, internal) and approaches (top-down and bottom-up assessments) and increasing knowledge of the relevant metrics enable the refinement and improvement of the available set of information over time.
Accordingly, the Bank is committed to enhancing its database through its operations and its relationship with its customers. This includes, for example, the initiatives launched in 2022 to improve the counterparty ESG score, by collecting information directly from customers, and expand the available information on the Energy Performance Certificate (EPC) for properties provided as collateral.
Lastly, the Group, as it awaits shared and uniform standards of reference, is focusing in particular on the potential consistency risk of this multi-source framework and has put in place internal rules to establish hierarchies between the sources.

### q) Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits

The 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 Strategy are used to identify, on an annual basis, limits, key risk indicators and specific actions aimed at containing the ESG risks. This also includes controls related to the Group's commitment to the Net-Zero objectives. The development of the ESG RAF controls also takes into account the findings of the main risk assessment processes.
Since 2021, the Group's RAF has introduced a section dedicated to ESG, climate change and reputational risk.
Specific limits have therefore been set in relation to the exposure to the coal mining and oil & gas sectors, which are more exposed to transition risk. For coal mining in particular, the limit is reviewed annually in line with the target of phasing out lending by 2025. In order to fulfil the commitments made within the Net-Zero Banking Alliance, specific early warning and monitoring thresholds have been introduced relating to the $CO_2$ emissions of financed counterparties from the Oil & Gas, Power Generation and Automotive sectors.
The RAF also identifies the main choices in terms of limitations and exclusions to lending to sectors/counterparties most exposed to ESG risks, which are then integrated into the self-regulatory policy and/or company processes. Specifically, Intesa Sanpaolo has issued the "Rules for lending operations in the coal sector" and the "Rules for lending operations in the unconventional Oil&Gas sector" aimed at establishing general and specific criteria for limiting and excluding lending operations to counterparties in those sectors. In addition, all transactions with counterparties with significant environmental/climate-related risk elements (e.g. top polluting companies) are subject to the ESG & Reputational Risk Clearing process, classified as Most Significant Transactions and therefore subject to an enhanced assessment and the binding opinion of the Chief Risk Officer.
A limit on the Group's exposure has also been introduced for the sectors most exposed to social and governance risks, in line with the ESG sectoral strategy of associated credit disincentives.
From 2023, in order to improve the quality of the residential properties taken as collateral and thus reduce the transition risk related to retail residential mortgages, monitoring has been introduced for new loans, broken down by label of energy performance class (EPC). In addition, in order to integrate the impacts of physical risk into long-term strategic planning, monitoring has been set up on the physical risk of the real estate portfolio.
With regard to the Credit Risk Appetite (CRA), an indicator that guides the relationship managers in the assessment of counterparties during credit origination, specific risk and resilience factors have been established to consider the sustainability of the counterparties also in social and environmental terms. These factors contribute to the classification of the counterparties for the purpose of allocating them the CRA limits for the transactions considered most risky or to be monitored. These ESG factors, introduced into the framework from 2020, have been progressively developed, and since 2022 the internal counterparty ESG score has been factored into the CRA framework.
Lastly, with regard to reputational risk and its interrelation with ESG risks, monitoring is carried out on specific key risk indicators relating to transactions with controversial counterparties, the Group's web reputation and any ESG disputes to which the Group may be exposed.

### r) Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework

Intesa Sanpaolo's risk management framework involves the integration of climate and environmental risk factors with the different risk categories impacted. This decision takes into account the fact that the impact of climate and environmental risks may be direct, for example due to lower earnings of companies or the reduction in value of assets, or indirect, for example due to legal actions (legal risk) or reputational damage that arises when the public, counterparties of the institution and/or investors associate the institution with adverse environmental effects (reputational risk).
With regard to the management of **credit risk**, climate-related and environmental risk factors are taken into account in the assessment of the creditworthiness of counterparties and in the credit granting process, ensuring their monitoring within own portfolios, particularly with regard to the assignment of credit ratings, within the Credit Risk Appetite, and during the assessment of collateral for lending purposes and the corporate credit granting process. The corporate credit granting process includes, for credit risk, the adoption of a corporate rating model, validated by the ECB, which includes social and environmental elements (e.g. environmental certifications, research and development) which could lead to an improvement in the rating. During 2021, an application was submitted to the Supervisory Authorities for the validation and authorisation of a new rating model which further strengthens the analysis of ESG factors by defining and including ESG information at corporate counterparty level in the model. For Italian corporate counterparties, the qualitative portion of the rating model also includes the assessment of aspects linked to catastrophic events based on the specific geographic area.
In managing **market risk**, Intesa Sanpaolo also assesses the effects of climate and environmental factors on its current positions exposed to market risk. Specifically, the Group:

- analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
- analyses the impact of climate and environmental risks on the fair value measurement of financial instruments, focusing in particular on the main asset classes, payoffs and positions explicitly linked to climate and environmental (C&E) risk factors, as well as the future investments proposed by the business structures;
- classifies current positions subject to market risk using the ESG indicators available internally (e.g. ESG Sectoral

Assessment, ESG Sectoral Strategy and counterparty ESG Score) and externally (e.g. economic-industrial business sectors, ESG score/rating), also through recognised providers.

In addition, with regard to the valuation of financial instruments, where there are contractual clauses conditioning the cash flows of the instrument on the achievement of ESG objectives by the counterparty, a fair value adjustment is made on a conservative basis.

With regard to the measurement of **liquidity risk**, climate-related and environmental risk factors are considered in order to assess the potential increase in net cash outflows and the possible reduction in the value of the available liquidity reserves. Even though, according to the general consensus in the banking industry, the link between ESG risks and liquidity is mainly indirect and potentially more long term in nature, these risk factors and their potential transmission are analysed for the liquidity position, both current, through the materiality assessment, and future, through the scenario analyses.

To this end, after the prior identification of climate-related and environmental risk factors that could adversely affect the Group's liquidity positions, the materiality assessments are carried out on the risk factors identified, maintaining a connection with the qualitative assessments adopted by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes.

On the other hand, the analysis of the future liquidity positions is based on the assessment of forward-looking scenarios, including stress scenarios that, over short-term horizons, could compromise the balance of expected inflows and outflows over time and the quantitative and qualitative adequacy of the Group's liquidity reserves. These analyses were incorporated into the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP) without highlighting material absorptions of available reserves.

In managing **operational risks**, Intesa Sanpaolo also considers the possible adverse impact of climate and environmental events on its real estate, business continuity and litigation risk. Specifically, the Group:

– within the loss data collection for operational events, identifies those related to climate and environmental risks and those related to climate/environmental litigation, through specific event types;
– during the Operational Risk Assessment process, uses specific risk scenarios dedicated to climate and environmental risks to assess possible losses resulting from property damage, possible disruptions to its operations and potential legal liabilities;
– to protect business continuity, assesses the impact of the physical risks associated with IT centres and sites (including outsourced IT services), identifying alternative locations for disaster recovery.

With regard to the control of litigation risk, the Supervisory Authorities and International Institutions have pointed to the prospect of growth in climate and environmental issues. This trend calls for close monitoring of the related risks by Supervisory Authorities and Central Banks, and consequently by financial institutions. In relation to climate/environmental litigation risk, Intesa Sanpaolo has set up monitoring of disputes that affect the main financial institutions (domestic and international), refined its litigation monitoring process, and launched a special training initiative for the staff involved.

In managing **reputational risk**, the Group makes prior assessments of the potential ESG and reputational risks associated with the Group's business operations and supplier/partner selection through the already mentioned ESG & Reputational Risk Clearing process. In addition, it monitors its web reputation by integrating specific assessments of events related to environmental risks/climate change (e.g. events resulting from protests or adverse campaigns arising from the Bank's lending activities). Lastly, specific scenarios relating to ESG and climate change issues are included in the annual reputational risk assessment by the top management.

With regard to **direct environmental risks**, in view of the joining, in October 2021, of the Net-Zero Banking Alliance and the increasing strategic significance of the issue of $CO_2$ emissions, in 2022 Intesa Sanpaolo – as already mentioned – drew up a new plan, called the Own Emissions Plan, which replaces the previous Climate Change Action Plan, setting a carbon neutrality target for own emissions in 2030 through energy efficiency measures and greater use of energy from renewable sources. With regard to hydrogeological risk (floods and landslides), which also relates to climate change and the possible occurrence of crisis scenarios in Italy which could have repercussions on Intesa Sanpaolo's properties, a series of company structures is to be activated. In order to ensure business continuity in the areas most affected by the inclement weather, the crisis delegates of local and central structures are activated for timely reporting of critical situations, with particular regard to delays in the transport of valuables and correspondence, difficulties for personnel in reaching their workplaces, operational issues and problems with branch physical plant. In parallel, the Critical Events Management company structure is activated from the first weather alert, along with, in very serious disaster situations, the Emergency Management Operations Centre of the Business Continuity Management Department, which monitors the situation and assesses whether to close facilities temporarily and to take any additional action. The analysis conducted in relation to hydrogeological/landslide risk found that, as at June 2023, in Italy, approximately 328 of the properties are in areas with medium or high flood risk, while only 16 properties are in areas with high or very high landslide risk (there are currently over 3,000 owner-occupied properties located in Italy subject to analysis). In addition, the branches in Venice, which are affected by the emergency related to the "high water" problem caused by rising tide levels, regularly consult the tide bulletin to be able to give advance notification to the competent structures to activate the procedures set out in the specific Emergency Plans.

In 2022, a project was launched to map the exposure of all the physical risks, both acute and chronic, from climate change for all the banking assets. The project involves setting up scoring of the climate risk exposure of Intesa Sanpaolo's buildings, carrying out projections and simulations of forecasting scenarios and assessing environmental vulnerabilities through a platform used to identify hazard risk for each real estate asset of the Intesa Sanpaolo Group related to Climate Change Risks and other Geographical Risks. The aim is to establish an application to produce an index of exposure to physical risks from climate change (floods, hydrogeological risks, droughts, fires, etc.) and internal risks (e.g. radon and asbestos) for all the company real estate assets, as support for the monitoring and preparation of the risk mitigation plan. The scope of areas subject to constraints related to the protection of biodiversity will also be taken into account. The platform will be operational at the end of 2023 on the Italian scope of capital assets and will be gradually extended also to the international branches and offices.

## Qualitative information on social risk (Table 2 Reg. 2022/2453)

### Business strategy and processes

a) Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning

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. The areas of intervention in the social domain include the following in particular:
- 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), namely:

| | | |
|---|---|---|
| **Support to address social needs** | Supporting people in need | Expansion of the food and shelter programme for people in need with around 50 million interventions to distribute meals, bed places, medicines and clothes |
| | Fostering youth 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<br>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<br>Promoting 3,000-4,000 social housing units for seniors (e.g. seniors with low income, living alone) in Italy |
| | Total contribution of around 500 million euro, through investments and donations, to address social needs | |

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|---|---|---|
| **Strong focus on financial inclusion through social lending** | Lending to Thirth 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, "Per Merito", the first line of credit without collateral dedicated to all university students, and XME StudioStation, loans to families to assist with distance learning |
| | 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<br>Support to families affected by natural disasters through subsidised loans<br>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[20] 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<br>Multi-year programme of original temporary exhibitions, educational labs with schools and social inclusion projects dedicated to vulnerable categories<br>Creation of a centre of excellence in the new Gallerie d'Italia in Turin to promote the value of photography<br>"Restituzioni" programme, dedicated to restoration and promotion of the national heritage curated by the Bank in collaboration with the Cultural Ministry<br>Professional education programmes in art and culture<br>Partnerships with museums, public/private institutions in Italy and abroad<br>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:<br>– 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<br>– 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<br>– 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<br>– 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<br>– Diffusion of innovation mindset/culture through events and new educational formats<br>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<br>Dedicated Circular Economy Lab and strategic partner of the Ellen MacArthur Foundation<br>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<br>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 aligned to the areas of application of Mission 2 of the National Recovery and Resilience Plan[21], 12 billion euro to individuals[22]), 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<br>Inclusion of ESG scoring within the credit strategy framework |

[20] Transformation of Palazzo Turinetti in Piazza San Carlo in Turin and of the former Banco di Napoli building in Naples into new museums.

[21] 2021-2026.

[22] 2022-2025.

| | | |
|---|---|---|
| | Enhancement of the proposition in ESG Asset Management offering | Expansion of the ESG asset management offering<br>Increase in new ESG funds[23] as a percentage of total new funds introduced from 58% in 2021 to 70% in 2025<br>Increase in Assets under Management (AuM) in sustainable investments[24] from 110 billion euro in 2021 to 156 billion euro in 2025 with a percentage of total AuM from 46% in 2021 to 60% in 2025<br>Further development of the Eurizon proprietary ESG scoring, with the extension to new asset classes<br>Development of dedicated ESG advisory services for Fideuram |
| | Development of dedicated ESG insurance offering | Development of dedicated non-life ESG offering<br>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<br>Around 33% of days worked remotely in 2025 (excluding the branch network)<br>Initiatives for the well-being and safety of people on a large scale<br>New incentive plans to foster individual entrepreneurship |
| | Innovative talent strategy | "Future leaders" programme involving around 1,000 talents and key people at Group level<br>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<br>New senior leadership appointments[25] balanced by gender[26] |
| | Learning ecosystem | Increase in reskilled/upskilled People from around 5,000 in 2018-2021 to around 8,000 in 2022-2025<br>Around 4,600 new hires over the course of the Plan, of which around 500 in 2021<br>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<br>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<br>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"<br>Organisational streamlining to improve efficiency and time-to-market<br>Innovative organisational models in selected areas of the Group enhancing agility and entrepreneurship |

### 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

[23] Eurizon perimeter – Funds pursuant to Articles 8 and 9 SFDR 2088.
[24] Eurizon perimeter – Funds pursuant to Articles 8 and 9 SFDR 2088.
[25] -1 and -2 organisational levels below the Managing Director and CEO.
[26] Expected to reach around 30% of women in senior leadership positions by 2025.

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).
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 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.
Within the Code of Ethics, it is recognised that the Group's responsibility towards the environment and society extends to the entire supply chain. 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 CRO reports quarterly to the Risks and Sustainability Committee on the portfolio exposure to sectors exposed to ESG and climate-related risks, as part of the Tableau de Bord for the Group's risks.
In addition, 12 meetings of the Board of Directors were held in the first half of 2023, of which 5 also discussed ESG-related topics, among others:
– 2022 Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016;
– 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.

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 point 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 the subsequent declarations;
- adheres to the international conventions on civil and political rights and on economic, social and cultural rights;
- supports the OECD (Organisation for Economic Co-operation and Development) guidelines and the principles against corruption laid down by the United Nations in 2003.

The **internal regulatory framework** stems from the Code of Ethics and includes:

- a human rights policy describing the Group's commitment to human rights;
- the Modern Slavery Statement, which describes the measures taken to combat the risk of slavery in its operations and its supply chain;
- the Rules on diversity of sexual orientation and identity, which set out Intesa Sanpaolo's commitment in this regard;
- the Rules for combating sexual harassment, aimed at ensuring full respect for each person and maximum protection of their dignity;
- the Rules governing transactions with subjects active in the armaments sector, which prohibit any financing/investment in activities related to the manufacture of unconventional weapons[27].

As stated in the Guidelines for the Governance of ESG Risks, the Group undertakes not to finance companies and projects if, at the time of the assessment of the transaction, they are located in areas of active armed conflict, or if evidence emerges, such as legal proceedings instituted by the competent authorities, of human rights violations and forced or child labour practices. In addition, the Group carefully assesses its exposure to counterparties active in the production or marketing of tobacco or in the gambling industry.

i) Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels
For the processes of identifying and monitoring social risks, see, in general, the description already provided in point l) of the section "environmental risk management". With regard to the above-mentioned ESG/Climate Materiality Assessment process and, in particular, the ESG Sectoral Assessment, the sectoral analysis of social risks enables the identification of the sectors most exposed to those risks, which are then subject to control/action through ESG sectoral strategies of credit disincentives and the introduction of specific controls (limits, attention thresholds) in the Risk Appetite Framework.
For the **Investment Services**, the Bank has updated its "Rules for the provision of advisory and other investment services" with particular regard to issues concerning the classification of financial products for ESG purposes and the development of the related service model.
With specific regard to **asset management**, Eurizon Capital SGR, as a signatory of the United Nations "Principles for Sustainable Investment" (UN PRI), focuses particular attention on the policies on environmental, social and corporate governance topics implemented by the issuers in which it invests. In this context, it has developed specific selection and monitoring methods aimed at integrating sustainability risks into the Investment Process for its assets under management.
These methods are tailored to the characteristics of the products and their classification under the SFDR Regulation. Specifically, the products managed by the company adopt the following "Macro Strategies":

- NEGATIVE SCREENING, which involves the application of limits relating to issuers (i) operating in sectors considered not "responsible" (SRI Binding screening) and (ii) critical, i.e. with a high exposure to sustainability risks (ESG Binding screening);
- POSITIVE SCREENING, which involves (i) the integration of ESG factors into the analysis, selection and composition of the assets under management, in compliance with good governance practices (ESG Integration) or (ii) the pursuit of sustainable investment objectives;
- STEWARDSHIP, which involves proactive interaction with investees through the exercise of intervention and voting rights and dialogue, encouraging effective communication with the Management staff of the companies ("Active ownership – engagement").

[27] In line with the values and principles set out in the Code of Ethics, Intesa Sanpaolo expressly forbids any type of banking activity and/or loans related to the production and/or sale of weapons that are controversial and/or banned by international treaties, such as: anti-personnel mines; cluster bombs; nuclear weapons; depleted uranium; biological weapons; chemical weapons; non-detectable fragment weapons; blinding lasers; incendiary weapons; and white phosphorous.

Specifically, the financial instruments selection processes, duly calibrated according to the characteristics and objectives of the individual products managed, consider:

- NEGATIVE SCREENING
  - "SRI (Socially Responsible Investment) Exclusions or Restrictions" with respect to issuers operating in sectors deemed not "socially responsible" to which restrictions or exclusions are applied with respect to the Benchmark/Investment Universe of the individual managed assets ("SRI Binding screening");
  - "ESG Exclusions and Restrictions" with respect to "critical" issuers – determined through the "CCC" rating of the specialist info provider MSCI ESG Research, which also indicates any social controversies an issuer may be exposed to, e.g. in relation to respect for human rights, health and safety and workers' rights – for which an escalation process is activated that determines restrictions and/or exclusions with respect to the Investment Universe for the individual assets under management (ESG Binding screening).
- POSITIVE SCREENING
  - "Integration of ESG factors" into the analysis, selection and composition of the managed portfolios ("ESG integration");
  - "Sustainable Investment Objectives" that use investment selection methodologies aimed at (i) contributing to sustainable development objectives ("SDG Investing"); and (ii) generating a social or environmental impact together with a measurable financial return ("Impact Investing");
  - "Good Governance Practices" for products classified under Articles 8 and 9 of the SFDR that invest in corporate issuers (i.e., under the SFDR, in those companies that (i) have sound management structures and do not exhibit critical issues in terms of (ii) employee relations, (iii) remuneration of staff, and (iv) tax compliance).
- STEWARDSHIP
  - the promotion of proactive engagement with issuers by exercising participating and voting rights, and engagement with investees, encouraging effective communication with the Management of the companies ("active ownership – engagement").

For each of the Strategies, Eurizon has established specific decision-making processes and operating limits aimed at containing risks, including reputational risks, of the managed portfolios, compliance with which is monitored by the Risk Management Function with the support of the Compliance & AML Function.

In addition, Eurizon assesses the negative impacts generated by the investments of its managed assets with respect to the main environmental, social and governance indicators established by Regulation (EU) 2019/088. In the social domain, these include, in particular: (i) for investments in corporate securities, indicators relating to employees, respect for human rights, and combating corruption and bribery; and (ii) for investments in sovereign and supranational securities, the countries affected by social violations.

Social issues are also controlled through Eurizon's Corporate Governance activities: in line with the United Nations Sustainable Development Goals (SDGs), Eurizon promotes respect for human and labour rights by supporting shareholder proposals that call for greater transparency on the effects of company policies on these issues.

With regard to the **management of suppliers**, Intesa Sanpaolo is aware that procurement relations and policies can create the conditions to foster economic development that is mindful of environmental protection and respect for human rights, and pays attention to the sourcing, qualification and monitoring of suppliers, which are centralised within the Parent Company. The assessment of the suppliers registered in the Supplier Portal takes into account not only the economic-financial and technical-organisational characteristics of each supplier, but also includes checks on business ethics and respect for human rights, labour rights and the environment, based on the declarations made when completing the specific questionnaires and/or the possession of particular certifications. If the result of this assessment is positive, the suppliers are admitted to the Group Supplier Register and can be invited to procurement events.

In 2022, the new ESG questionnaire was introduced, which aims to map suppliers in relation to social, environmental and governance sustainability, in order to strengthen the criteria for assessing and selecting the best suppliers. Completion of the questionnaire is mandatory for all new suppliers. In addition, a campaign has been launched to recover all former, recurrently used suppliers, with the aim of achieving an overall assessment by 2025.

In 2023, the ESG assessment model for suppliers will be refined, by adopting a model that follows the criteria used for the ESG Scoring designed for customers.

### j) Activities, commitments and assets contributing to mitigate social risk

The Intesa Sanpaolo Group, in line with its sustainability/ESG approach and in accordance with the principles set out in its Code of Ethics, recognises the importance of allocating resources correctly and responsibly, on the basis of social and environmental sustainability criteria. It therefore promotes balanced growth aimed at redirecting capital flows towards sustainable investments that reconcile interests such as the preservation of the natural environment, combating climate change, health, employment, the welfare of society as a whole, and the preservation of the system of social relations.

By developing the offering of ESG products and solutions, the Group aims to mitigate the main social risks identified. For example, in the new 2022-2025 Business Plan Intesa Sanpaolo has committed to providing 25 billion euro in social lending over the entire period. The Bank has thus contributed to creating business and employment opportunities and to helping people in difficulty through various forms, as set out in the new Plan: 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<br>Risk of providing employees with insufficient or no training related to external and internal regulations<br>Reputational risks | Fines and penalties, limitations to conducting business<br>Damage to reputation and brand | Compliance system divided into different levels to monitor the compliance risk, with specialised functions<br>Internal control system<br>Definition of corporate internal regulations<br>Specialised training for employees<br>Introducing a whistleblowing system<br>Adoption of internal regulations for the conduct of company operations also in relation to ESG issues<br>Adherence to UNEP FI's Principles for Responsible Banking (PRB) |
| **Service quality and customer satisfaction** | Unfair commercial practices<br>Inadequate customer service levels<br>Inadequate customer communications<br>Loss of access to services | Customer dissatisfaction with loss of competitiveness, customers and market shares leading to reduced profitability<br>Disputes and complaints<br>Fines and penalties<br>Damage to reputation and brand | Model focussing on the level of service, on personalised advisory services, and on transparency<br>Process of clearing for new products and services<br>Careful and proactive management of complaints<br>Dialogue with Consumer Associations<br>Initiatives aimed at ensuring accessibility to services<br>Business continuity plan |
| **Innovation, digital transformation and cybersecurity** | Ineffective transition from traditional to digital channels<br>IT risk<br>Business continuity in the event of an emergency, blocking or malfunctions | Loss of competitiveness, customers and market shares leading to reduced profitability<br>Disputes and complaints<br>Fines and penalties<br>Damage to reputation and brand | Prevention of IT risk<br>Careful assessment of emerging risks<br>Development of innovative offering/solutions<br>Physical network integration with online structures (e.g. Isybank)<br>Dissemination of the digital culture<br>Innovations aimed at ensuring accessibility to services for people with disabilities |
| **Financial inclusion and supporting production** | Inadequate offering of products/services to customers<br>Reputational risks | Loss of competitiveness, customers and market shares leading to reduced profitability<br>Damage to reputation and brand | Offering development in favour of financial inclusion for vulnerable people<br>Development of solutions in support of the Third Sector<br>Offering development to support of production |
| **Sustainable investments and insurance** | Assessment and control of ESG risks in the investment portfolio<br>Investments in controversial sectors<br>Reputational risks<br>Failure to comply with regulations | Loss of competitiveness, market shares and customers that are conscious of ESG aspects, leading to reduced profitability<br>Damage to reputation and brand<br>Fines and penalties | Integration of ESG factors into the investment process<br>Development of the range of ESG funds<br>Company engagement activities<br>ESG training<br>Internal control system<br>Subscription to the Principles for Responsible Investment (PRI) and the Stewardship Principles<br>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<br>Development of training and employment projects for the new generations<br>Initiatives supporting the promotion of culture for social cohesion<br>Development of institutional initiatives in support of the community |
| **Employment protection** | Conflicts and related labour dispute risks | Disputes<br>Strikes with impacts on service continuity for customers and on profitability<br>Employee dissatisfaction with impacts on productivity | Investments in the Group's People<br>Responsible management of corporate restructuring processes, with the reallocation of employees to other activities<br>New hires to promote generational change<br>Management of labour dispute risks<br>System of industrial relations |

| | | | |
|---|---|---|---|
| **Retention, enhancement, diversity and inclusion of the Group's people** | Inadequate employee growth and motivation<br>Inability to attract and retain talent<br>Termination of employment relationships with managers holding relevant roles<br>Insufficient focus on diversity and inclusion issues | Employee dissatisfaction with impacts on productivity<br>Lack of adequately trained and qualified personnel<br>Inadequate customer service levels<br>Damage to reputation and brand | Investment in training activities<br>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<br>Talent management programmes (e.g. Future leaders)<br>Recognition of employees' merit<br>New incentive plans (including LTIs) to foster individual entrepreneurship<br>Succession plans for business continuity<br>Initiatives to enhance diversity and inclusion, including specifically focused training on the topic<br>Diversity & Inclusion Principles<br>Sexual orientation and identity diversity regulations<br>Rules for combating sexual harassment<br>Commitment to the United Nations "Women's Empowerment Principles"<br>Request for certifications on relevant topics (e.g. ISO PDR 125:2022) |
| **Health, safety and well-being of Group people** | Accidents in the workplace<br>Occupational diseases<br>Risks associated with the COVID-19 pandemic<br>Robberies<br>Inadequate employee motivation<br>Work-life balance difficulties | Employee dissatisfaction with impacts on productivity<br>Damage to persons arising from the COVID-19 pandemic<br>Damage to persons or property during robberies<br>Damage to reputation and brand<br>Employee dissatisfaction with impacts on productivity<br>Loss of skills as a result of employee exits | Health and safety training<br>Certification of the health and safety management system (ISO 45001) in all branches and buildings in Italy<br>Assessment and management of infection risk<br>Risk assessment for workplaces and processes<br>Preventing and combating robberies<br>Risk assessment for subjective and social conditions<br>Assessment of work-related stress<br>Work-life balance initiatives<br>Flexible working and new organisational models<br>Offering solutions for welfare and quality of life in the company<br>Development of climate surveys |
| **Transition to a sustainable, green and circular economy** | Management of ESG risks in loans<br>Transactions or loans in controversial sectors or transactions<br>Reputational risks<br>Regulatory compliance risk<br>Litigation risk | Loss of competitiveness, market shares and customers that are conscious of ESG aspects, leading to reduced profitability<br>Problem loans or need for provisions<br>Damage to reputation and brand | Inclusion of ESG, climate change and reputational risks within the Risk Appetite Framework<br>Rating model that also includes qualitative aspects of the companies in relation to ESG issues<br>Risk clearing processes that include environmental, social and governance aspects<br>Equator Principles for project finance<br>Group guidelines for the governance of environmental social and governance (ESG) risks<br>Inclusion of ESG factors into the credit framework with Rules for the classification of sustainable credit products and lending transactions<br>Development of a specific offering to facilitate the transition with dedicated credit lines, also with a view to de-risking of loans<br>Drafting of a transition plan for the target sectors<br>Employee, customer and stakeholder training and engagement<br>Research development |

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 in 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 environmental risk" in point p).
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 Consolidated Non-financial Statement (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 in risk management arrangements, see the section Qualitative information on environmental risk, "environmental risk management" in relation to ESG risks.
With regard to the **counterparty ESG score** and the **ESG & Reputational Risk Clearing** process in particular, see point l).
With particular regard to **supplier management**, in addition to the information provided in point i) of the section "Qualitative information on environmental risk", the Procurement Head Office Department promotes shared procurement policies and best practices for the entire Group, in order to safeguard the principles of ethical, social and environmental responsibility shared by Intesa Sanpaolo. This structure, which is responsible for procurement within the scope set out in the related Guidelines and Rules, oversees the procurement process, ensuring the correctness and consistency of procurement with respect to the guidance laid down in the relevant policies and internal regulations.
The computerisation of the qualification process, already started in 2015 and progressively rolled out, has enabled continuous, accurate and timely monitoring of the active suppliers engaged, in order to contribute to strengthening and improving the efficiency of the control and due diligence activities.

## Quantitative disclosure

The quantitative disclosures relating to ESG risks, as required by Regulation (EU) 2021/637 (as amended, including Regulation (EU) 2022/2453) pursuant to Article 449a CRR, are provided below.

With regard to the Templates on Physical and Transition Risks Related to Climate Change, the scope includes:
- in Templates 1, 4 – NFC (Non-Financial Corporations) Transition Risk: information on exposures to non-financial corporations, including loans and advances, debt securities and equity instruments, classified in the accounting portfolios in the banking book, excluding financial assets held for trading or assets held for sale;
- in Template 2 – Real Estate Transition Risk: information on loans collateralised by commercial and residential immovable property and repossessed real estate collateral;
- in Template 5 – Physical Risk: information on both of the above scopes.

Template 3, which under the above-mentioned Regulation must be published as at the first reporting date of 30 June 2024, is not covered by this disclosure.

Template 1 shows the exposures to non-financial corporations with a focus on the sectors most exposed to climate transition risks.
The template shows, by counterparty NACE sector, the quality of the exposure and related provisions in terms of non-performing exposure status, Stage 2 classification and maturity bucket.
The 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[28], and a total of exposures to "other sectors". The counterparty NACE sector allocation is carried out in accordance with point 4 of Regulation 2022/2453, which requires that holding companies and special purpose vehicles be allocated to the sector of the obligor that receives the funding and of the parent company of the special purpose vehicle.

The disclosure is accompanied by information on companies that are excluded from the EU Paris-aligned benchmarks as specified in Article 12(1), subparagraphs (d) to (g) and Article 12(2) of Delegated Regulation (EU) 2020/1818.
The counterparties referred to in subparagraphs (d)-(g) of Article 12.1 consist of:
- d) companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- e) companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- f) companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- g) companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g $CO_2e$/kWh;

and have been identified using information on the nature of the counterparty's revenues provided by external providers, where available, or 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[29] have also been identified as excluded from the benchmarks. To this end, information was used on the alignment of the counterparty's activities with environmental objectives provided by external providers; the results of the Bank's internal materiality and ESG analyses were also used.

The current reporting does not include the following: i) the columns relating to the disclosure of *environmentally sustainable exposures* in terms of climate change mitigation or that enable mitigation, in accordance with Articles 10 and 16 of Regulation (EU) 2020/852, for which the regulation requires the first disclosure as at the reporting date of 31 December 2023; and ii) the columns of *GHG financed emissions* for which a phase-in period ending on 30 June 2024 is envisaged.
The estimation of the financed emissions on the loan and investment portfolio is made according to a timeframe in line with that defined in relation to the subscription to the Net-Zero Banking Alliance (NZBA) and the commitment to obtain the SBTi certification.

[28] 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).
[29] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

## Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 1 of 4)*

(millions of euro)

| Sector/subsector | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
|---|---|---|---|---|---|---|---|
| | | of which exposures towards companies excluded from EU Paris-aligned Benchmarks** | of which stage 2 exposures | of which non-performing exposures | | of which Stage 2 exposures | of which non-performing exposures |
| **Exposures towards sectors that highly contribute to climate change*** | **169,266** | **10,799** | **17,422** | **5,638** | **-4,132** | **-861** | **-2,871** |
| A - Agriculture, forestry and fishing | 4,061 | - | 462 | 186 | -149 | -35 | -100 |
| B - Mining and quarrying | 2,810 | 2,048 | 1,569 | 197 | -249 | -116 | -132 |
| *B.05 - Mining of coal and lignite* | *62* | *62* | *-* | *60* | *-10* | *-* | *-10* |
| *B.06 - Extraction of crude petroleum and natural gas* | *1,048* | *897* | *559* | *37* | *-118* | *-80* | *-37* |
| *B.07 - Mining of metal ores* | *209* | *-* | *108* | *87* | *-93* | *-13* | *-80* |
| *B.08 - Other mining and quarrying* | *344* | *23* | *100* | *13* | *-14* | *-9* | *-5* |
| *B.09 - Mining support service activities* | *1,147* | *1,066* | *802* | *-* | *-14* | *-14* | *-* |
| C - Manufacturing | 61,397 | 3,655 | 3,832 | 1,400 | -966 | -149 | -726 |
| *C.10 - Manufacture of food products* | *6,921* | *-* | *414* | *175* | *-116* | *-12* | *-92* |
| *C.11 - Manufacture of beverages* | *1,758* | *4* | *63* | *24* | *-20* | *-3* | *-15* |
| *C.12 - Manufacture of tobacco products* | *40* | *-* | *-* | *-* | *-* | *-* | *-* |
| *C.13 - Manufacture of textiles* | *1,471* | *-* | *78* | *33* | *-27* | *-2* | *-22* |
| *C.14 - Manufacture of wearing apparel* | *2,471* | *-* | *98* | *98* | *-68* | *-3* | *-61* |
| *C.15 - Manufacture of leather and related products* | *1,371* | *-* | *94* | *67* | *-42* | *-3* | *-36* |
| *C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials* | *762* | *-* | *40* | *51* | *-36* | *-2* | *-32* |
| *C.17 - Manufacture of paper and paper products* | *1,187* | *-* | *59* | *24* | *-19* | *-3* | *-14* |
| *C.18 - Printing and reproduction of recorded media* | *714* | *-* | *83* | *22* | *-13* | *-2* | *-9* |
| *C.19 - Manufacture of coke and refined petroleum products* | *2,646* | *2,538* | *104* | *57* | *-40* | *-9* | *-29* |
| *C.20 - Production of chemicals* | *3,128* | *49* | *102* | *35* | *-25* | *-4* | *-15* |
| *C.21 - Manufacture of pharmaceutical preparations* | *1,226* | *17* | *27* | *1* | *-3* | *-1* | *-* |
| *C.22 - Manufacture of rubber products* | *4,578* | *9* | *141* | *70* | *-45* | *-3* | *-36* |
| *C.23 - Manufacture of other non-metallic mineral products* | *2,261* | *105* | *499* | *44* | *-37* | *-10* | *-24* |
| *C.24 - Manufacture of basic metals* | *4,161* | *611* | *480* | *40* | *-64* | *-48* | *-13* |
| *C.25 - Manufacture of fabricated metal products, except machinery and equipment* | *6,479* | *53* | *315* | *168* | *-110* | *-9* | *-89* |
| *C.26 - Manufacture of computer, electronic and optical products* | *1,925* | *-* | *179* | *28* | *-23* | *-2* | *-18* |
| *C.27 - Manufacture of electrical equipment* | *2,465* | *-* | *102* | *27* | *-19* | *-2* | *-13* |
| *C.28 - Manufacture of machinery and equipment n.e.c.* | *6,012* | *9* | *360* | *153* | *-79* | *-8* | *-63* |
| *C.29 - Manufacture of motor vehicles, trailers and semi-trailers* | *2,780* | *170* | *144* | *76* | *-27* | *-6* | *-19* |
| *C.30 - Manufacture of other transport equipment* | *2,137* | *5* | *238* | *9* | *-9* | *-1* | *-5* |
| *C.31 - Manufacture of furniture* | *1,268* | *-* | *53* | *65* | *-35* | *-3* | *-29* |
| *C.32 - Other manufacturing* | *2,927* | *85* | *106* | *110* | *-93* | *-12* | *-78* |
| *C.33 - Repair and installation of machinery and equipment* | *709* | *-* | *53* | *23* | *-16* | *-1* | *-14* |

## Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 2 of 4)*

(millions of euro)

| Sector/subsector | Gross carrying amount | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
|---|---|---|---|---|---|---|---|
| | | of which exposures towards companies excluded from EU Paris-aligned Benchmarks** | of which stage 2 exposures | of which non-performing exposures | | of which Stage 2 exposures | of which non-performing exposures |
| D - Electricity, gas, steam and air conditioning supply | 13,746 | 1,363 | 1,499 | 163 | -165 | -35 | -94 |
| *D35.1 - Electric power generation, transmission and distribution* | *10,441* | *647* | *997* | *134* | *-136* | *-25* | *-77* |
| *D35.11 - Production of electricity* | *5,256* | *647* | *698* | *82* | *-74* | *-16* | *-46* |
| *D35.2 - Manufacture of gas; distribution of gaseous fuels through mains* | *2,963* | *658* | *482* | *29* | *-26* | *-8* | *-17* |
| *D35.3 - Steam and air conditioning supply* | *342* | *58* | *20* | *-* | *-3* | *-2* | *-* |
| E - Water supply; sewerage, waste management and remediation activities | 2,589 | 270 | 265 | 42 | -37 | -16 | -19 |
| F - Construction | 15,925 | 207 | 1,814 | 1,273 | -751 | -94 | -587 |
| *F.41 - Construction of buildings* | *8,368* | *1* | *1,185* | *981* | *-565* | *-80* | *-436* |
| *F.42 - Civil engineering* | *4,367* | *206* | *361* | *117* | *-71* | *-6* | *-53* |
| *F.43 - Specialised construction activities* | *3,190* | *-* | *268* | *175* | *-115* | *-8* | *-98* |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 33,206 | 1,549 | 1,958 | 1,014 | -740 | -70 | -590 |
| H - Transportation and storage | 14,891 | 1,690 | 1,895 | 203 | -177 | -59 | -101 |
| *H.49 - Land transport and transport via pipelines* | *5,375* | *1,365* | *645* | *101* | *-76* | *-15* | *-51* |
| *H.50 - Water transport* | *1,617* | *211* | *735* | *27* | *-27* | *-15* | *-11* |
| *H.51 - Air transport* | *187* | *-* | *12* | *11* | *-12* | *-2* | *-10* |
| *H.52 - Warehousing and support activities for transportation* | *4,500* | *114* | *498* | *61* | *-61* | *-27* | *-28* |
| *H.53 - Postal and courier activities* | *3,212* | *-* | *5* | *3* | *-1* | *-* | *-1* |
| I - Accommodation and food service activities | 6,419 | - | 1,310 | 366 | -277 | -110 | -146 |
| L - Real estate activities | 14,222 | 17 | 2,818 | 794 | -621 | -177 | -376 |
| **Exposures towards sectors other than those that highly contribute to climate change*** | **29,137** | **61** | **3,940** | **753** | **-606** | **-170** | **-379** |
| K - Financial and insurance activities | 2,022 | - | 274 | 3 | -6 | -2 | -2 |
| Exposures to other sectors (NACE codes J, M - U) | 27,115 | 61 | 3,666 | 750 | -600 | -168 | -377 |
| **TOTAL** | **198,403** | **10,860** | **21,362** | **6,391** | **-4,738** | **-1,031** | **-3,250** |

* in accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

** in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation.

## Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 3 of 4)*

(millions of euro)

| Sector/subsector | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity |
|---|---|---|---|---|---|
| **Exposures towards sectors that highly contribute to climate change*** | **123,283** | **32,890** | **12,415** | **678** | **3.90** |
| A - Agriculture, forestry and fishing | 2,363 | 1,089 | 528 | 81 | 5.46 |
| B - Mining and quarrying | 1,441 | 870 | 495 | 4 | 5.88 |
| *B.05 - Mining of coal and lignite* | *62* | *-* | *-* | *-* | *0.55* |
| *B.06 - Extraction of crude petroleum and natural gas* | *592* | *27* | *428* | *1* | *6.82* |
| *B.07 - Mining of metal ores* | *209* | *-* | *-* | *-* | *1.40* |
| *B.08 - Other mining and quarrying* | *226* | *96* | *19* | *3* | *4.31* |
| *B.09 - Mining support service activities* | *352* | *747* | *48* | *-* | *6.60* |
| C - Manufacturing | 50,424 | 9,523 | 1,374 | 76 | 2.96 |
| *C.10 - Manufacture of food products* | *5,337* | *1,314* | *261* | *9* | *3.37* |
| *C.11 - Manufacture of beverages* | *1,213* | *483* | *62* | *-* | *3.14* |
| *C.12 - Manufacture of tobacco products* | *40* | *-* | *-* | *-* | *0.79* |
| *C.13 - Manufacture of textiles* | *1,152* | *277* | *41* | *1* | *3.35* |
| *C.14 - Manufacture of wearing apparel* | *2,199* | *237* | *35* | *-* | *2.53* |
| *C.15 - Manufacture of leather and related products* | *1,097* | *245* | *29* | *-* | *3.07* |
| *C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials* | *557* | *158* | *47* | *-* | *3.87* |
| *C.17 - Manufacture of paper and paper products* | *912* | *257* | *18* | *-* | *3.40* |
| *C.18 - Printing and reproduction of recorded media* | *551* | *130* | *33* | *-* | *3.77* |
| *C.19 - Manufacture of coke and refined petroleum products* | *2,301* | *331* | *14* | *-* | *2.93* |
| *C.20 - Production of chemicals* | *2,503* | *582* | *42* | *1* | *3.15* |
| *C.21 - Manufacture of pharmaceutical preparations* | *1,006* | *199* | *2* | *19* | *3.17* |
| *C.22 - Manufacture of rubber products* | *3,912* | *590* | *65* | *11* | *2.69* |
| *C.23 - Manufacture of other non-metallic mineral products* | *1,935* | *294* | *32* | *-* | *2.66* |
| *C.24 - Manufacture of basic metals* | *3,734* | *419* | *8* | *-* | *2.34* |
| *C.25 - Manufacture of fabricated metal products, except machinery and equipment* | *5,046* | *1,227* | *183* | *23* | *3.39* |
| *C.26 - Manufacture of computer, electronic and optical products* | *1,624* | *282* | *19* | *-* | *2.82* |
| *C.27 - Manufacture of electrical equipment* | *2,100* | *337* | *28* | *-* | *2.62* |
| *C.28 - Manufacture of machinery and equipment n.e.c.* | *4,879* | *1,021* | *111* | *1* | *3.01* |
| *C.29 - Manufacture of motor vehicles, trailers and semi-trailers* | *2,476* | *281* | *23* | *-* | *2.37* |
| *C.30 - Manufacture of other transport equipment* | *1,756* | *200* | *181* | *-* | *2.62* |
| *C.31 - Manufacture of furniture* | *942* | *288* | *38* | *-* | *3.54* |
| *C.32 - Other manufacturing* | *2,640* | *194* | *82* | *11* | *2.27* |
| *C.33 - Repair and installation of machinery and equipment* | *512* | *177* | *20* | *-* | *3.42* |

### Banking book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (Template 1 Reg. 2021/637) *(Table 4 of 4)*

(millions of euro)

| Sector/subsector | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity |
|---|---|---|---|---|---|
| D - Electricity, gas, steam and air conditioning supply | 8,996 | 3,703 | 1,036 | 11 | 4.05 |
| *D35.1 - Electric power generation, transmission and distribution* | *6,629* | *3,040* | *763* | *9* | *4.11* |
| *D35.11 - Production of electricity* | *2,412* | *2,424* | *416* | *4* | *5.46* |
| *D35.2 - Manufacture of gas; distribution of gaseous fuels through mains* | *2,102* | *611* | *250* | *-* | *3.80* |
| *D35.3 - Steam and air conditioning supply* | *265* | *52* | *23* | *2* | *4.12* |
| E - Water supply; sewerage, waste management and remediation activities | 1,538 | 672 | 366 | 13 | 5.27 |
| F - Construction | 10,363 | 3,137 | 2,136 | 289 | 5.25 |
| *F.41 - Construction of buildings* | *5,356* | *1,831* | *1,012* | *169* | *5.12* |
| *F.42 - Civil engineering* | *2,578* | *674* | *998* | *117* | *6.77* |
| *F.43 - Specialised construction activities* | *2,429* | *632* | *126* | *3* | *3.52* |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 27,530 | 4,650 | 1,011 | 15 | 2.76 |
| H - Transportation and storage | 11,354 | 2,285 | 1,186 | 66 | 4.10 |
| *H.49 - Land transport and transport via pipelines* | *3,913* | *1,115* | *344* | *3* | *3.84* |
| *H.50 - Water transport* | *1,224* | *385* | *8* | *-* | *3.68* |
| *H.51 - Air transport* | *144* | *41* | *2* | *-* | *4.30* |
| *H.52 - Warehousing and support activities for transportation* | *2,961* | *661* | *816* | *62* | *5.48* |
| *H.53 - Postal and courier activities* | *3,112* | *83* | *16* | *1* | *2.79* |
| I - Accommodation and food service activities | 2,650 | 2,249 | 1,505 | 15 | 6.97 |
| L - Real estate activities | 6,624 | 4,712 | 2,778 | 108 | 6.24 |
| **Exposures towards sectors other than those that highly contribute to climate change*** | **22,081** | **5,284** | **1,566** | **206** | **3.71** |
| K - Financial and insurance activities | 1,463 | 429 | 127 | 3 | 3.59 |
| Exposures to other sectors (NACE codes J, M - U) | 20,618 | 4,855 | 1,439 | 203 | 3.72 |
| **TOTAL** | **145,364** | **38,174** | **13,981** | **884** | **3.87** |

Compared to December 2022, Template 1 shows a stable trend in the distribution of exposures across NACE sectors.
By contrast, there was a slight increase in the exposures defined as excluded from the EU interest rate benchmarks aligned with the Paris Agreement, which was mainly due to two contrasting factors, namely:

- methodological developments related to the materiality analyses on sectors with the greatest impact on climate risks (transitional and physical). The results of these materiality analyses led to a revision of the sectoral risk levels, expanding the set of sectors assessed as potentially not aligned with the above-mentioned Article 12.2 of Delegated Regulation (EU) 2020/1818 (sectors that do not significantly harm one or more environmental objectives);
- developments within the Group in terms of the sectoral classification of counterparties; in particular, the improved identification of companies dedicated to the production of electricity from renewable sources made it possible to exclude these exposures from the sectors included in the above-mentioned Article 12.1 of Delegated Regulation (EU) 2020/1818.

Template 2 shows the exposures collateralised by commercial and residential immovable property and repossessed real estate collateral, including information on the energy efficiency level of the collateral measured in terms of kWh/m$^2$ energy consumption and label of the energy performance certificate (EPC). The presentation is broken down according to the geographical area in which the collateralised property is located (EU and non-EU area).
Where the energy efficiency level in terms of kWh/m²/year is an estimated figure, this is stated in the row concerned. For the estimate, the Bank has adopted techniques used in the calculation of the transition risk impacts for the ICAAP, which draw on the mapping designed on the data from the real estate market concerned, as well as machine learning techniques based on algorithms trained with the information characterising the Bank's real estate collateral.

### Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral (Template 2 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

| Counterparty sector | Total gross carrying amount | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Level of energy efficiency (EP[1] score in kWh/m² of collateral) | | | | | |
| | | 0; <= 100 | > 100; <= 200 | > 200; <= 300 | > 300; <= 400 | > 400; <= 500 | > 500 |
| **Total EU area** | **168,378** | **41,266** | **57,098** | **27,074** | **19,347** | **1,490** | **7,218** |
| Of which Loans collateralised by commercial immovable property | 33,134 | 1,975 | 5,248 | 3,624 | 15,810 | 536 | 1,129 |
| Of which Loans collateralised by residential immovable property | 134,937 | 39,286 | 51,812 | 23,431 | 3,359 | 953 | 6,086 |
| Of which Collateral obtained by taking possession: residential and commercial immovable properties | 307 | 5 | 38 | 19 | 178 | 1 | 3 |
| Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 109,635 | 26,322 | 42,973 | 19,718 | 16,486 | 469 | 3,666 |
| **Total non-EU area** | **2,811** | **23** | **10** | **1,294** | **126** | **-** | **16** |
| Of which Loans collateralised by commercial immovable property | 1,083 | 16 | 10 | 303 | 126 | - | 10 |
| Of which Loans collateralised by residential immovable property | 1,708 | 7 | - | 990 | - | - | 6 |
| Of which Collateral obtained by taking possession: residential and commercial immovable properties | 20 | - | - | 1 | - | - | - |
| Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | 1,460 | 23 | 3 | 1,293 | 126 | - | 16 |

### Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral (Template 2 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

| Counterparty sector | Level of energy efficiency (EPC[2] label of collateral) | | | | | | | Without EPC[2] label of collateral | |
|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | D | E | F | G | | of which level of energy efficiency (EP[1] score in kWh/m² of collateral) estimated |
| **Total EU area** | **10,581** | **4,270** | **3,167** | **4,258** | **5,250** | **6,211** | **10,122** | **124,519** | **0.88** |
| Of which Loans collateralised by commercial immovable property | 846 | 661 | 660 | 574 | 352 | 332 | 500 | 29,209 | 0.84 |
| Of which Loans collateralised by residential immovable property | 9,735 | 3,609 | 2,498 | 3,682 | 4,895 | 5,879 | 9,619 | 95,020 | 0.89 |
| Of which Collateral obtained by taking possession: residential and commercial immovable properties | - | - | 9 | 2 | 3 | - | 3 | 290 | 0.78 |
| Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | | | | | | | | 109,635 | 1.00 |
| **Total non-EU area** | **7** | **-** | **1** | **-** | **-** | **-** | **-** | **2,803** | **0.52** |
| Of which Loans collateralised by commercial immovable property | 7 | - | - | - | - | - | - | 1,076 | 0.43 |
| Of which Loans collateralised by residential immovable property | - | - | 1 | - | - | - | - | 1,707 | 0.59 |
| Of which Collateral obtained by taking possession: residential and commercial immovable properties | - | - | - | - | - | - | - | 20 | 0.07 |
| Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated | | | | | | | | 1,460 | 1.00 |

(1) EP: Energy Performance

(2) EPC: Energy performance certificate

Compared to December 2022, Template 2 shows a stable trend in the distribution of exposures by type of immovable property provided as collateral, while there was a moderate increase in the number of EPCs, consistent with the ongoing work to retrieve information on the stock and new disbursements of collateralised loans.

## 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[30] (Top 20 $CO_2e$ 2018 Table).
The current disclosure does not include information on *environmentally sustainable exposures* in terms of climate change mitigation, or that enable mitigation, in accordance with Articles 10 and 16 of Regulation (EU) 2020/852, in line with the regulations that require their first disclosure as at the reporting date of 31 December 2023.
Compared to December 2022, the number of Top20 counterparties with active positions in the Group remained constant, while the amount of the exposure increased slightly, although the amount of credit lines granted remained constant.

(millions of euro)

| Gross carrying amount (aggregate) | Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)* | Weighted average maturity | Number of top 20 polluting firms included |
|---|---|---|---|
| 1,265 | 0.213% | 5.25 | 9 |

* For counterparties among the top 20 carbon emitting companies in the world.

Template 5 provides information on exposures in the banking book, including loans and advances, debt securities and equity instruments not held for trading and not held for sale, towards non-financial corporations, on loans collateralised by immovable property and on repossessed real estate collateral, exposed to chronic and acute climate-related hazards, with a breakdown by sector of economic activity (NACE classification) and by geography of location of the activity of the counterparty or of the collateral, for those sectors and geographical areas subject to climate change acute and chronic events. Sensitive exposures are shown separately:

- for the impact from chronic events only, including hazards relating to gradual changes in weather and climate and having a possible impact on economic output and productivity;
- for the impact from acute events only, including hazards that may cause sudden damage to properties, disruption of supply chains, and depreciation of assets;
- for both of the above impacts.

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.

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 real estate asset level through:

- the mapping of physical risks using long-term climate scenarios (NGFS for this purpose) and subsequent allocation of the climatological forecasts to high granularity grids with the calculation of hazard-specific indicators;
- 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: assumes that climate policies will be introduced soon and gradually become more stringent. The physical and transition risks are relatively low;
- Disorderly Transition: considers a higher transition risk due to delayed or divergent policies across countries and sectors;
- Hot House World (HHW) ("Current Policies"): assumes that some climate policies are being implemented in some jurisdictions, but that global efforts are insufficient to stop significant global warming.

For the purposes of compiling Template 5, the Bank has prudently chosen to use the "Current Policies" scenario (RCP 6.0) provided by NGFS as the baseline scenario, as it assumes that current policies are not subject to any changes by regulators, resulting in very high physical risks.

[30] https://climateaccountability.org/carbonmajors.html.

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, enables the identification of ranges of probability of occurrence of the damaging event, allowing qualitative indicators (e.g. LOW, MEDIUM, HIGH, VERY HIGH) to be associated with each specific event. This is used to design the above-mentioned Synthetic Physical Risk Indicator (SPRI) on the counterparty/property, which has been conservatively set at the worst level allocated to the events considered.
Following the assignment of the SPRI, the decision whether or not an exposure is subject to physical risk weather events is based on two criteria: maturity and evolution of the severity of the physical risk indicator, estimated by aggregating the individual risk events (Overall SPRI).

In line with the reporting as at December 2022, 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 trend of positions subject to physical risk in line with the previous disclosure.

## 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 | 3,105 | 352 | 179 | 76 | 25 | 5.98 |
| B - Mining and quarrying | 242 | 33 | 23 | 3 | - | 5.23 |
| C - Manufacturing | 47,294 | 11,460 | 1,641 | 349 | 10 | 2.81 |
| D - Electricity, gas, steam and air conditioning supply | 7,330 | 1,091 | 448 | 173 | 11 | 4.33 |
| E - Water supply; sewerage, waste management and remediation activities | 1,780 | 193 | 82 | 12 | 9 | 5.16 |
| F - Construction | 13,068 | 1,825 | 483 | 270 | 116 | 5.18 |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 25,110 | 3,212 | 672 | 39 | 3 | 2.63 |
| H - Transportation and storage | 10,370 | 1,564 | 475 | 91 | 2 | 3.74 |
| L - Real estate activities | 12,317 | 435 | 339 | 156 | 4 | 5.73 |
| Loans collateralised by residential immovable property | 122,156 | 675 | 2,199 | 7,626 | 7,223 | 18.90 |
| Loans collateralised by commercial immovable property | 30,211 | 1,323 | 1,363 | 1,310 | 91 | 8.41 |
| Repossessed collaterals | 295 | | | | | |
| Other relevant sectors | 21,315 | 2,693 | 755 | 502 | 17 | 4.53 |

## 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 | 506 | 100 | 26 | 67 | 42 | -28 | -3 | -23 |
| B - Mining and quarrying | 16 | 42 | 1 | 3 | 1 | - | - | - |
| C - Manufacturing | 3,671 | 5,825 | 3,964 | 440 | 125 | -76 | -7 | -57 |
| D - Electricity, gas, steam and air conditioning supply | 924 | 321 | 478 | 112 | 16 | -10 | -2 | -6 |
| E - Water supply; sewerage, waste management and remediation activities | 189 | 79 | 28 | 40 | 3 | -4 | -2 | -1 |
| F - Construction | 1,389 | 936 | 369 | 296 | 262 | -156 | -10 | -137 |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 1,239 | 1,981 | 706 | 309 | 61 | -49 | -8 | -36 |
| H - Transportation and storage | 1,147 | 316 | 669 | 104 | 26 | -21 | -4 | -15 |
| L - Real estate activities | 426 | 443 | 65 | 140 | 63 | -47 | -7 | -37 |
| Loans collateralised by residential immovable property | - | 17,723 | - | 696 | 196 | -110 | -38 | -60 |
| Loans collateralised by commercial immovable property | - | 4,087 | - | 660 | 292 | -199 | -56 | -124 |
| Repossessed collaterals | - | 57 | - | | | -11 | | |
| Other relevant sectors | 1,525 | 2,081 | 361 | 748 | 173 | -129 | -37 | -83 |

## Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary) (Table 1 of 2)*

(millions of euro)

| Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary) | Gross carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | | of which exposures sensitive to impact from climate change physical events | | | | |
| | | Breakdown by maturity bucket | | | | |
| | | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity |
| A - Agriculture, forestry and fishing | 535 | 7 | 3 | 1 | - | 2.67 |
| B - Mining and quarrying | 225 | - | - | - | - | 25.00 |
| C - Manufacturing | 2,612 | 93 | 12 | 1 | - | 5.34 |
| D - Electricity, gas, steam and air conditioning supply | 1,702 | 22 | 14 | 4 | - | 5.03 |
| E - Water supply; sewerage, waste management and remediation activities | 205 | 1 | 1 | 1 | - | 3.01 |
| F - Construction | 975 | 5 | - | 37 | - | 11.03 |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 2,369 | 37 | 7 | 1 | - | 6.62 |
| H - Transportation and storage | 966 | 171 | 188 | 42 | - | 5.76 |
| L - Real estate activities | 1,202 | 55 | 30 | 14 | - | 3.54 |
| Loans collateralised by residential immovable property | 13,226 | 25 | 54 | 255 | 635 | 22.25 |
| Loans collateralised by commercial immovable property | 4,171 | 334 | 105 | 14 | - | 6.27 |
| Repossessed collaterals | 12 | | | | | |
| Other relevant sectors | 2,292 | 183 | 63 | 9 | - | 3.66 |

## Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk (Template 5 Reg. 2021/637) - *Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary) (Table 2 of 2)*

(millions of euro)

| Geographical area: Europe (Croatia, Slovakia, Serbia, Hungary) | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | of which exposures sensitive to impact from climate change physical events | | | | | | | |
| | of which exposures sensitive to impact from chronic climate change events | of which exposures sensitive to impact from acute climate change events | of which exposures sensitive to impact both from chronic and acute climate change events | of which Stage 2 exposures | of which non-performing exposures | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | |
| | | | | | | | of which Stage 2 exposures | of which non-performing exposures |
| A - Agriculture, forestry and fishing | 4 | 7 | - | 1 | 1 | - | - | - |
| B - Mining and quarrying | - | - | - | - | - | - | - | - |
| C - Manufacturing | 5 | 101 | - | 13 | - | - | - | - |
| D - Electricity, gas, steam and air conditioning supply | - | 40 | - | - | - | - | - | - |
| E - Water supply; sewerage, waste management and remediation activities | - | 3 | - | - | - | - | - | - |
| F - Construction | 3 | 39 | - | 2 | - | - | - | - |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles | - | 43 | 2 | - | - | - | - | - |
| H - Transportation and storage | 41 | 167 | 193 | 120 | 1 | -2 | -1 | -1 |
| L - Real estate activities | - | 99 | - | 8 | - | -2 | -2 | - |
| Loans collateralised by residential immovable property | - | 969 | - | 42 | 15 | -10 | -3 | -7 |
| Loans collateralised by commercial immovable property | - | 453 | - | 38 | 2 | -6 | -2 | -1 |
| Repossessed collaterals | - | - | - | | | - | | |
| Other relevant sectors | 1 | 171 | 83 | 19 | - | -4 | -4 | - |

## Other climate change mitigating actions that are not covered by the EU Taxonomy (Regulation (EU) 2020/852) (Template 10 Reg. 2021/637)

The purpose of Template 10 is to report exposures to customers that are aimed at supporting climate change adaptation and mitigation objectives but are not in line with the European Taxonomy standard (i.e. are not covered by the GAR and BTAR metrics, which will apply from December 2023 and December 2024 respectively).
The Group has identified the Green Bond transactions subject to disclosure in Template 10 using information from info-providers and the Green Loan transactions on the basis of the rules set out in the Group's internal regulations for the classification of sustainable credit products and transactions. Specifically, the Template includes the bonds issued by counterparties classified as Financial and Non-Financial corporations, as well as the residual category of "Other counterparties" (mainly public entities), with the purpose of mainly financing investments in renewable energy and energy efficiency projects, the purchase and construction of environmentally sustainable immovable property, as well as projects related to clean transportation. With regard to the reported loan component, these mostly include loans for investments in the circular economy and renewable energy (with specific reference to Financial, Non-Financial and Other counterparties), and energy efficiency projects (with specific reference to Households counterparties).
The financial instruments included in the template – bonds and loans – contribute to the mitigation of the physical and transition risks from climate change. The identification of these risks is based on the ECB's "Guide on climate-related and environmental risks - Supervisory expectations relating to risk management and disclosure" in which physical risk is attributed to climate change and environmental degradation in terms of air, water and land pollution, and biodiversity loss and deforestation, while transition risk is attributed to the process of change towards a low-carbon and more environmentally sustainable economy, as well as the findings of the "EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms" EBA/REP/2021/18 which sets out the categories of physical and transition risk factors.

(millions of euro)

| Type of financial instrument | Type of counterparty | Gross carrying amount | Type of risk mitigated (Climate change transition risk) | Type of risk mitigated (Climate change physical risk) | Qualitative information on the nature of the mitigating actions |
|---|---|---|---|---|---|
| Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) | Financial corporations | 809 | 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 | 902 | 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 | 1,287 | 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 |
| Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) | Financial corporations | 574 | Yes | No | These mainly include loans for investments in the circular economy |
| | Non-financial corporations | 2,082 | Yes | No | These mainly include loans for investments in renewable energy, the circular economy and energy efficiency projects |
| | Of which Loans collateralised by commercial immovable property | 317 | Yes | No | |
| | Households | 6,195 | Yes | No | These mainly include loans for investments in energy efficiency projects |
| | Of which Loans collateralised by residential immovable property | 6,022 | Yes | No | |
| | Of which building renovation loans | 151 | Yes | Yes | |
| | Other counterparties | 41 | Yes | No | These mainly include loans for investments in the circular economy |

A comparison between this disclosure and the same disclosure as at 31 December 2022 shows the following:

- for the bond component, the total value as at 30 June 2023 (around 3 billion euro) increased by around 1.9 billion euro (+162%) compared to 31 December 2022, as a result of the expansion of the scope of green bonds in the portfolio in terms of numbers. The increase concerned financial and non-financial corporations in equal proportions;
- for the loan component, the total value as at 30 June 2023 (around 8.9 billion euro) decreased by around 2.5 billion euro (-22%) compared to the figure as at 31 December 2022. This reduction, mainly recorded among non-financial corporations, was primarily due to the exclusion, starting from the sustainability reporting as at June 2023, of a portion of exposures pertaining to the "Circular Economy" credit line component, in accordance with the Rules for the classification of sustainable credit products and lending transactions which require that transactions and products falling under the "environmental sustainability" category shall be considered in the representation of green loans.

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

The Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 3 - Pillar 3 as at 30 June 2023" corresponds to the corporate records, books and accounts.

Milan, 28 July 2023

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

# Attachment 1

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

| | | |
|---|---|---|
| 1 | Issuer | Intesa Sanpaolo S.p.A. |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | 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) | 983 |
| 9 | Nominal amount of instrument (million) | 1000 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)

| | | | 30.06.2023 | 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 | 38,370 | 38,422 | 9, 10 | 26, paragraph 1, 27, 28, 29 |
| | | of which: instrument type 1 | 38,370 | 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 | 17,868 | 19,041 | 8 | 26, paragraph 2(c) |
| 3 | | Accumulated other comprehensive income (and other reserves) | -5,349 | -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 | 1,042 | 1,189 | 13 | 26, paragraph 2 |
| **6** | | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **51,931** | **52,752** | | **Sum of rows from 1 to 5a** |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | | | | |
| 7 | | Additional value adjustments (negative amount) | -224 | -201 | 15 | 34, 105 |
| 8 | | Intangible assets (net of related tax liability) (negative amount) | -7,660 | -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) | -2,146 | -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 | 410 | 365 | 6, 6.3 | 33, paragraph 1(a) |
| 12 | | Negative amounts resulting from the calculation of expected loss amounts | -231 | -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 | 122 | 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) | -148 | -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 | -31 | -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) | -31 | -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 | -1,408 | 311 | 8.1, 19, 21 | |
| **28** | | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **-11,316** | **-11,980** | | **Sum of rows from 7 to 20a, 21, 22 and from 25a to 27a** |
| **29** | | **Common Equity Tier 1 (CET1) capital** | **40,615** | **40,772** | | **Row 6 less row 28** |

(millions of euro)

| | | | 30.06.2023 | 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 | 7,307 | 7,307 | 7 | 51, 52 |
| | 31 | of which: classified as equity under applicable accounting standards | 7,307 | 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** | **7,307** | **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 | - | - | | |
| **43** | | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **-100** | **-100** | | **Sum of rows from 37 to 42a** |
| **44** | | **Additional Tier 1 (AT1) capital** | **7,207** | **7,207** | | **Row 36 less row 43** |
| **45** | | **Tier 1 capital (T1 = CET1 + AT1)** | **47,822** | **47,979** | | **Sum of rows 29 and 44** |
| **Tier 2 (T2) capital: instruments** | | | | | | |
| 46 | | Capital instruments and the related share premium accounts | 8,680 | 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 | 839 | 820 | 18 | 62 (c)(d) and Art. 473a Reg. 2395/2017 (7)(c) |
| **51** | | **Tier 2 (T2) capital before regulatory adjustments** | **9,519** | **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) | -182 | -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** | **-182** | **-913** | | **Sum of rows from 52 to 56b** |
| **58** | | **Tier 2 (T2) capital** | **9,337** | **8,381** | | **Row 51 less row 57** |
| **59** | | **Total capital (TC = T1 + T2)** | **57,159** | **56,360** | | **Sum of rows 45 and 58** |
| **60** | | **Total Risk exposure amount** | **295,786** | **295,443** | | |

(millions of euro)

| | | | 30.06.2023 | 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) | 16.17% | 16.24% | | 92, paragraph 2(b) |
| 63 | | Total capital (as a percentage of the risk exposure amount) | 19.32% | 19.08% | | 92, paragraph 2(c) |
| 64 | | Institution CET1 overall capital requirements | 8.86% | 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 | 0.14% | 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 | 0.97% | 1.01% | | |
| 68 | | Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (a) | 8.26% | 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) | 1,485 | 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) | 784 | 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) | 3,035 | 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) | 1,231 | 928 | | 62 |
| 79 | | Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach | 839 | 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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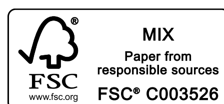

# GALLERIE D'ITALIA.
# FOUR MUSEUMS, ONE NATIONWIDE CULTURAL NETWORK.

Gallerie d'Italia enables Intesa Sanpaolo to share its artistic and architectural heritage with the general public: the art collections of the Bank, ranging from archaeological artefacts to contemporary works of art, are housed in historic buildings located in four cities, in a unique network of museums.

**Gallerie d'Italia - Milano** hosts, in a building of great architectural importance, a significant selection of two hundred 19th century Lombard masterpieces from art collections owned by Fondazione Cariplo and Intesa Sanpaolo, with a dedicated exhibit on 20th century Italian art.

**Gallerie d'Italia - Vicenza** showcases examples of 18th century art from the Veneto region, including a collection of paintings by Pietro Longhi and the extraordinary sculpture depicting *The Fall of the Rebel Angels*, with more than seventy figures carved from a single block of Carrara marble. It also holds one of the most important collections of Russian icons in the West.

**Gallerie d'Italia - Napoli**: the new location opened in spring 2022 through a project by Michele De Lucchi – AMDL Circle transforms the spaces of the historic monumental building of the former Banco di Napoli and expands the well-known collection of Neapolitan and southern Italian art to include masterpieces from the 17th to the 20th century, an exhibit of Attic and Magna Graecia pottery and a rich offering of modern and contemporary art.

**Gallerie d'Italia - Torino**: the recent architectural project designed by Michele De Lucchi - AMDL Circle transforms the spaces of Palazzo Turinetti into a place where photography and video art document and preserve images, events and reflections to promote issues related to the evolution of sustainability. Gallerie d'Italia – Torino is also home to an invaluable collection of Piedmontese works, withpaintings, sculptures, tapestries and furnishings from the 14th to the 18th centuries, including the nine large canvases produced in the second half of the 17th century for the old Oratory of the Saint Paul Company, which has since been destroyed; it also holds the Intesa Sanpaolo Publifoto Archive, which is a collection of more than seven million images from the news as well as political, cultural and social events from the 1930s to the 1980s.

Cover:

**Gallerie d'Italia - Torino**
***Sala Turinetti***
**Piazza San Carlo 156, Turin**
*Inside the new museum complex*
*Project by AMDL CIRCLE and*
*Michele De Lucchi*
Photo: DSL Studio