INTESA SANPAOLO
Basel 3 Pillar 3
Disclosure as at 31 December 2021

This is an English translation of the original Italian document "Terzo Pilastro di Basilea 3 Informativa al pubblico al 31 dicembre 2021". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.
This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.
Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forwardlooking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.
All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Basel 3 Pillar 3 Disclosure as at 31 December 2021

Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Italy Share Capital Euro 10,084,445,147.92 Torino Company Register and Fiscal Code No. 00799960158 "Intesa Sanpaolo" VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group "Intesa Sanpaolo" included in the National Register of Banking Groups.

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Introduction

Notes to the Basel 3 Pillar 3 disclosure

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

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

- Regulation (EU) 575/2013 of 26 June 2013 (Capital Requirements Regulation - CRR), as amended, applicable from 1 January 2014, which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV, Capital Requirement Directive) as amended, which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional 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, 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 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 CRR and repeals Implementing Regulation (EU) 1423/2013 on the disclosure of own funds requirements, Regulation (EU) 2015/1555 on the disclosure of the countercyclical buffer, Implementing regulation (EU) 2016/200 on the disclosure of the leverage ratio, and Delegated Regulation (EU) 2017/2295 on the disclosure of encumbered and unencumbered assets.
In addition, to facilitate the application of the disclosure requirements by institutions and strengthen their consistency and comparability, the EBA also has made a mapping tool available to institutions, consisting of a file that links most of the quantitative public disclosure templates with those in the prudential supervisory reports.
From the reporting date of 30 June 2021, the Intesa Sanpaolo Group will publish disclosures on the basis of the provisions contained in the above-mentioned Regulation.

In addition, the requirement – currently not included in the above-mentioned Regulation 2021/637 – 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) is applicable from June 2021. In this regard, on 10 November 2021, following the conclusion of the public consultation process initiated last May, the EBA published the Final Report of the document "Draft Implementing Technical Standards amending the Implementing Regulation (EU) No 637/2021 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 of

Regulation (EU) No 575/2013" on the qualitative and quantitative disclosure to be published in accordance with the aforementioned Article 448. According to the usual approval process, this document, which has already submitted to the European Commission, will need to be incorporated into Regulation 2021/637.
From the reporting date of 30 June 2021, the Intesa Sanpaolo Group will publish the disclosures required in line with the proposal in the above-mentioned EBA document.

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

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

Details of the impact of the COVID-19 pandemic on the different types of risk (liquidity risk, credit risk, market risk and operational risk) are provided in the individual sections of this document. With regard to the situation resulting from the COVID-19 pandemic more generally, the specific guidance provided by the Authorities and the consequent choices made by the Group, detailed information is provided in the Group's 2021 Financial Statements.

With regard to the growing importance that the monitoring of social, environmental and governance risks (ESG risks) is assuming in the European regulatory framework, it is worth noting the publication by the EBA in January 2022 of the final version of the implementing technical standards on Pillar 3 disclosure requirements for these risks, developed in accordance with the mandate given to the EBA by Article 449a CRR and intended for large institutions that have issued securities traded on a regulated market in any Member State. Under the current proposal, these provisions, once transposed, will become effective on 28 June 2022, but institutions will be required to make the first disclosure of these risks on an annual basis at the reporting date of 31 December 2022 and subsequently on a half-yearly basis.

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In accordance with the above provisions and in line with the approach described above, this document has been prepared on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (as described in Section 2 - Scope of application - Qualitative disclosure).

As also reported in the 2021 Consolidated Financial Statements, the accounting scope of consolidation has changed compared to December 2020. The main inclusions that were relevant for the prudential scope of consolidation were RB Participations SA, Reyl & CIE SA and Asteria Investment Managers SA. All the exclusions were relevant for the prudential scope of consolidation. Specifically, the exclusions involved i) Intesa Sanpaolo Forvalue, transferred to Innolva, 75% owned by Tinexta and 25% by Intesa Sanpaolo; and ii) the following companies indicated below, now consolidated according to the equity method in view of the limited materiality and significance of the interests: UBI Finance CB 2, Morval Bank & Trust Cayman Ltd., UBI Finance, ISP CB Ipotecario, ISP OBG, and ISP CB Pubblico.

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

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

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

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

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

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

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

Approval, certification and publication of the Basel 3 Pillar 3 disclosure of Intesa Sanpaolo as at 31 December 2021

The Basel 3 Pillar 3 disclosure as at 31 December 2021 ("Pillar 3") of Intesa Sanpaolo has been prepared in accordance with Part Eight of the Regulation (EU) 575/2013, considering the specific requirements introduced by the EBA "Guidelines on disclosure requirements under Part Eight of Regulation (EU) 575/2013" of 14 December 2016.
The preparation of the Pillar 3 disclosure on capital adequacy, risk exposure and the general characteristics of the related management and control systems of Intesa Sanpaolo is governed, in compliance with the applicable regulations, by the "Guidelines on the disclosure of Financial information to the Market", approved by the Board of Directors. The governance of the Pillar 3 disclosure requires the Chief Risk Officer to ensure that the risk information provided therein complies with the prudential regulation and is consistent with Group risk management guidelines and policies and with the measurement and control of the Group's exposure to the different risk categories.
In addition, in accordance with the "Guidelines on Remuneration, Incentives and Identification of the Key Function Holders", the Chief Operating Officer ensures that the information provided in the Pillar 3 document in accordance with Article 450 CRR complies with the prudential regulations and is consistent with the relevant guidelines and policies of the Intesa Sanpaolo Group.
As a public disclosure, the document is accompanied by the declaration of the Manager responsible for preparing the Company's financial reports, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, which confirms that the accounting information contained in the document corresponds to the supporting documentation, ledgers and other accounting records.
The preparation of Financial disclosures to the Market is one of the processes subject to assessment under the Group "Administrative and Financial Governance Guidelines", which were also approved by the Board of Directors.
The disclosure is prepared in accordance with the internal processes and control systems that have been adopted by the Bank.
Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

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

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

References to the regulatory disclosure requirements

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

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

Reference to the requirements of Regulation 2021/637, EBA GL 2020/07 and EBA GL 2020/12

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

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

EU CRB	Additional disclosure related to the credit quality of assets	Annual	Section 7 – Credit risk: Credit quality
EU CR1	Performing and non-performing exposures and related impairment and provisions	Half-yearly	
EU CR1-A	Maturity of exposures	Half-yearly	
EU CR2	Changes in the stock of non-performing loans and advances	Half-yearly	
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	N/A**	
EU CQ3	Credit quality of performing and non-performing exposures by past-due days	Half-yearly	
EU CQ4	Quality of non-performing exposures by geography	Half-yearly	
EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	Half-yearly	
EU CQ1	Credit quality of forborne exposures	Half-yearly	
EU CQ2	Quality of forbearance	N/A**	
EU CQ6	Collateral valuation – loans and advances	N/A**	
EU CQ7	Collateral obtained by taking possession and execution processes	Half-yearly	
EU CQ8	Collateral obtained by taking possession and execution processes - vintage breakdown	N/A**	
Table 1***	Information on loans and advances subject to legislative and non-legislative moratoria	Half-yearly	
Table 2***	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Half-yearly	
Table 3***	Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Half-yearly	
EU CRD	Qualitative disclosure requirements related to standardised approach	Annual	Section 8 – Credit risk: Disclosures on portfolios subject to the standardised approach
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Half-yearly	
EU CR5	Standardised approach - Exposures post CCF and CRM	Half-yearly	
EU CR5 bis	Standardised approach - Exposures before CCF and CRM	Half-yearly	
EU CRE	Qualitative disclosure requirements related to IRB approach	Annual	Section 9 – Credit risk: Disclosures on portfolios subject to IRB approaches
EU CR6-A	Scope of the use of IRB and SA approaches	Annual	
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Half-yearly	
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Half-yearly	
EU CR10	Specialised lending and equity exposures under the simple risk weight approach	Half-yearly	
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Half-yearly	
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Annual	
EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	N/A	
EU CRC	Qualitative disclosure requirements related to CRM techniques	Annual	Section 10 – Credit risk mitigation techniques
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Half-yearly	
EU CCRA	Qualitative disclosure related to CCR	Annual	Section 11 – Counterparty risk
EU CCR1	Analysis of CCR exposure by approach	Half-yearly	
EU CCR2	Transactions subject to own funds requirements for CVA risk	Half-yearly	
EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Half-yearly	
EU CCR3 bis	Standardised approach – CCR exposures by regulatory exposure class and risk weights – Amounts without risk mitigation	Half-yearly	
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Half-yearly	
EU CCR5	Composition of collateral for CCR exposures	Half-yearly	
EU CCR6	Credit derivatives exposures	Half-yearly	
EU CCR8	Exposures to CCPs	Half-yearly	

EU SECA	Qualitative disclosure requirements related to securitisation exposures	Annual	Section 12 – Securitisations
EU SEC1	Securitisation exposures in the non-trading book	Half-yearly	
EU SEC2	Securitisation exposures in the trading book	Half-yearly	
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor	Half-yearly	
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor	Half-yearly	
EU SEC5	Exposures securitised by the institution – Exposures in default and specific credit risk adjustments	Half-yearly	
EU MRA	Qualitative disclosure requirements related to market risk	Annual	Section 13 – Market risk
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Annual	
EU MR1	Market risk under the standardised approach	Half-yearly	
EU MR2-A	Market risk under the Internal Model Approach (IMA)	Half-yearly	
EU MR3	IMA values for trading portfolios	Half-yearly	
EU MR4	Comparison of VaR estimates with gains/losses	Half-yearly	
EU PV1	Prudent valuation adjustments (PVA)	Annual	
EU ORA	Qualitative information on operational risk	Annual	Section 14 – Operational Risk
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Annual	
EU IRRBBA	Qualitative information on interest rate risk of non-trading book activities	Annual	Section 16 - Interest rate risk on positions not included in the trading book
EU IRRBB1	Interest rate risk of non-trading book activities	Half-yearly	
EU AE1	Encumbered and unencumbered assets	Annual	Section 17 – Encumbered and unencumbered assets
EU AE2	Collateral received and own debt securities issued	Annual	
EU AE3	Sources of encumbrance	Annual	
EU AE4	Accompanying narrative information	Annual	
EU LRA	Disclosure of LR qualitative information	Half-yearly	Section 18 - Leverage ratio
EU LR2	LRCom – Leverage ratio common disclosure	Half-yearly	
EU LR1	LRSum – Summary reconciliation of accounting assets and leverage ratio exposure	Half-yearly	
EU LR3	LRSpl – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Half-yearly	
EU REMA	Remuneration policy	Annual	Section 19 – Remuneration policy
EU REM1	Remuneration awarded for the financial year	Annual	
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	
EU REM3	Deferred remuneration	Annual	
EU REM4	Remuneration of 1 million EUR or more per year	Annual	
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	
EU CCA	Own Funds: Main features of regulatory own funds instruments	Quarterly (instruments issued in the period)	Attachment 1
EU CC1	Own Funds: Composition of regulatory own funds	Quarterly	Attachment 2

* EBA GL 2020/12 "Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a CRR to ensure compliance with the CRR 'quick fix'".
** As at 31 December 2021 not applicable for the Intesa Sanpaolo Group because NPL ratio < 5%.
*** EBA GL 2020/07 "Guidance on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis".

Section 1 - General requirements

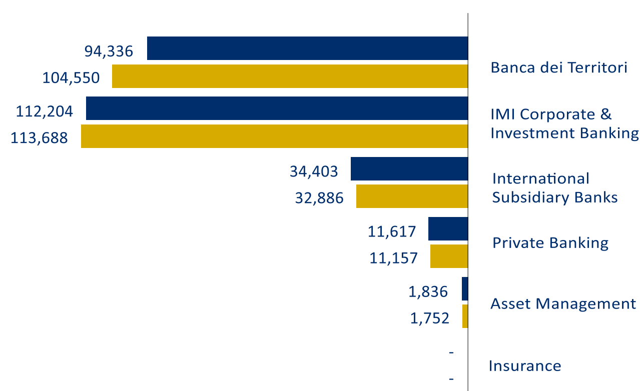
Group's risk profile: key indicators as at 31 December 2021

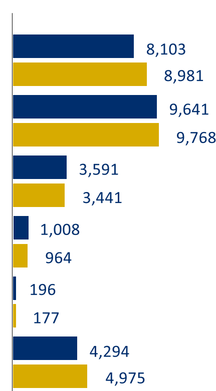
Consolidated capital ratios (%)

	31.12.2021	31.12.2020
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	14.5	14.7
TIER 1 Capital / Risk-weighted assets	16.4	16.9
Total own funds / Risk-weighted assets	19.1	19.6
Own funds	62,452	67,933
Risk-weighted assets (millions of euro)	326,903	347,072
Absorbed capital (millions of euro)	30,848	33,494

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

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



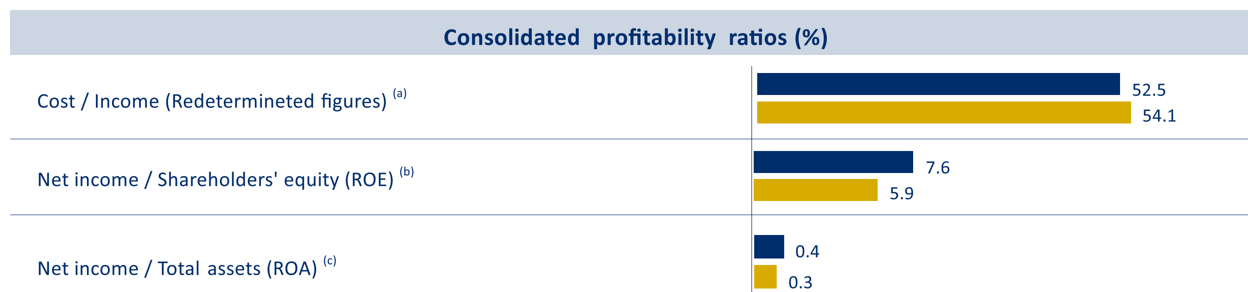


(*) Excluding Corporate Centre

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

31.12.2021

31.12.2020

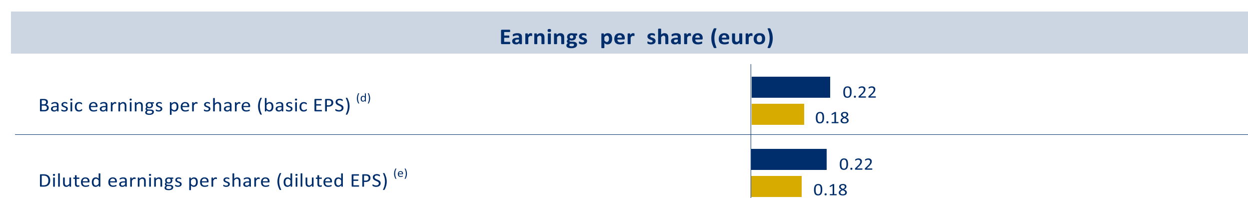


Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

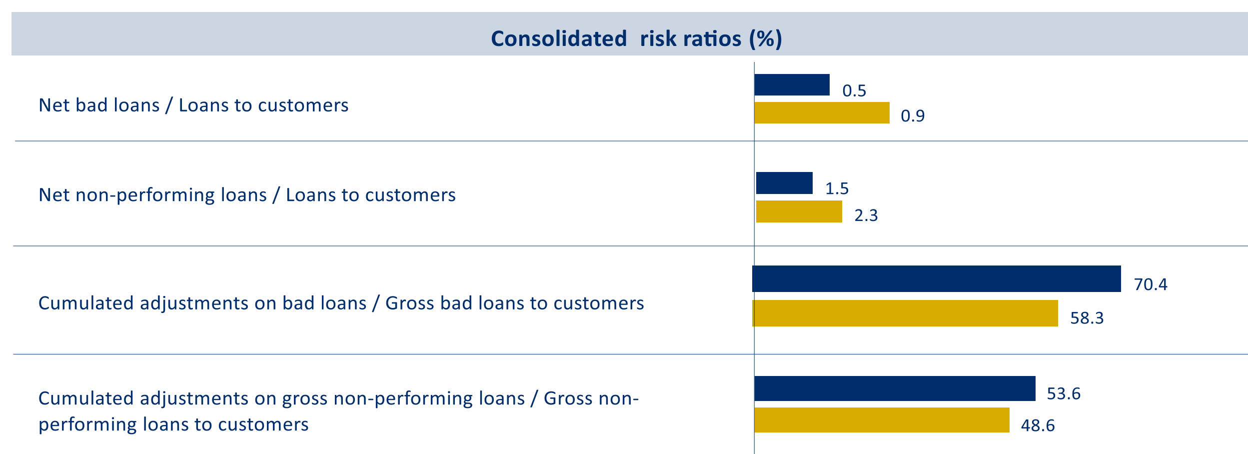
(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments and income for the period.

(c) Ratio between net income and total assets.



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

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



2021 (Income statement figures)
31.12.2021 (Balance sheet figures)

2020 (Income statement figures)
31.12.2020 (Balance sheet figures)

General risk management principles

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

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

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

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

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

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

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

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

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

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

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

In compliance with the EBA guidelines (EBA/GL/2015/02) concerning the "Minimum list of quantitative and qualitative recovery plan indicators", the Group includes asset quality, market-based and macroeconomic indicators, to ensure consistency with its Recovery Plan.

The control of the main specific risks is implemented by establishing specific limits and mitigation actions to be taken in order to limit the impact of particularly severe future scenarios on the Group. These limits and actions regard the typical risks of the Groups activity, such as credit risk, market risk and interest rate risk, as well as the most significant risk concentrations such as, for example, concentration on single counterparties, sovereign risk and public sector risk, as well as other types of operations deemed worthy of specific attention by the Corporate Bodies (e.g. transactions exposed to valuation risk, exposure

to associated entities[1]).
Within the monitoring of the specific risks, the Credit Risk Appetite (CRA) Framework, a specific RAF for credit risk introduced in 2015, identifies areas of growth for loans and areas to be monitored, using an approach based on ratings and other predictive statistical indicators, to guide lending growth by optimising the management of risk.
The CRA limits are approved within the RAF and are continuously monitored by the Banca dei Territori Risk Management Head Office Department and the IMI CIB Risk Management Head Office Department. These contributed to improving the risk profile of the loan portfolio in terms of expected loss and the distribution of loans by risk class. In order to ensure homogeneous treatment of customers, guarantee the continuity of current operations and a consistent monitoring of Group risks, the Credit Risk Appetite (CRA) framework of Intesa Sanpaolo was applied until the merger also to the scope of UBI Banca and IW Bank, defining specific operational limits as well as the governance for managing breaches of the limits in line with that is already in place in Intesa Sanpaolo.

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

In addition to the limits themselves, Early Warning thresholds may be defined, the exceeding of which is promptly discussed in the competent managerial committee[2].
Defining the Risk Appetite Framework is an articulated process headed by the Chief Risk Officer, which involves close interaction with the Chief Financial Officer and the Heads of the various Divisions, is developed in line with the ICAAP, ILAAP and Recovery Plan processes, and represents the risk framework in which the Budget and Business Plan are developed. This ensures consistency between the strategy and the risk-taking policy and the Plan and Budget process.
Within the annual RAF update process, it is possible to identify the following phases:
- definition of the scope of RAF risks: risks are identified continuously within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard the Group Long term viability. The activity is formalised within the Group’s Risk Identification process. The scope of RAF risks is thus defined starting with that process, paying particular attention to the evolution of the risks for which specific limits and/or risk strategy actions are deemed necessary;
- formulation of the limits proposal: in general, the RAF limits are defined according a prudential approach. However, the criteria adopted to determine the risk limits differ depending on whether related to control of the Overall Group risk or to control of the Main Specific Group Risks;
- reconciliation between the RAF, Business Plan and Budget: consistency between the RAF and the Business Plan/Budget is sought in all phases of the related preparation procedures through a process of mutual consultation and dialogue that lasts for several months, involving not only the structures of the Chief Risk Officer Governance Area and the Chief Financial Officer Governance Area but also the Business Divisions/Structures;
- approval of the RAF: in line with the provisions of the applicable regulations, the Board of Directors defines and approves the risk objectives, the tolerance threshold (where identified) and the risk governance policies.

The RAF is updated every year, in view of the preparation of the Annual Budget and/or the Business Plan. During the year, when significant events occur, such as exceptional changes in the market context in which the Group operates, significant changes in the configuration of the Group and/or its strategy or based on direct instructions from the Board of Directors, also through the Risks Committee, the Chief Risk Officer Governance Area assesses whether the RAF is still adequate and, if necessary, proposes partial or full revisions to the framework.

The definition of the Risk Appetite Framework and the consequent operational limits for the main specific risks, the use of risk measurement instruments in credit management and operational risk control processes, the use of capital-at-risk measures for corporate performance reporting and assessment of the internal capital adequacy of the Group represent fundamental milestones in the operational application of the risk strategy defined by the Board of Directors along the Group’s entire decision-making chain, down to the single operational units and to the single desks.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas, in a comprehensive framework of limits and procedures for governance and control.

As part of correct risk assessment and the development of an adequate system of monitoring and control to mitigate them, the Chief Risk Officer, with the support of the Chief Compliance Officer, where envisaged, conducts a preventive risk assessment of Most Significant Transactions (“MSTs”) – understood as transactions of particular importance of the proprietary type or with individual customers or counterparties or that potentially have a significant impact on the overall risk profile and/or

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

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

on specific risks of the Group, as defined in the RAF – in order to ensure the assumption of a risk level acceptable for the Group and in line with the RAF. The MST governance model also requires that the Chief Risk Officer reports every six months on the activities carried out to the Corporate Bodies, specifically to the Board of Directors, the Risks Committee, the Management Control Committee and the Steering Committee.

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

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

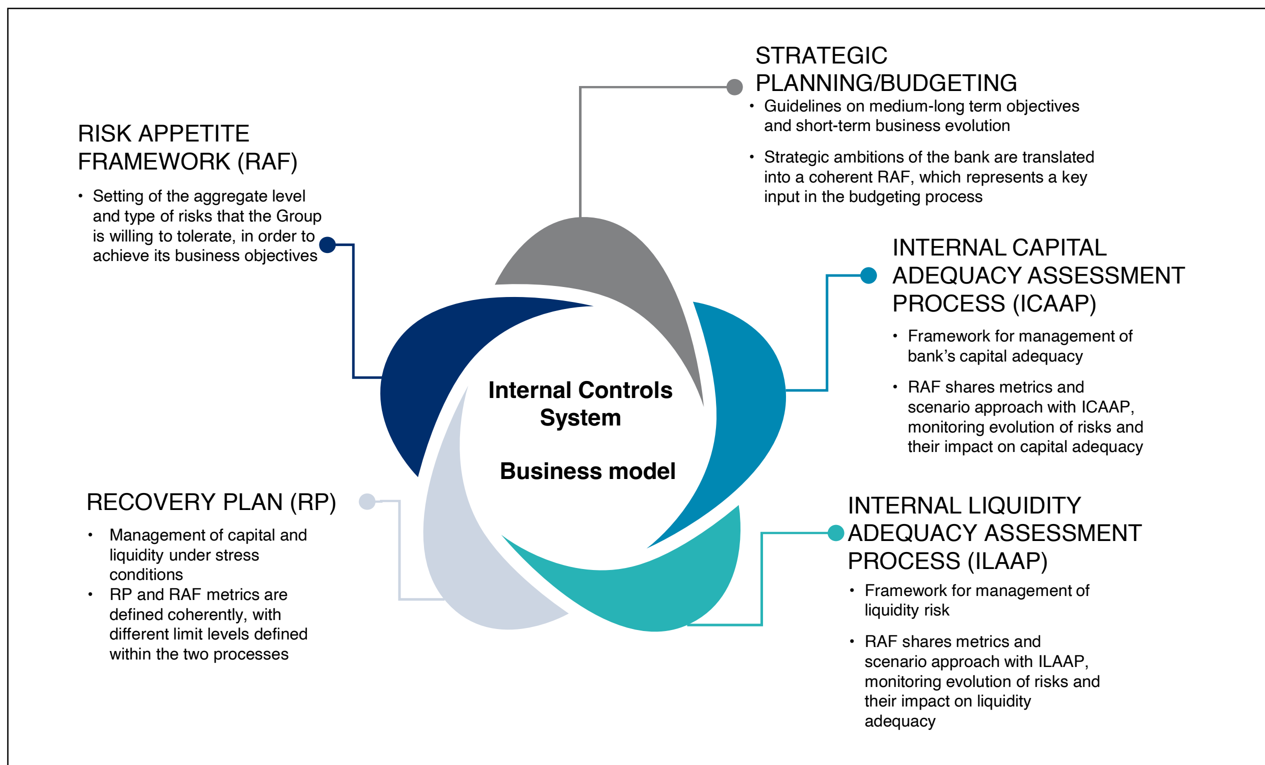
The scope of analysis also includes the insurance segment to better capture the specific characteristics of the Group's business model (financial conglomerate).
The quantitative reconciliation between regulatory requirements and management estimates of capital adequacy is set out in a specific document attached to the ICAAP, which reports the differences in scope and definition of risks considered in both areas, as well as the differences, where appreciable, between what is considered in the two perspectives in terms of the main parameters (e.g. confidence interval and holding period) and assumptions (such as those relating to the diversification of effects).

The Group is required to provide a Recovery Plan according to indications received by Supervisory Authorities. The Recovery Plan is governed by the European Bank Recovery and Resolution Directive – BRRD - 2014/59/EU, transposed into Italian law by Legislative Decrees no. 180 and no. 181 of 16 November 2015 and the Bank Recovery and Resolution Directive – BRRD II – Directive 2019/879/EU, transposed into Italian law by Legislative Decree no. 193 of 8 November 2021, in force from 1 December 2021, and establishes the methods and measures to be used when an institution comes under severe stress and in an early intervention phase, in order to restore financial strength and long-term viability.
Within the annual preparation process for the Recovery Plan, the Chief Risk Officer Governance Area identifies the stress scenarios suitable of highlighting the main vulnerabilities of the Group and its business model (e.g. significant exposure to the domestic market), as well as measuring their potential impacts on the Group's risk profile.
In light of the crisis caused by the continuation of the health emergency, to prepare the 2021 Recovery Plan stress scenarios were developed based on the potential economic and financial fall-out of the COVID-19 pandemic.
Following the publication of the European Banking Authority's Final Report on Recommendation on the coverage of entities in a group recovery plan (EBA/Rec/2017/02), dated 1 November 2017, Intesa Sanpaolo has adopted specific criteria for the classification of Group companies among:

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

The application of these criteria to the Group scope has led to the Parent Company as well as Fideuram, the VUB Group, Banka Intesa Sanpaolo d.d., Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, CIB Group, the Privredna Banka Zagreb Group, Banca Intesa Beograd and Intesa Sanpaolo Romania, being classified among the Group-relevant entities. The remaining companies are included in the category of not relevant entities. The above breakdown is consistent with the scope covered by the 2020 Recovery Plan.

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



Stress Tests

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

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

Intesa Sanpaolo distinguishes between the following types of stress tests:

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

With specific reference to regulatory multi-risk tests, it is noted that on 30 July 2021, the results were announced of the 2021 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in collaboration with the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB), which also involved the Intesa Sanpaolo Group.
Intesa Sanpaolo noted the announcements made by the EBA and fully acknowledged the outcomes of the exercise. The Intesa Sanpaolo fully loaded CET1 ratio resulting from the stress test for 2023, the final year considered in the exercise, stood at 15.06% under the baseline scenario and 9.38% under the adverse scenario, compared to the starting-point figure of 14.04% as of 31 December 2020. It should be noted that the 2021 EU-wide stress test does not contain a pass/fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will be used by the competent authorities in assessing Intesa Sanpaolo's ability to meet applicable prudential requirements under stressed scenarios. Please note that: (i) the adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023); (ii) the stress test was carried out applying a static balance sheet assumption as of

December 2020; therefore, it does not take into account future business strategies and management actions. The fully loaded CET1 ratio under the adverse scenario would be 9.97% restoring the actual neutral effect on capital ratios of the 2018-2021 Long-term Incentive Plan LECOIP 2.0 based on financial instruments, not captured by stress test assumption of a static balance sheet, and considering the sale transactions of the going concerns - related to the acquisition of UBI Banca in 2020 - finalised in the first half of 2021, other things being equal.
During 2021, the Intesa Sanpaolo Vita Insurance Group participated in the 2021 Insurance Stress Test conducted by EIOPA in partnership with the European Systemic Risk Board (ESRB). The objective of the stress test, which involved 44 insurance groups at European level, was to test the resilience of the European insurance sector in a scenario of long-term COVID-19 featuring lower for longer interest rates, both in terms of capital adequacy and liquidity. The results of the exercise, published at aggregate level, demonstrated the resilience of the European insurance sector also under adverse economic conditions, both in terms of capital and liquidity adequacy.
In 2022 Intesa Sanpaolo will participate in the SSM Climate Risk Stress Test 2022, which will be conducted by the ECB on the figures of banks as at 31 December 2021. This is a learning exercise both for banks and for the supervisory authorities, aimed at assessing the vulnerabilities, sector best practices and challenges that banks will have to deal with in managing climate change risk.

Risk Culture

Risk Culture is topic of increasing attention from the Bank, as an essential tool to promote solidity as a crucial value, in a rapidly changing economic context. This is two-sided, as it is an expression of the principles guiding the Group (top-down) on one side, and the values and attitudes of its people on the other (bottom-up). The balance of these two elements was the founding objective of Risk Culture activities in 2021, aimed at strengthening cooperation, awareness and responsibilities in relation to risk, to promoting an approach to work aimed at innovation, ethical sustainability, personal and professional development and the proactive search for solutions. Particular attention was paid to the promotion of the guiding principles, also by systematically and carefully updating the reference documents on risk (e.g. Risks Tableau de Bord, ICAAP, Risk Appetite Framework) and the information set for the exercise of operational activities. In addition, numerous initiatives were promoted during 2021, including:

- workshops/webinars on innovative issues with potential high impact on the Bank's risk profile (e.g., Blockchain and Crypto-assets, Quantum computing, Cybersecurity, Corporate Reputation and ESG Issues);
- the creation of a new intranet page for the CRO Area, dedicated to all colleagues of the Group, which promotes Risk Culture using educational materials with different levels of detail;
- a Risk Culture Assessment, conducted on a significant portion of the Italy Perimeter, which in 2022 will include the remaining business lines, for the purpose of investigating the profile of the Group's Risk Culture. The Assessment was conducted through a questionnaire that assesses the perceptions and opinions on a wide variety of aspects, including: (i) the degree and diffusion of responsibility, (ii) the role of risk-based reasoning in decision-making processes, (iii) the speed of responses to difficulties, (iv) the quality of the reporting and communication processes, (v) the attitude for cooperation, (vi) openness to dialogue and challenging the status quo, (vii) the quality of expertise and propensity to promote talent and experience, and (viii) compliance with rules and guiding principles. The results were compared with those of the same survey conducted on a sample of international peers and to the results of the survey conducted in the Company during 2016-2017. In addition, several questions, not included during 2016-2017 edition nor in the survey proposed to the peers, were also proposed to colleagues with the goal of investigating the perception of emerging risks, specifically in relation to the pandemic and the *new way of working*. The main results showed excellent scores (both compared to the past and compared to peers) and a substantial improvement in many areas that were relatively weak in 2016-2017, confirming the effectiveness of the solutions adopted over these five years, and the commitment to designing new ones;
- in line with previous years, the Risk Culture Ambassador initiative, which entailed the temporary secondment of resources from the Chief Risk Officer Area, receiving the same number of resources from the recipient structure, pertaining to the Chief Lending Officer Area.

Moreover, during 2021, as part of the project of development of the model risk management framework, various internal workshops were held (targeted to the corporate functions in Italy and abroad involved in the life cycle of the model), aimed at promoting and disseminating model risk awareness and the gradual extension and implementation of the framework within the Group.

Risk governance organisation

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

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

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

proposal for the Group, in preparation for the presentation to the Board of Directors, the analysis of the ICAAP and ILAAP Group packages and of the Risks Tableau de Bord;

- the Group Financial Risk Committee is a technical body with decision-making, reporting and consulting powers, focused both on the banking business (proprietary financial risks for banking and trading books, as well as Active Value Management) and the life and non-life insurance business (result exposure to the trend in market variables and technical variables). The functions of said Committee are set out in two sessions:
  - the Risk Analysis and Valuation Session, chaired by the Chief Risk Officer, responsible for evaluating, *inter alia*, in advance of approval by the Board of Directors, the guidelines on undertaking and measuring financial risks and the liquidity risk of the Group, with a view to consistency with the RAF, proposals for operational limits for financial operations referring to interest rate risk of the banking, the trading book and valuation risk defining, within the scope of the powers received, the distribution thereof amongst the Group's major units. It periodically analyses the overall financial risk profile and exposure to liquidity risk and interest rate risk of the Group and the single Group banks and companies, verifying any breaches of the limits and monitoring the approved come-back procedures;
  - the Management Addresses and Operational Choices Session, chaired by the Chief Financial Officer, provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors, in respect of management of the banking book, liquidity, interest rate and exchange risk.
- the Credit Risk and Pillar 2 Internal Models Committee is a technical body with a decision-making, reporting and advisory role. In particular, with regard to the internal risk measurement systems, the Committee acts as the competent Management Committee for:
  - the internal models for the measurement and management of credit risk;
  - the internal models for Pillar 2 risks[3].
- the Group Control Coordination and Non-Financial Risks Committee is divided into specific and distinct sessions:
  - the Integrated Internal Control System Session, with a reporting and advisory role, whose objective is to reinforce coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process;
  - the Operational and Reputational Risk session, with a decision-making, reporting and advisory role, which has the task of supervising the implementation of operational and reputational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall non-financial risk profile, monitoring the implementation of the mitigation actions identified in accordance with indications formulated by the Corporate Bodies and/or the Steering Committee;
  - the Compliance Risk Session, for reporting and consulting purposes, which is tasked with examining the results of the periodic compliance risk assessments.

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

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

- Market, Financial and C&IB Risks Coordination Area;
  - Market and Financial Risk Management Head Office Department;
  - IMI CIB Risk Management Head Office Department;
- Credit Risk Management Head Office Department;
- Banca dei Territori Risk Management Head Office Department;
- Enterprise Risk Management Head Office Department;
- Internal Validation and Controls Head Office Department;

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

- Foreign Banks Risk Governance;
- Coordination of Risk Management Initiatives.

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

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

- Regulatory Compliance Retail and Private Banking Head Office Department;
- Regulatory Compliance Corporate and Investment Banking Head Office Department;
- Compliance Governance and Controls Head Office Department;
- Anti Financial Crime Head Office Department, which is tasked, *inter alia,* with the duties and responsibilities of the anti-money laundering function;
- Compliance Digital Transformation.

The Parent Company performs a guidance and coordination role[4] with respect to the Group companies, aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Corporate Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.
Irrespective of the control model adopted within their company, the corporate bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.

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

The internal control system

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

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

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

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

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

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

The Board of Directors elects a Managing Director from its members, other than the Chairman of the Board, the members of the Management Control Committee or the minimum number of Independent Directors.
The Intesa Sanpaolo Group adopts an internal control system based on three levels, which was also extended during the year to the scope of the former UBI Group, in line with the legal and regulatory provisions in force.

The model has the following types of control:

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

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

The functions assigned to such controls are separate from the ones in charge of production and contribute to the definition of the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent local units of the Group companies, where established:

- Chief Compliance Officer Governance Area, which is assigned the duties and responsibilities of the "Compliance Function", as defined in the reference regulations. The Chief Compliance Officer's Governance Area also includes the Anti Financial Crime Head Office Department, which is tasked with the duties and responsibilities of the "Anti-Money Laundering Function", as defined by the reference regulations;
- Chief Risk Officer Governance Area, which is assigned the role of the risk management function, as defined by the applicable regulations. The Chief Risk Officer Governance Area also includes the Internal Validation and Controls Head Office Department, which is tasked, among other things, with the duties and responsibilities of the "validation function", as defined by the applicable regulations, as well as Level II controls on credit and data quality.

– Level III: internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

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

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

The Risk Management and Internal Validation Function

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank's entire decision-making chain, down to individual operational units. The tasks and functions are discussed in detail in the subsequent chapters of this Part.
Through the Internal Validation and Controls Head Office Department, the Chief Risk Officer Governance Area carries out Level II controls on credit and data quality.
The purpose of the credit controls is to verify the proper classification and provisioning and the adequacy of the management and recovery process for individual exposures (so-called single names).
In general, the control activities development includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.
As part of the overall risk management process, the Department carries out the Level II controls connected with data quality, in line with the internal and external regulations on the matter, with specific focus on the input data used in internal models, in cooperation with the Data Office, the Enterprise Risk Management Head Office Department and Administrative and Financial Governance. In accordance with recent regulatory developments, the Internal Validation and Controls Head Office Department is also responsible for the development, maintenance and oversight of the framework for the model risk governance, aimed at ensuring the identification, assessment, monitoring and mitigation of the risk for all Internal Systems, including the Pillar 1 and 2 risk measurement systems and the systems that are used for accounting purposes. To that end, the Department mainly carries out the following activities, in coordination with the Functions concerned: a) defining and developing the model risk governance and methodological framework to identify models, assign the related priorities and assess and mitigate model risk, including the methodology for quantifying the economic capital buffer for model risk; b) defining, managing and upgrading the Group Model Management platform (Group Model Inventory) with the goal of guaranteeing a complete, updated inventory of the models and tracking of the processes connected to the various phases of their life cycles; c) ensuring the periodic identification and assessment of model risk and the economic capital buffer; d) overseeing the process for assigning priorities to models (tiers) in order to efficiently steer their governance, with specific reference to the levels of detail, analysis and frequency of validation and development activities; e) for the model risk component, contributing to the annual proposal to update the Group RAF and periodically monitoring the model risk appetite indicators; and f) providing periodic disclosure on the Model Risk Management Framework and on the results of the model risk assessments to the Head of the CRO Area, the competent managerial committees and the Corporate Bodies.
Moreover, the Internal Validation and Controls Head Office Department is assigned the validation function, aimed at ensuring the validation at Group level of the internal risk measurement systems, used both for the determination of capital requirements and for non-regulatory purposes, in order to assess their compliance with regulatory provisions[5], operational needs and reference market demands[6].
The internal systems adopted by the Group are validated on first adoption (based on the plans of gradual extension made by the Group) or when changes are made to them, in compliance with the development and validation process approved by the Corporate Bodies. The validation function also ensures the periodic review of internal systems in terms of models, processes, data used and implementations in IT, assessing their adequacy, predictive ability and performance, as well as their compliance over time with regulatory provisions, company needs and changes in the reference market.

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

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

Compliance

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
The responsibilities and duties of the compliance function are assigned to the Chief Compliance Officer, who is independent and autonomous in relation to the operating structures, reports directly to the Corporate Bodies and has access to all activities within the Bank, as well as any significant information for the performance of his/her duties.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Corporate Bodies, which indicate the responsibilities of the various company structures and macro processes to mitigate compliance risk:

- identifying and assessing compliance risk;
- proposing the functional and organisational measures for mitigation of this risk;
- conducting pre-assessments of the compliance of innovative projects, operations and new products and services;
- providing advice and assistance to the governing bodies and the business units in all areas with significant compliance risk;
- monitoring of ongoing compliance, both through control of compliance with regulations by company structures, and through the use of information provided by the other control functions;
- disseminating a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules.

The regulatory scope and the procedures for monitoring regulatory areas that present significant risks of non-compliance for the Group are defined in the aforementioned guidelines. The Chief Compliance Officer submits periodic reports to the Corporate Bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the Group which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.
The Compliance Guidelines call for the adoption of two distinct models in relation to guidance, coordination and control of the Group. These models are organised in such a way as to account for the Group's structure in operational and territorial terms.
In particular:

- for specifically identified Italian Banks and Companies, whose operations are highly integrated with the Parent Company, the compliance supervision is centralised at the Parent Company;
- for the other Companies, that have a legal obligation or have been specifically identified based on the business conducted, as well as the International Branches, an internal compliance function is established and a local Compliance Officer is appointed, which are assigned compliance responsibilities. The local Compliance Officers of the subsidiaries functionally report to the Chief Compliance Officer structures, while those of the International Branches, except where not permitted by local regulations, hierarchically report to the Chief Compliance Officer structures.

Anti-Money Laundering

The duties and responsibilities of the Anti-money laundering Function are assigned, as required by the regulations, to the Anti Financial Crime Head Office Department, which reports to the Chief Compliance Officer, and is therefore independent and autonomous in relation to the operating structures, reporting directly to the Corporate Bodies, and has access to all activities within the Bank, as well as to any significant information for the performance of its duties.
Specifically, as envisaged in the Guidelines for combating money laundering and the financing of terrorism and for managing embargoes and the Group Anti-Corruption Guidelines, the Anti Financial Crime Head Office Department ensures monitoring of compliance risk in the area of money laundering, terrorist financing, breach of embargoes, weapons and corruption (Financial Crime), by:

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

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

Internal Auditing

Internal auditing activities are assigned to the Chief Audit Officer, who reports directly to the Board of Directors (and, on its behalf, to its Chairman), functionally reporting to the Management Control Committee, without prejudice to the appropriate sharing of information with the Managing Director and CEO. The Chief Audit Officer does not have any direct responsibilities for the operational areas.
This function has a structure and a control model which is organised according to the evolution of the organisational structure of Intesa Sanpaolo and of the Group.
The Internal Auditing structures of the Group's Italian and international companies report to the Chief Audit Officer in terms of functions.
The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the Risk Appetite Framework (RAF), the risk management process and risk measurement and control instruments. In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, inter alia, it audits the risk control and regulatory compliance corporate functions, also through participation in projects, so as to generate added value and improve the effectiveness of the control and corporate governance processes.
The audit action concerns directly both Intesa Sanpaolo and the Group companies.
The Internal Auditing Department is also responsible for assessing the effectiveness of the corporate RAF definition process, the internal consistency of the overall framework and compliance of Bank operations with the RAF. The Head of the Internal Auditing Department enjoys due autonomy and independence from the operating structures. The Department has access to all the activities conducted at both the head office departments and the local structures. In the event whereby third parties are assigned activities inherent to the operation of the internal control system (e.g. data processing), the Internal Auditing must have access also to the activities carried out by said entities.
In the context of the RAF, the Chief Audit Officer contributes to the Integrated Risk Assessment conducted by the corporate control functions and by the Manager responsible for preparing the Company's financial reports.
The Department uses personnel with the appropriate professional skills and expertise and operates in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA).
As required by the international standards, the department is subject to an external Quality Assurance Review every five years. The most recent review was carried out at the end of 2018 on the request of the Management Control Committee and concluded in the first quarter of 2019, confirming the highest assessment envisaged ("Generally Compliant"). At the end of 2021, a new assessment was conducted that will end in the first quarter 2022.
In performing its duties, the function uses structured risk assessment methods to identify existing situations of greatest interest and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.
The Chief Audit Officer ensures the proper performance of the internal whistleblowing management process.
The Chief Audit Officer coordinates the "Integrated Internal Control System" session of the Group Control Coordination and Non-Financial Risks Committee.
During the year, auditing was performed directly for the Parent Company as well as for other subsidiaries under an outsourcing contract. For the other Group companies having their own internal audit departments, steering and practical coordination of the local departments was performed to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, were also performed for those companies, as mentioned above.
Any weaknesses detected by the controls were systematically reported to the Corporate Functions involved for prompt remedial action, with appropriate follow-up to monitor the effectiveness of said action.

Summary internal control system assessments from the checks have been periodically submitted to the Management Control Committee and the Board of Directors.
The findings of the audits completed with a negative opinion or with the identification of major shortcomings were sent in full to the Board of Directors, the Managing Director and CEO and the Management Control Committee, as well as the Boards of Directors and Boards of Statutory Auditors of the subsidiaries concerned.
The main weaknesses detected and their development over time have been included in the Audit Tableau de Bord (TdB), with evidence of the ongoing mitigation actions, the parties responsible for implementing them and the relevant deadlines, to ensure systematic follow-up.
Lastly, the Chief Audit Officer ensured constant assessment of its own effectiveness and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of International Standards for the Professional Practice of Internal Auditing. In this context, during 2021, in line with the timing of the 2018-2021 Business Plan, the Function's evolution programme named Future Audit Solutions and Transformation (FAST) came to an end and the new programme, Strategic Audit Innovation Line-up (SAIL), was launched for the period 2022-2025 in line with the new Business Plan.

Manager responsible for preparing the Company's financial reports

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

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

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

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

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

- maintains a system of contact and information flows with the function of the Parent Company and of the Group Companies, in order to ensure the adequacy of balance sheet, income statement and financial positions and the descriptions of the main types of risks and uncertainties to which the Group may be exposed, monitoring the reliability of the acquisition of relevant data and information;
- oversees the internal control system on the financial reporting process:
  - providing a prior opinion of suitability regarding the changes to the existing organisational structure (new internal regulations) that have an impact on the adequacy of the procedures for financial reporting;
  - preparing audit plans aimed at ensuring the adequacy and effective application of administrative and accounting procedures over the period, also by subsidiaries subject to the laws of non-European Union countries in accordance with Art. 15 of the CONSOB Market Regulation;
- acquires, in relation to the impact on the financial reporting process and the reliability of the corporate information, the results of the activities carried out by the Corporate control functions and, in particular, by the Chief Audit Officer, who is responsible for the overall assurance for the internal control system in accordance with the "Integrated Internal Control System Regulation";
- acquires any recommendations formulated by the independent auditors at the end of the process of auditing the separate financial statements of the Parent Company and the consolidated financial statements, as well as the related feedback in terms of measures to improve the procedures that have an impact on accounting data, monitoring their implementation and effectiveness;
- periodically reports on the scope and results of the assurance activities performed, to the Risks Committee, the Management Control Committee and the Board of Directors;
- submits to the Surveillance Body established pursuant to Legislative Decree 231/01 the findings of the audit plan carried out in implementation of the monitoring of the financial reporting process, focusing on preventing the criminal and administrative offences described in the "Organisational, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001".

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

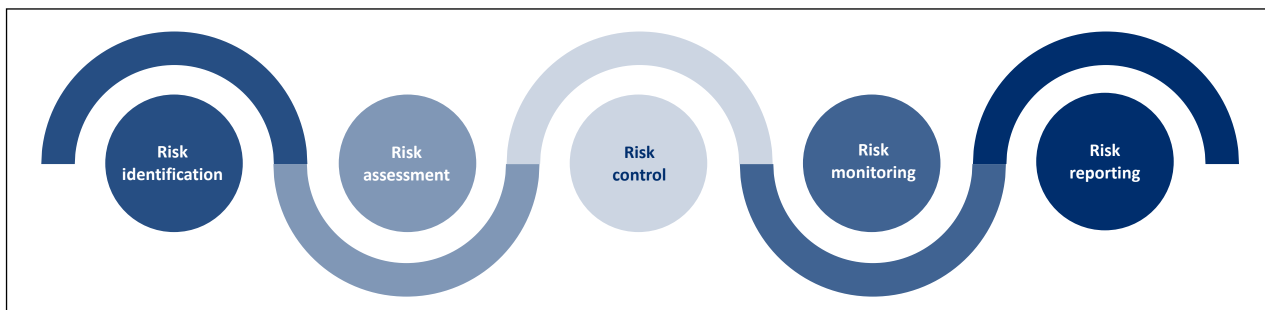
to independent auditors, their networks and their affiliates, in addition to the task of regularly informing the Management Control Committee in this regard.
The Manager responsible for preparing the Company's financial reports also ensures periodic reporting to the Board of Directors regarding the legal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

Scope of risks

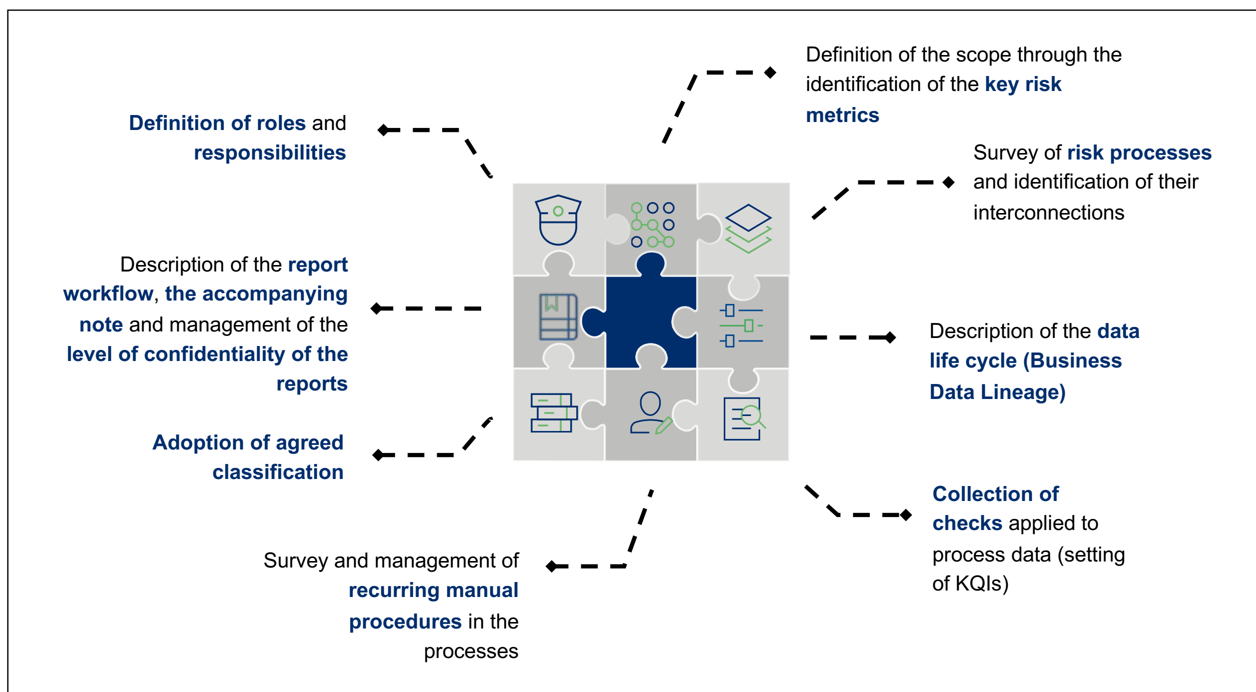
The risks identified, covered and incorporated within the Economic Capital are as follows:
- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book),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

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

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



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



The Group has also strengthened its focus on data quality control, defining processes, roles and responsibilities, reference classifications (quality aspects), identifying the related support instruments and activating, within the Chief Risk Officer Area, a second level control unit over data quality.
The scope of Data & Reporting Governance includes: credit risk, market and counterparty risk, interest rate risk of the banking book, liquidity risk, operational risks and the risk integration process.
Assessments of each single type of risk for the Group are integrated in a summary amount – the Economic Capital – defined as the maximum “unexpected” loss the Group might incur over a year. This is a key measure for determining the Group’s financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks.
In addition to managing the risks described above, Intesa Sanpaolo pays close attention to the identification and monitoring of specific areas of emerging risk, which, in the medium term, could compromise the achievement of the Group’s strategic objectives or significantly influence its financial position and results.

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

With regard to the detail of the different types of risk governed by Basel 3 Pillar 3 Disclosure (credit, counterparty, market, interest rate, liquidity and operational risk), reference is made to the individual sections of this document. With regard to insurance risk, outside the prudential scope, reference is made to Part E of the Notes to the 2021 consolidated financial statements, available for consultation in the “Financial Reports” section of the Group website www.group.intesasanpaolo.com.

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

Strategic risk

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

Reputational risk

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.

The Intesa Sanpaolo Group actively manages its image in the eyes of all stakeholders, by engaging all its Organisational Units and seeking robust, sustainable growth capable of creating value for all stakeholders. In addition, the Group seeks to minimise possible negative effects on its reputation through rigorous and comprehensive governance, proactive risk management and guidance and control of its activities.

The overall management of reputational risk is pursued primarily through:

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

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

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

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

In order to safeguard customers' interests and the Group's reputation, specific attention is also devoted to establishing and managing customers' risk appetite, pursued through the identification of the subjective and objective traits of each customer. The assessments of adequacy during the process of structuring products and rendering advisory services are supported by objective information, that considers the true nature of the risks borne by customers when they undertake derivative transactions or make financial investments.

More specifically, the sale of financial products is also governed by specific preventive risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

ESG (Environmental, Social and Governance) risks and climate change risk

Sustainability, a term referring to the ability to avoid harming the environment and communities, in order to support a medium/long-term economic, social and environmental balance, is a factor of significant, increasing importance for society as a whole. The management of ESG risks thus requires considering not only the impacts of those risks on the Bank's organisation, but also the potential impact on stakeholders and the risks that the Bank exposes its stakeholders and the environment to through its operations.

The Intesa Sanpaolo Group is aware of the importance of fair, responsible allocation of the resources and the influence that a banking group can have in terms of sustainability in both the short and long term and pays particular attention to managing ESG risks, both regarding its operations and relating to the activities of its corporate customers and the sectors considered sensitive, i.e. with a significant ESG risk profile. As part of the risk management framework, the governance of ESG risk factors is outlined in the various primary risk categories (e.g. credit risk, market risk and operational risk) and develops in close integration with the oversight of reputational risk, enhancing the interconnections between these risk profiles. ESG risk, as the risk stemming from the potential negative impacts of a company or activity on the environment, people and communities and also includes risks related to corporate governance, may have impacts on profitability, on reputation and on credit quality and may entail legal consequences.

As part of ESG risks, climate change risk is particularly significant, meaning the risks linked to climate change caused by the accumulation of greenhouse gas in the atmosphere, which may be divided into "physical risks", linked to the physical impact of climate events, and "transition risk", deriving from the process of moving towards a low carbon emission economy, connected with changes in public policy, technology and consumer choices. The Intesa Sanpaolo Group, aware that it has a direct impact on the environment (due, for example, to its consumption of resources) and an indirect impact (through its business activities), has long been attentive to climate change risk. Since 2018 it has supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), committing to disseminate transparent reporting on the risks and opportunities linked to that change. In 2021, the Group voluntarily published its first TCFD, to which reference is made for further details, which describes the choices and controls implemented by the Group in relation to managing ESG and climate change issues.

In general terms, the Group adopts a holistic approach to ESG issues, which is based on:

- defining a Group ESG strategy in line with the guidelines provided by Corporate Bodies, supported by the internal governance structures: Intesa Sanpaolo aims to be a sustainable financial intermediary that generates collective value, aware that innovation, development of new products and services and companies acting in a sustainable manner can

contribute to reducing the impacts of phenomena such as climate change and social inequalities. For this reason, it actively participates in numerous national and international initiatives (UN Global Compact, UN Sustainable Development Goals, United Nations Environment Programme Finance Initiative (UNEP-FI) etc.). In addition, in 2021 the Group, with a commitment to reduce net emissions to zero by 2050, announced its participation in the Net-Zero Banking Alliance, the Net Zero Asset Managers Initiative (NZAMI), the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Insurance Alliance (NZIA);
- its own regulatory framework, which includes the 'Guidelines for the Governance of ESG Risks concerning Lending Operations' and voluntary policies on conduct (Code of Ethics, Principles on Human Rights, "Rules for the environmental and energy policy", "Rules for lending operations in the coal sector", "Rules for lending operations in the unconventional oil&gas sector" and "Rules governing transactions with subjects active in the armaments sector") which also aim to define general and specific criteria for limiting and excluding lending in business sectors considered to have the highest exposure to ESG risks;
- integrating ESG factors in the general Risk Management Framework and, specifically, including in the Risk Appetite Framework a specific section dedicated to ESG and climate change risks, which defines specific limits and criteria for lending to sectors and counterparties with the highest exposure to those risks. Moreover, as regards the Credit Risk Appetite, an indicator that guides managers in assessing counterparties in the phase of credit origination, the risk and resilience factors were connected with ESG elements were developed (an external score was added to these which privileges counterparties with a share of production of sustainable goods or services higher than a specific threshold out of total turnover);
- adopting 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 in the model a score developed internally based on ESG information (large corporate counterparties). 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;
- integrating ESG factors into the credit framework by adopting sector mapping in terms of the potential impact of climate and ESG risks and the assessment of those risks as part of the processes of implementing the Equator Principles (the Group joined the Association in 2007 and adopts the "EP IV", the updated version of the Guidelines on the matter), and ESG & Reputational Risk Clearing Principles. That assessment is particularly important with regard to loans to Corporate customers, specifically for transactions with counterparties operating in sectors classified as sensitive in terms of ESG aspects and those classified as Most Significant Transactions. In this area, in 2021 specific attention was paid to developing a counterparty ESG score to support the decision-making and control processes. The Credit Risk Appetite, sector mapping and counterparty ESG score are, in turn, considered in the Credit Strategy Framework, aimed at guiding, also through specific pricing corrections, the origination of credit to businesses, with the goal of optimising the risk/return combination of the specific portfolio;
- promoting a sound culture of ESG risk oversight in the entire company organisation.

With specific reference to including climate change risk in the Risk Management Framework, specific attention was paid from 2019 to 2021 on developing stress testing and scenario analysis methodologies. During 2021, the architectural and methodological preparation was begun also to support the ECB climate stress test planned for the first half of 2022. The scenario analysis and stress testing framework is based on the following elements:
- a dedicated platform for measuring transition risk on the Large and Mid-Corporate customer segments. The solution in synergy with the climate stress test envisaged by the ECB provides a bottom-up impact assessment on financial statements, that is, at single counterparty level, based on selected stress scenarios (generally coinciding with those set out in the NGFS - Network of Central Banks and Supervisors for Greening the Financial System Framework);
- a calculation engine, specifically developed to measure the transition risk of the SME portfolio. A top-down approach, at aggregated level, is used in this case, with estimates based on sector approximations (enriched with idiosyncratic adjustments, only where available, at single counterparty level). The model provides a series of financial statement projections for single businesses, though starting from the specific sector, exploiting specific scenarios in line with the requests to conduct the stress test required by the ECB;
- the adoption of a specific approach to define the long-term strategic response in line with the achievement of the Group's net zero targets.

These activities are part of the Action Plan presented in May 2021 to the ECB, to implement the expectations of the ECB Guide on Climate Related and Environmental Risks.

With reference to direct environmental risks, Intesa Sanpaolo has defined its own environmental plan, the Climate Change Action Plan, which identifies the Group's medium/long-term objectives to reduce its CO_2 emissions and increase the use of 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.

To favour awareness and engagement of Group customers, a variety of training initiatives have been launched by the Group.

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

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

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

Model risk
Model risk is defined as the potential loss an institution may sustain, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. In continuity with previous years, within the 2021 ICAAP Report, the Internal Validation and Controls Head Office Department updated the model risk assessment (expressed synthetically through a score) of the methodologies supporting the measurement of Pillar 1 and Pillar 2 risks that also contribute to the calculation of the Economic Capital and provided the Enterprise Risk Management Head Office Department with the parameters for the quantification of the model risk economic capital buffer.

Emerging risks
The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.
The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function as part of identifying risk, continuously performed within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard long term viability. In addition to being performed as part of the identification and assessment processes, that activity also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.
Any emerging risks for which a model for calculating economic capital has not been developed are assessed, in any event, using expert-based approaches or using proxies or simplified calculation models in order to guarantee a prudent assessment of the economic capital absorbed.

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

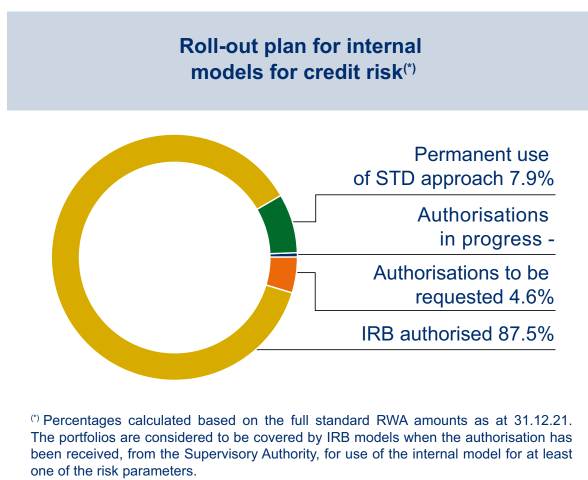
- IT and Cyber risks, in relation to: (i) the increasing dependence on ICT systems and the resulting increase in the number of users of virtual channels and interconnected devices, (ii) exponential growth in the quantity of data managed, which must be high quality and protected, (iii) greater use of IT services offered by third parties (Open Banking, Fintech, Cloud systems), and (iv) low production costs of new attack techniques with the presence of organisation with specific skills and experience;

- risks connected with the digital transformation process linked to the increase in competition triggered by digitalisation in the financial sector (e.g. entry of new competitors) and the vulnerability that still marks the current operating context (e.g. costs of the digitalisation process, obsolescence of legacy systems and fragmentation of the regulatory framework);
- third party risk, in relation to: (i) greater dependence on systems and services offered by third parties (both regarding the outsourcing of company processes and the growing dependence on providers of cloud or IT services in general).

The ongoing evolution of the internal and external operating context requires the continuous updating of the current risk management frameworks, to maximise their effectiveness in identifying and mitigating the Group's potential exposure. In that sense, a series of projects have been launched to optimise the Group's Digital Operational Resilience profile, specifically by developing the current assessment processes towards more timely, data driven approaches.
Moreover, in order to effectively oversee that development, in addition to accelerating the digitalisation process in order to increase long-term profitability and take advantage of new commercial opportunities (also considering the harsh pressures on the net interest income and fee and commission income), the Group continued to guarantee investments to:
- continuously expand Cybersecurity controls (including customer awareness campaigns), in line with best practices and the specific international standards, as well as to gradually upgrade ICT systems (e.g. digitalise services, internationalise the business and activate cloud services);
- expand monitoring and control of third parties, also considering the increased complexity of relationships;
- develop the knowledge and skills of internal resources (e.g. Upskilling/Reskilling programmes, increase awareness of issues of ICT, Cyber, Third Party and ESG Risks).

The Basel 3 regulations

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.
With regard to credit risks, the ECB's authorisations to use the new Institutions and Retail SME models for regulatory purposes were implemented starting from June 2021.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension to the Italian subsidiaries originating from the former UBI Group and the international subsidiaries (according to the Group's roll-out plan) continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.
With regard to the progress of the roll-out plan for the internal models for credit risk, the share of exposures authorised for the IRB system is 87.5% of the loans portfolio. There are no pending authorisations, while requests to be made for the remaining portfolios of the Group's Italian and international banks represent 4.6% of the portfolio. For the remainder, equal to 7.9%, the permanent use of the Standardised approach has been reported to the supervisory authorities.



(*) Percentages calculated based on the full standard RWA amounts as at 31.12.21. The portfolios are considered to be covered by IRB models when the authorisation has been received, from the Supervisory Authority, for use of the internal model for at least one of the risk parameters.

With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3.
For reporting purposes, the Parent Company is authorised to use the internal models approach for the reporting of the requirement with respect to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos and securities lending). This authorisation was obtained for derivatives from the first quarter of 2014, and for SFTs from the report as at 31 December 2016.
For management purposes, the advanced risk measurement approaches have been implemented for the OTC derivatives of the Parent Company since 2010 and were subsequently extended in 2015 to Securities Financing Transactions.
With respect to 31 December 2020, the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. In compliance with the regulatory transaction thresholds, several of the Group's international subsidiary banks have adopted simplified methods for calculating exposures.

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. Please note that, on 30 June 2021, the Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 July 2021) and IW Bank Private Investments. Moreover, on 31 December 2021, the extension of the advanced approach to UBI Factor (merged by incorporation into Intesa Sanpaolo S.p.A. on 25 October 2021), to Pramerica SGR and to Pramerica Management Company (incorporated into Eurizon Capital SGR S.p.A. and into Eurizon Capital S.A., respectively, on 1 July 2021) was authorised. The current scope of the Advanced Measurement Approach (AMA) is therefore comprised of Intesa Sanpaolo and the main banks and companies in the Private Banking and Asset Management Divisions, as well as by VUB Bank and PBZ Banka.

Other risk factors

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

Interest Rate Benchmark Reform – General aspects

In recent years, the European benchmark rates have been undergoing extensive reform, largely due to the introduction of the European regulation on benchmarks (Benchmark Regulation, Regulation (EU) 2016/1011), published in 2016 and in effect since January 2018. This Regulation, which was partially revised at the end of 2020, establishes precise rules for contributors, users and administrators of benchmarks and also requires that the fixings for those benchmarks be determined, as far as possible, on the basis of actual transactions concluded on the relevant markets, in accordance with the recommendations from the Financial Stability Board and the IOSCO Principles, in view of the central role of the benchmark rates for the proper functioning of the global financial system.
In the specific case of the short-term benchmark rates declared critical by the European authorities, reforms relating to the following were required:

- Euribor: the revision by the EMMI (European Money Market Institute) of the method for determining fixings ("hybrid" method), using transactions concluded on the unsecured money market of up to 12 months by provider banks, where available, came into full effect from November 2019; only where the latter are lacking on all or some maturities will recognition based on proprietary algorithms of the administrator be triggered in an initial phase, and where these are insufficient, the cost of funds curves produced by the single provider banks will be activated, based on suitably approved and documented methodologies. The 2019 reform was managed in full continuity with regard to the measurement of the market of reference, the determination and the use of fixing. As required by the Benchmark Regulation, the methodology is reviewed annually by the Administrator, who has implemented the updates from April 2021 with the aim of making it as robust as possible through a partial revision of the scope of the transactions included in the calculation. The review was announced in November 2021, and its results will be communicated during 2022, confirming not only compliance with the obligations of the regulation but also the intention to continuously increase the reliability and representativeness of the index.
- Eonia: from October 2019, the fixings have been calculated using the risk-free rate published by the European Central Bank (€STR rate), identified on the basis of the overnight transactions concluded by the major European banks and reported according to the rules imposed by the Money Market Statistical Reporting (EU 2014/1333). The Eonia fixing was published on 3 January 2022, with the last recording referring to 31 December 2021. Subsequently it was permanently replaced by €STR plus a fixed spread of 8.5 basis points, quantified and made official by the ECB based on historical information. In October 2021, the European Commission designated €STR also as the interest rate to be applied when a statutory replacement of the Eonia is required.

The €STR rate also constitutes the basis for the calculation of the Euribor fallback rate, to be indicated in the contracts and to be used in the event of any future permanent cessation of publication of the Euribor. To facilitate the calculation of replacement rates, since April 2021 the ECB has been publishing daily the Compounded €STR Index and compounded €STR average rates, which have been included as one of the possible alternatives in the recommendations of the Working Group on euro risk free rates published in May 2021.
Outside the borders of the Eurozone, on 5 March 2021 the Financial Conduct Authority (FCA) – in coordination with the administrator of the Libor, the ICE Benchmark Administration – announced 31 December 2021 as the last date for the publication of Libor interest rates in pounds sterling, euro, Swiss Francs and Japanese yen, as well as of 1-week and 2-month LIBOR USD rates. The LIBOR USD rates on other maturities (overnight, 1, 3, 6 and 12 months) will continue to be published up to 30 June 2023, mainly to enable the transition of those contracts for which it is extremely difficult to convert to an interest rate other than the Libor or to make an amendment to add a fallback rate in a short time.

In the last few years, the authorities in the various jurisdictions, the central banks, associations and market operators have actively worked to identify the risk-free rates (RFR) that could be used as the new benchmarks on the monetary markets: from 2016 onwards, various working groups created within their respective jurisdictions have identified and indicated, also through official recommendations, the risk-free rates that will act as fallback rates for the Libor and which, in addition to complying with the IOSCO principles, will be more representative of the real market conditions, as they are based on actual transactions with significant, stable volumes.

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

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

Fonte: ICE Benchmark Administration, Intesa Sanpaolo

At the same time as the FCA's announcement, the International Swaps and Derivatives Association (ISDA) established the rules for the transition of derivative contracts between counterparties adhering to the ISDA protocol, at the same time defining the values of Credit Adjustment Spreads to be applied in the transition to RFR in the manner already established and approved for the calculation of the Libor fallbacks.

Lastly, with regard to the US dollar, the main currency involved in the elimination of the Libor, in July 2021 the Alternative Reference Rates Committee (ARRC) took action on two fronts to accelerate the transition of the USD:
- announcement of the conventions and recommendations of best practices for using the SOFR Term Rates in existing contracts to define the fallbacks and in new contracts to be activated for the purpose of permanent elimination of the Libor;
- the CME Group's formal recommendation on using the forward-looking Secured Overnight Financing Rate (SOFR) term rates (SOFR Term Rates) as the preferred rate to replace the Libor, thus increasing the clarity on the various alternative rates on the US market.

Information on the governance system

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

One-tier governance system

Intesa Sanpaolo adopts the one-tier governance system and therefore operates through a Board of Directors, within which guidance and strategic supervision powers converge; the control functions are carried out by the Management Control Committee, established within the Board of Directors, made up entirely of Independent Directors appointed by the Shareholders' Meeting; the Managing Director and CEO supervises the company's management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors.
The practical application of the one-tier system to the Bank's structure is marked by a clear division of roles and responsibilities between the Governing Bodies:
- the Board of Directors of the Company is assigned the guidance and strategic supervision duties and the duty to resolve on all the relevant corporate deeds;
- the internal Board Committees support the Board of Directors in carrying out its functions in order to facilitate the taking of fully informed decisions;
- the Management Control Committee performs the powers and functions conferred by the current regulations upon the body with the control function and upon the internal control and audit committee, pursuant to Legislative Decree 39/2010;
- the Managing Director and CEO performs the day-to-day management function, within the scope of the powers delegated by the Board of Directors;
- the Managers support the Managing Director and CEO in performing the day-to-day management function: as Managerial Committees, in performing the tasks and powers assigned to them by the Board of Directors and detailed within the scope of specific Regulations which govern the functioning thereof.

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

The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, including non-shareholders, appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders. Board Members remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected.
The Shareholders' Meeting of Intesa Sanpaolo, held on 30 April 2019, determined the number of members of the Board of Directors as 19 and appointed the Board of Directors for the 2019/2020/2021 financial years, electing as its Chairman Gian Maria Gros-Pietro and as Deputy Chairperson Paolo Andrea Colombo. The election took place on the basis of slates of

candidates who meet the requirements envisaged by law and by the Articles of Association. The Shareholders' Meeting of 27 April 2020 subsequently supplemented the Board, following the resignation of two Directors.
The Board of Directors is responsible for corporate management: it may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration.
The Board has guidance and strategic supervision duties over the Company and the duty to pass resolutions on all the most important corporate actions.
With regard to its corporate management duties, the Board of Directors, without prejudice to the powers reserved for it, delegates to the Managing Director the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines decided by the same Board. The Board of Directors determines the content, limits and methods of exercise of the powers granted to the Managing Director and CEO and establishes the methods whereby the Board of Directors is to receive information concerning the delegated activity.
The Board of Directors' meeting held on 2 May 2019 appointed Carlo Messina as Managing Director, thereby granting him the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the Board.
The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors. He determines and issues operational directives and is responsible for personnel management.
The Board of Directors has established four internal committees, the prerogatives and duties of which comply with the provisions of the Articles of Association and the Supervisory regulations in force:
- Nomination Committee: it performs investigative and consulting functions to support the Board of Directors in the process of appointment or co-option of the Board Members to ensure that the composition of the body, in terms of size and professionalism, makes it possible to fulfil its duties efficiently, and as part of the process for the appointment of the Bodies of the main subsidiaries.
- Remuneration Committee: it proposes, advises and enquires on remuneration and incentive matters, thereby supporting the Board of Directors.
- Risks Committee: it supports the Board of Directors in the performance of strategic supervision functions regarding risks and the internal control system, and performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- Committee for Transactions with Related Parties: it carries out the tasks assigned to it by the rules on transactions with related parties and associated entities; in particular, it issues its opinion on the transactions that fall within the scope of application of the rules and of the internal regulations.

The Management Control Committee

The Management Control Committee, established as part of the Board of Directors, consists of 5 members of the Board of Directors elected by the Meeting of 30 April 2019, who appointed as its Chair Alberto Maria Pisani.
The Shareholders' Meeting of 27 April 2020 replaced a member of the Committee, following the resignation of another member. All Committee members meet the independence requirements defined by the Articles of Association.
The Management Control Committee performs the duties assigned by current legislation to the control body of a parent company of a banking group heading a financial conglomerate and issuing listed shares and also operates as the Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c) of Legislative Decree no. 39/2010.
The Management Control Committee oversees, amongst other things:
- compliance with legal and regulatory provisions and the Articles of Association and the principles of correct management;
- the adequacy, efficiency and functionality of the company's organisational structure and administrative-accounting system and its suitability to correctly represent the company operations;
- the adequacy, efficiency and functionality of the internal control system and risk management process;
- compliance with the regulations applicable to Intesa Sanpaolo as the Parent Company of a banking group issuing shares listed on regulated markets.

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

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

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

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

Director	Office	E/NE	Company/Entity	R
Gian Maria Gros-Pietro	Member of the Board of Directors		ABI – Italian Banking Association	
	Member of the Board of Directors	NE	ABI Servizi S.p.A.	•
	Member of the Board of Directors		LUISS – Università Guido Carli	
Paolo Andrea Colombo	Member of the Board of Directors	NE	Colombo & Associati S.r.l.	•
	Chair of the Board of Statutory Auditors	NE	Humanitas S.p.A.	•
Carlo Messina	Member of the Board of Directors		Bocconi university	
	Member of the Board of Directors		ABI – Italian Banking Association	
Franco Ceruti	Chair Board of the Board of Directors	NE	Intesa Sanpaolo Expo Institutional Contact S.r.l. (1)	
	Chair Board of the Board of Directors	NE	Società Benefit Cimarosa 1 S.p.A. (1)	
	Member of the Board of Directors	NE	Intesa Sanpaolo Private Banking S.p.A. (1)	
	Chair Board of the Board of Directors		Fondazione per l'Innovazione del Terzo Settore	
	Member of the Board of Directors		Milan Monza Brianza Lodi Chamber of Commerce	
Anna Gatti	Member of the Board of Directors	NE	WiZink Bank S.A.	•
	Member of the Board of Directors	NE	Fiera Milano S.p.A.	•
	Member of the Board of Directors	NE	Wizz Air Holdings PLC	•
Rossella Locatelli	Chair of the Board of Directors	NE	B.F. S.p.A. (2)	•
	Chair of the Board of Directors	NE	B.F. Agricola S.r.l. - Società Agricola (2)	
	Member of the Board of Directors	NE	Società per la Bonifica dei Terreni Ferraresi S.p.A. (2)	
	Member of the Board of Directors	NE	Consorzi Agrari d'Italia S.p.A. (2)	
	Member of the Supervisory Board	NE	Darma Asset Management SGR S.p.A. in compulsory administrative liquidation	
Maria Mazzarella	-			
Luciano Nebbia	Deputy Chair of the Board of Directors	NE	Equiter S.p.A.	•
	Member of the Board of Directors		Fondazione Parchi Monumentali Bardini Peyron	
Bruno Picca	Member of the Management Board		National Interbank Deposit Guarantee Fund – Voluntary Scheme	•
Livia Pomodoro	Chair of the Executive Board		Milan Center for Food Law and Policy	
	Chair of the Board of Directors		Accademia di Belle Arti di Brera	
	Member of the Executive Board		Fondazione Sodalitas	

Director	Office	E/NE	Company/Entity	R
	Member of the Board of Directors	NE	Febo S.p.A.	•
	Member of the Board of Directors		Touring Club Italiano	
Andrea Sironi (*)	Chair of the Board of Directors	NE	Borsa Italiana S.p.A.	•
	Chair of the Steering Committee		Fondazione AIRC per la Ricerca sul Cancro	
	Deputy Chair of the Board of Directors		Bocconi university	
Maria Alessandra Stefanelli	-			
Guglielmo Weber	-			
Daniele Zamboni	-			
Alberto Maria Pisani	-			
Roberto Franchini (*)	Chair of the Board Statutory Auditors/Board of Auditors		Fondazione per l'Infanzia Ronald Mc Donald Italia	
	Member of the Executive Board		British Chamber of Commerce for Italy (***)	
Fabrizio Mosca	Chairman of the Board of Statutory Auditors	NE	Bolaffi S.p.A. (3)	•
	Chairman of the Board of Statutory Auditors	NE	Aste Bolaffi S.p.A. (3)	
	Chairman of the Board of Statutory Auditors	NE	Bolaffi Metalli Preziosi S.p.A. (3)	
	Chairman of the Board of Statutory Auditors	NE	Olivetti S.p.A.	•
	Standing Statutory Auditor	NE	M. Marsiaj & C. S.r.l. (4)	
	Standing Statutory Auditor	NE	Moncanino S.p.A. (4)	•
	Sole director	E	Fly S.r.l. (**)	
Milena Teresa Motta	Member of the Board of Directors	NE	Strategie & Innovazione S.r.l.	•
Maria Cristina Zoppo	Chair of the Board of Statutory Auditors	NE	Schoeller Allibert S.p.A.	•
	Member of the Board of Directors	NE	Newlat Food S.p.A.	•
	Standing Statutory Auditor	NE	Juventus Football Club S.p.A.	•

E/NE = Executive/Non-Executive
R = Relevant offices pursuant to art. 17 Ministerial Decree 169/2020

(1) Intesa Sanpaolo Group companies
(2) B.F. Holding Group companies
(3) Bolaffi Group companies
(4) Marsiaj Group companies

(*) Appointed by the Shareholders' Meeting of 27 April 2020 after the resignation of two Board Members Andrea Sironi resigned from his position as Member of the Board of Directors with effect from 28 February 2022.
(**) Company set up for the sole purpose of managing personal economic interests.
(***) Non-profit organisation with registered office in the United Kingdom.

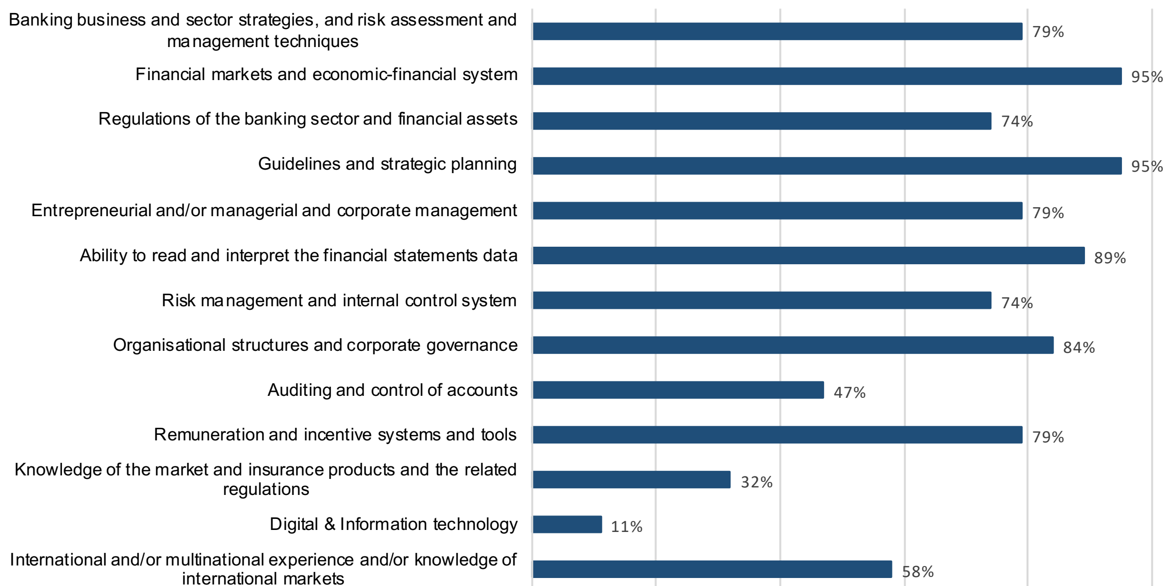
Policy on selection and replacement of members of the management body
In line with the Supervisory Provisions, for the purposes of appointment or co-option of the directors, the Board of Directors identifies its optimal qualitative and quantitative composition.
The guidance document for shareholders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

In accordance with the Articles of Association, the procedure for appointing Directors is based on slates of candidates prepared by Shareholders, in line with the legislation for listed companies. The Board of Directors is not entitled to submit a slate of candidates.
The election system defined in the Articles of Association is based on a majority principle, balanced by the appointment of a share of Directors and members of the Management Control Committee on a proportional basis.

This mechanism ensures adequate representation of minority shareholders within the Corporate Bodies, through the submission of slates of candidates to the Shareholders' Meeting at the time of Board renewal and also for the replacement of any individual outgoing Board Members.
The minority shareholders are thus given the option to elect, within both the Board and the Management Control Committee, a number of Directors well above that required by the legislation.
This solution creates a governance structure in line with international standards and makes full use of the slate election system, provided for by Italian law, allowing the minorities to appoint Directors as well as members of the Management Control Committee.
Moreover, the minority slate not connected with the majority shareholders that obtains the highest number of votes in the Shareholders' Meeting is given the option to appoint, in addition to the Chair of the Management Control Committee, also a second Member of the same Committee, to further strengthen the level of protection of the minorities within the control body.
The slates, containing between a minimum of 2 and a maximum of 19 names, must comprise two sections: the first section with the names of the candidates for the position of Director and the second with the names of the candidates for the position of Director and member of the Management Control Committee.
At the time of election, all Board Members are drawn from the majority slate, except for 5 or 4 Directors, depending on their total number. Moreover, three Directors from the majority slate are also appointed to the Management Control Committee. Among the Directors appointed from the minority slates, two are in any case taken from the minority slate that obtained the second highest number of votes (first minority slate) and that has no connection with the majority, as required by the legislation.
The first of said Directors is appointed Chair of the Management Control Committee. The other Board Members are drawn proportionately from slates other than the one that obtained the highest number of votes, also including the first minority slate, provided that such slates, taken as a whole, obtained votes at least equal to 10% of the ordinary share capital represented at the Shareholders' Meeting.
Where it is necessary to complete the composition of the Board, upon the outcome of the proportional division all the other additional Directors are drawn from the slate that obtained the most votes, until it is exhausted.
The appointment procedure ensures that the Board composition is in line with the requirements of professionalism, independence and gender balance.
The Articles of Association establish a supplementary mechanism whereby a candidate not meeting the requirements is replaced by the candidate who meets the requirements and is drawn from the same slate as the excluded candidate. If there are not enough candidates on the slate for that purpose and in any other case in which the established criteria do not make it possible to appoint all Directors in compliance with the necessary requirements, the missing Directors are appointed by the Shareholders' Meeting with replacement procedures that enable all necessary requirements to be met.
If only one slate of candidates is submitted, the Board Members are chosen from that slate, up to the number of candidates it contains, drawing from the second section of the slate all the members of the Management Control Committee. In this case, the office of Chair of the Committee is awarded to the first candidate in the ranking of the second section of the slate.
In the absence of slates, the Shareholders' Meeting elects the Directors and the Management Control Committee members by relative majority of the capital represented at the Shareholders' Meeting, subject to compliance with the requirements established by the applicable legislation and the Articles of Association. In this case, the Shareholders' Meeting shall appoint the Chair of the Committee when appointing the Committee members.
The Shareholders' Meeting elects the Chairman of the Board of Directors and one or more Deputy Chairpersons by relative majority.
For additional information on the appointment of Board Members, see the relevant provisions of the Articles of Association.

The Board currently in office was appointed, for the period 2019-2020-2021, in compliance with the guidelines on the Board's composition and diversity issued by the outgoing Board at the time of the 2019 renewal in the document on the qualitative and quantitative composition of the Board of Directors approved on 26 February 2019.
The document expressly required shareholders to ensure the widest possible gender diversity within the Board, the presence of adequate professional skills and age diversity, as well as a wide range of knowledge and experience.
With specific reference to the adequacy and diversity of the professional profiles required, the set of very good or distinctive expertise, knowledge and skills – with a very wide, medium-wide or limited distribution – considered appropriate to achieve the optimal qualitative composition of the new Board of Directors was outlined in a “Skills Directory”.
Following the renewal of the Bodies in 2019 and the appointment of two new Directors in April 2020, the characteristics declared by the Directors were assessed by the Board of Directors as appropriately diversified and suitable to ensure adequate Board composition and a well-balanced composition of the Board Committees. The Board and the Management Control Committee have also assessed and confirmed that their members meet all the suitability requirements, taking into account the regulatory provisions and the Articles of Association.

Subject to the general expertise required for all areas envisaged by the applicable regulations, the chart below details the skills declared by the individual Directors at a distinctive level, for their assessment by the Board at the time of their appointment. The indicated skills and expertise were subsequently strengthened and expanded through training programmes and the intensive induction plan for Board members.



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

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

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

Ahead of the forthcoming renewal of the Corporate Bodies envisaged on 29 April 2022, the Board of Directors currently in office, in line with the criteria adopted by the Board and the applicable regulations, drew up its own guidelines on the qualitative and quantitative composition deemed optimal for the appointment of the next Management and Control Bodies of the Bank. This involved identifying and justifying the professional characteristics and the suitability requirements for these purposes, together with the diversity criteria, also in relation to gender, with the aim of ensuring an adequate overall composition, as well as quantifying the minimum time required to carry out the different offices within the Board, taking into account the results of the self-assessment, including the theoretical profile of the candidates.
The guidance document for shareholders was published on the Company’s website on 3 March 2022.

The diversity policy adopted in the selection of members of the management body
In line with the supervisory provisions, the document on the optimal qualitative and quantitative composition approved by the Board of Directors for the renewal of the Bodies must specify the appropriate level of diversification of the members also in terms of age, gender, geographical origin and skills.

In this regard, the Articles of Association specify that the Board shall take the necessary measures to ensure that each Director and the Board as a whole are constantly adequate in terms of diversity, including of experience, gender and international orientation, and in terms of competence, fairness, reputation, independence of mind and time commitment.
At the end of the appointment, the Board of Directors verifies the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process.

Subject to the above concerning the aspects relating to diversity, Intesa Sanpaolo guarantees full compliance with the gender quotas laid down by the regulations.
The less-represented gender, until the renewal of the Bodies envisaged with the Shareholders' Meeting of 29 April 2022, currently makes up at least one third of the total members, in accordance with the applicable regulations on equal access to the management and control bodies of listed companies and by the recommendations of the Corporate Governance Code.
In the current structure of the Board, the female gender is represented within all the Board Committees, makes up the majority of the members of the Committee for Transactions with Related Parties and has the chairmanship of the Risks Committee and the Nomination Committee.
At the next renewal of the Board of Directors, the new gender quota of 2/5 of members, set out in the Articles of Association, will be respected.

Risks Committee
As already stated, Intesa Sanpaolo has established a Risks Committee, within the Board of Directors, consisting of 5 non-executive members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association and 2 of whom are also enrolled with the Register of Statutory Auditors and have practised as auditors for at least three years.
In 2021, the Committee held 52 meetings. The Report on Corporate Governance and Ownership Structures published by the Bank sets out the activities carried out by the Committee in support of the Board of Directors, in line with the Organisation and Operating Regulations adopted. With effect from the renewal of the Bodies envisaged in April 2022, the name of the Committee will be changed to the Risk and Sustainability Committee.

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

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

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

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

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

Section 2 - Scope of application

Qualitative disclosure

Name of the bank to which the disclosure requirement applies

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

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

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

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

The table below provides the list of companies fully consolidated or consolidated with the equity method in the financial statements, with details of the "prudential" treatment. The investments in companies listed in the column "Neither consolidated nor deducted" are weighted for the purposes of determining total risk-weighted assets. This is also the case for the companies listed in the column "Equity method", which shows the companies that, although they belong to the Banking Group, are consolidated at equity due to immateriality (Article 19 (1) CRR).
The Intesa Sanpaolo Group submitted a request to be able to use the option provided by Article 49 (1) (otherwise known as the "Danish Compromise"), and received notification of the ECB's permission to calculate the Group's consolidated capital ratios applying the Danish Compromise – under which insurance investments are treated as risk-weighted assets instead of being deducted from capital – as of the regulatory filings for 30 September 2019. From 31 December 2021, the insurance own funds instruments originating from the former UBI Group, for which no request had been made in the past for extension of the Danish Compromise, as a result of the merger of Assicurazioni Vita S.p.A., Lombarda Vita S.p.A. and Bancassurance Popolari S.p.A into Intesa Sanpaolo Vita S.p.A., have been included for the application of this treatment.
The treatment described above, which involves the application of the weighting instead of the deduction, results in the failure to meet the thresholds established in Articles 46 ("Deduction of holdings of Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity") and 48 ("Threshold exemptions from deduction from Common Equity Tier 1 items") of the CRR, resulting in the absence of an entry in the column "Deducted" from 30 September 2019, the start date of the authorisation for the application of the Danish Compromise granted by the ECB.

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

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

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

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

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

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
1875 FINANCE HOLDING AG	Equity method				X		OTHER NON-EU FIN. COMPANIES
24-7 FINANCE S.R.L. IN LIQUIDAZIONE	Equity method				X		SECURITISATION VEHICLE
ADRIANO LEASE SEC S.R.L.	Equity method				X		SECURITISATION VEHICLE
APULIA FINANCE N. 4 S.R.L.	Equity method				X		SECURITISATION VEHICLE
AUGUSTO SRL	Equity method				X		SECURITISATION VEHICLE
BACK2BONIS	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
BACKTOWORK24 S.R.L.	Equity method				X		PRODUCTION COMPANIES
BANCOMAT SPA	Equity method				X		OTHER ACCESSORY FINANCIAL COMP.
BERICA ABS 3 S.R.L.	Equity method				X		SECURITISATION VEHICLE
BRERA SEC S.R.L.	Equity method				X		SECURITISATION VEHICLE
CAMFIN SPA	Equity method				X		PRIVATE OPERATING HOLDING
CASSA DI RISPARMIO DI FERMO SPA	Equity method				X		BANK
CLARA SEC. S.R.L.	Equity method				X		SECURITISATION VEHICLE
CLARIS FINANCE 2005 S.R.L. IN LIQUIDAZIONE	Equity method				X		SECURITISATION VEHICLE
COLLINE E OLTRE SPA	Equity method				X		PRODUCTION COMPANIES
COMPAGNIA AEREA ITALIANA SPA	Equity method				X		PRIVATE OPERATING HOLDING
CONSORZIO STUDI E RICERCHE FISCALI GRUPPO INTESA SANPAOLO	Equity method			X			INSTRUMENTAL
DIOCLEZIANO SRL	Equity method				X		SECURITISATION VEHICLE
EQUITER SPA	Equity method				X		OTHER FINANCIAL COMP.
EURIZON ASIA CAPITAL LIMITED	Equity method			X			FINANCIAL COMPANY
EURIZON CAPITAL REAL ASSET SGR S.P.A.	Equity method			X			FINANCIAL COMPANY
EUROMILANO SPA	Equity method				X		PRODUCTION COMPANIES
EUROPROGETTI & FINANZA S.R.L. IN LIQUIDAZIONE	Equity method				X		COMP. UNDER CENTRAL ADMIN. CONTROL
EUSEBI HOLDINGS B.V.	Equity method				X		EU EMU NON FIN. COMPANIES
EXELIA SRL	Equity method			X			INSTRUMENTAL
FI.NAV. COMPARTO A - CREDITI	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
FIDEURAM ASSET MANAGEMENT UK LIMITED	Equity method				X		FINANCIAL COMPANY
FOCUS INVESTMENTS SPA	Equity method				X		PRIVATE OPERATING HOLDING
FONDO DI RIGENERAZIONE URBANA SICILIA S.R.L.	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
FONDO PER LA RICERCA E L'INNOVAZIONE S.R.L. RIF	Equity method				X		FUND MANAGEMENT COMPANY
FONDO SARDEGNA ENERGIA S.R.L.	Equity method				X		PRIVATE OPERATING HOLDING
GAP MANCO SARL	Equity method			X			INSTRUMENTAL
GIADA SEC. S.R.L.	Equity method				X		SECURITISATION VEHICLE
GILDA S.R.L.	Equity method				X		PRODUCTION COMPANIES
IBERIA DISTRESSED ASSETS MANAGER SARL	Equity method			X			FINANCIAL COMPANY
IIF SME MANAGER LTD	Equity method			X			FINANCIAL COMPANY
IMI FINANCE LUXEMBOURG S.A.	Equity method			X			FINANCIAL COMPANY
IMMOBILIARE NOVOLI S.P.A.	Equity method				X		PRODUCTION COMPANIES
IMPRESOL S.R.L. IN LIQUIDAZIONE	Equity method				X		PRODUCTION COMPANIES
INDACO VENTURE PARTNERS SGR SPA	Equity method				X		FUND MANAGEMENT COMPANY
INIZIATIVE IMMOBILIARI INDUSTRIALI S.P.A. - IN LIQUIDAZIONE	Equity method				X		COMP. UNDER LOCAL ADMIN. CONTROL
INNOLVA SPA	Equity method				X		PRODUCTION COMPANIES
INTESA INVEST AD BEOGRAD	Equity method			X			FINANCIAL COMPANY
INTESA SANPAOLO AGENTS4YOU S.P.A.	Equity method			X			FINANCIAL COMPANY
INTESA SANPAOLO CASA S.P.A	Equity method				X		PRODUCTION COMPANIES
INTESA SANPAOLO EXPO INSTITUTIONAL CONTACT S.R.L.	Equity method				X		PRODUCTION COMPANIES
INTESA SANPAOLO FORMAZIONE SOCIETA' CONSORTILE PER AZIONI	Equity method				X		PRODUCTION COMPANIES
INTESA SANPAOLO HIGHLINE SRL	Equity method				X		PRODUCTION COMPANIES

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

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
INTESA SANPAOLO PRIVATE ARGENTINA S.A.	Equity method			X			FINANCIAL COMPANY
INTESA SANPAOLO SERVICOS E EMPRENDIMENTOS LTDA EM LIQUIDACAO	Equity method			X			FINANCIAL COMPANY
INTRUM ITALY S.P.A.	Equity method				X		PRODUCTION COMPANIES
INVENIAM SA	Equity method			X			INSTRUMENTAL
ISM INVESTIMENTI SPA	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
ISP CB IPOTECARIO S.R.L.	Equity method			X			FINANCIAL COMPANY
ISP CB PUBBLICO S.R.L.	Equity method			X			FINANCIAL COMPANY
ISP OBG S.R.L.	Equity method			X			FINANCIAL COMPANY
LEONARDO TECHNOLOGY S.R.L. IN LIQUIDAZIONE	Equity method				X		PRIVATE OPERATING HOLDING
MARKETWALL SRL	Equity method				X		PRODUCTION COMPANIES
MATERIAS SRL	Equity method				X		PRODUCTION COMPANIES
MECENATE S.R.L IN LIQUIDAZIONE	Equity method			X			FINANCIAL COMPANY
MIR CAPITAL MANAGEMENT SA	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
MIR CAPITAL S.C.A. SICAR	Equity method				X		OTHER EU EMU FIN. INTERMEDIARIES
MISR ALEXANDRIA FOR FINANCIAL INVESTMENTS MUTUAL FUND CO.	Equity method				X		OTHER NON-EU FIN. COMPANIES
MISR INTERNATIONAL TOWERS CO.	Equity method				X		NON-EU NON FIN. COMPANIES
MONTEFELTRO SVILUPPO SOC. CONS. A R.	Equity method				X		PRODUCTION COMPANIES
MOONEY GROUP S.P.A.	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
MORVAL BANK & TRUST CAYMAN LTD	Equity method			X			BANK
MORVAL VONWILLER ADVISORS SA	Equity method			X			FINANCIAL COMPANY
NETWORK IMPRESA S.P.A. IN CONCORDATO PREVENTIVO	Equity method				X		PRODUCTION COMPANIES
NEVA FIRST-FCC	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
NEVA SGR S.P.A.	Equity method			X			FINANCIAL COMPANY
NEWCO 123 S.P.A.	Equity method				X		PRODUCTION COMPANIES
OBVIAM AG SA	Equity method			X			FINANCIAL COMPANY
OOO INTESA REALTY RUSSIA	Equity method				X		NON-EU NON FIN. COMPANIES
ORO ITALIA TRADING SPA IN LIQUIDAZIONE	Equity method				X		COMP. UNDER CENTRAL ADMIN. CONTROL
PBZ CROATIA OSIGURANJE PUBLIC LIMITED COMPANY FOR COMPULSORY PENSION FUND MANAGEMENT	Equity method		X				EU NO EMU OTHER FIN. INT.
PENGHUA FUND MANAGEMENT CO. LTD	Equity method				X		OTHER NON-EU FIN. COMPANIES
PIETRA S.R.L.	Equity method				X		PRIVATE OPERATING HOLDING
PORTUGAL REAL ESTATE OPPORTUNITIES MANAGER SARL	Equity method			X			FINANCIAL COMPANY
RAINBOW	Equity method				X		OTHER COLL. INVEST. ORG.
RCN FINANZIARIA S.P.A.	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
REYL & CIE (MALTA) HOLDING LTD	Equity method			X			FINANCIAL COMPANY
REYL & CIE (MALTA) LTD	Equity method			X			FINANCIAL COMPANY
REYL & CO (UK) LLP	Equity method			X			FINANCIAL COMPANY
REYL & CO HOLDINGS LTD	Equity method			X			FINANCIAL COMPANY
REYL FINANCE (MEA) LTD	Equity method			X			FINANCIAL COMPANY
REYL OVERSEAS AG	Equity method			X			FINANCIAL COMPANY
REYL PRIME SOLUTIONS SA EN LIQUIDATION	Equity method			X			INSTRUMENTAL
REYL PRIVATE OFFICE (LUXEMBOURG) SARL	Equity method			X			INSTRUMENTAL
REYL SINGAPORE HOLDING PTE. LTD.	Equity method			X			FINANCIAL COMPANY
REYL SINGAPORE PTE LTD	Equity method			X			FINANCIAL COMPANY
RSCT FUND - COMPARTO CREDITI	Equity method				X		MUTUAL FUNDS/SICAV/SICAF
S.F. CONSULTING S.R.L.	Equity method				X		PRODUCTION COMPANIES
SICILY INVESTMENTS S.A.R.L.	Equity method				X		EU EMU NON FIN. COMPANIES
SLOVAK BANKING CREDIT BUREAU, S.R.O.	Equity method				X		EU EMU NON FIN. COMPANIES

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

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
SOCIETA' BENEFIT CIMAROSA 1 SPA	Equity method				X		PRODUCTION COMPANIES
SRM STUDI E RICERCHE PER IL MEZZOGIORNO	Equity method				X		SOC. SEC./CHAR./TRAD. UN./POLIT. INST./ENTITIES
SVILUPPO INDUSTRIALE S.P.A. IN LIQUIDAZIONE	Equity method				X		FIN AND NON-FIN- GROUPS HOLDING
TRINACRIA CAPITAL S.A.R.L.	Equity method				X		EU EMU NON FIN. COMPANIES
UBI FINANCE 2 S.R.L., IN LIQUIDAZIONE	Equity method				X		SECURITISATION VEHICLE
UBI FINANCE CB 2 SRL IN LIQUIDAZIONE	Equity method			X			FINANCIAL COMPANY
UBI FINANCE S.R.L.	Equity method			X			FINANCIAL COMPANY
UBI SPV GROUP 2016 S.R.L. IN LIQUIDAZIONE	Equity method				X		SECURITISATION VEHICLE
UBI SPV LEASE 2016 S.R.L.	Equity method				X		SECURITISATION VEHICLE
UBI TRUSTEE S.A.	Equity method			X			FINANCIAL COMPANY
VESTA OML LIMITED	Equity method				X		OTHER NON-EU FIN. COMPANIES
VUB GENERALI DOCHODKOVA SPRAVCOVSKA SPOLOCNOST, A.S.	Equity method		X				OTHER EU EMU FIN. INTERMEDIARIES
VUB OPERATING LEASING	Equity method				X		INSTRUMENTAL
YOLO GROUP SPA	Equity method				X		OTHER ACCESSORY FINANCIAL COMP.
ZHONG OU ASSET MANAGEMENT COMPANY LIMITED (*)	Equity method				X		OTHER NON-EU FIN. COMPANIES

(*) The investment was reclassified as discontinued operations on 23 December 2021.

The table below (LI1) contains the reconciliation of the consolidated balance sheet with the regulatory-scope balance sheet as at 31 December 2021, as well as the allocation of the entries among the regulatory risk categories. The second table below (EU LI2) presents the reconciliation between the total amount based on the “prudential” scope of consolidation (carrying amounts) and the exposure value subject to capital requirements, for each type of risk.

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

(Table 1 of 2)

(millions of euro)

	Breakdown by asset classes according to the balance sheet in the published financial statements	**Carrying values as reported in published financial statements**	**Carrying values under scope of prudential consolidation**	**Carrying values of items**						
				Subject to the credit risk framework	Subject to the CCR framework	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Assets									
10.	Cash and cash equivalents	14,756	13,950	13,950	-	-	-	-	-	-
20.	Financial assets measured at fair value through profit or loss	52,731	53,339	5,777	23,124	-	*23,124*	287	47,193	92
	a) financial assets held for trading	47,181	47,196	10	23,124	-	*23,124*	-	47,193	3
	b) financial assets designated at fair value	4	4	4	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	5,546	6,139	5,763	-	-	-	287	-	89
30.	Financial assets measured at fair value through other comprehensive income	67,580	67,595	65,927	-	-	-	1,668	-	-
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,800	-	-	-	-	-	-	-	-
40.	Financial assets measured at amortised cost	668,866	669,706	615,716	27,459	*27,459*	-	26,245	-	286
	a) due from banks	163,937	163,940	154,101	9,839	*9,839*	-	-	-	-
	b) loans to customers	504,929	505,766	461,615	17,620	*17,620*	-	26,245	-	286
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	-	-	-	-	-	-	-	-
50.	Hedging derivatives	1,732	1,732	-	1,732	-	*1,732*	-	-	-
60.	Fair value change of financial assets in hedged portfolios (+/)	392	392	392	-	-	-	-	-	-
70.	Investments in associates and companies subject to joint control	1,652	9,844	8,360	-	-	-	-	-	1,484
80.	Technical insurance reserves reassured with third parties	208	-	-	-	-	-	-	-	-
90.	Property and equipment	10,792	9,583	9,583	-	-	-	-	-	-
100.	Intangible assets	9,342	7,734	1,329	-	-	-	-	-	6,405
	of which:									
	- goodwill	3,574	2,597	-	-	-	-	-	-	2,597
110.	Tax assets	18,808	18,031	16,136	-	-	-	-	-	1,895
	a) current	3,555	3,457	3,457	-	-	-	-	-	-
	b) deferred	15,253	14,574	12,679	-	-	-	-	-	1,895
120.	Non-current assets held for sale and discontinued operations	1,422	1,422	1,349	-	-	-	-	-	73
130.	Other assets	13,837	8,960	8,960	-	-	-	-	-	-
Total Assets		**1,069,003**	**862,288**	**747,479**	**52,315**	***27,459***	***24,856***	**28,200**	**47,193**	**10,235**

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

(millions of euro)

	Breakdown by liability classes according to the balance sheet in the published financial statements	**Carrying values as reported in published financial statements**	**Carrying values under scope of prudential consolidation**	**Carrying values of items**						
				Subject to the credit risk framework	Subject to the CCR framework	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Liabilities and Shareholders' Equity									
10.	Financial liabilities measured at amortised cost	710,055	712,582	-	14,851	*14,851*	-	-	-	697,731
	a) due to banks	165,258	164,980	-	12,160	*12,160*	-	-	-	152,820
	b) due to customers	458,239	459,540	-	2,691	*2,691*	-	-	-	456,849
	c) securities issued	86,558	88,062	-	-	-	-	-	-	88,062
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,146	-	-	-	-	-	-	-	-
20.	Financial liabilities held for trading	56,306	56,388	-	30,667	-	*30,667*	-	52,929	3,459
30.	Financial liabilities designated at fair value	3,674	3,674	-	-	-	-	-	-	3,674
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	-	-	-	-	-	-	-	-
40.	Hedging derivatives	4,868	4,868	-	4,868	-	*4,868*	-	-	-
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	53	53	-	-	-	-	-	-	53
60.	Tax liabilities	2,285	1,184	-	-	-	-	-	-	1,184
	a) current	363	311	-	-	-	-	-	-	311
	b) deferred	1,922	873	-	-	-	-	-	-	873
70.	Liabilities associated with non-current assets held for sale and discontinued operations	30	30	-	-	-	-	-	-	30
80.	Other liabilities	15,639	13,104	-	-	-	-	-	-	13,104
90.	Employee termination indemnities	1,099	1,088	-	-	-	-	-	-	1,088
100.	Allowances for risks and charges	5,716	5,310	-	-	-	-	-	-	5,310
	a) commitments and guarantees given	508	447	-	-	-	-	-	-	447
	b) post-employment benefits	290	290	-	-	-	-	-	-	290
	c) other allowances for risks and charges	4,918	4,573	-	-	-	-	-	-	4,573
110.	Technical reserves	118,296	-	-	-	-	-	-	-	-
120.	Valuation reserves	-709	-709	-	-	-	-	-	-	-709
125.	Valuation reserves pertaining to insurance companies	476	476	-	-	-	-	-	-	476
130.	Redeemable shares	-	-	-	-	-	-	-	-	-
140.	Equity instruments	6,282	6,282	-	-	-	-	-	-	6,282
150.	Reserves	17,706	17,706	-	-	-	-	-	-	17,706
155.	Interim dividends (-)	-1,399	-1,399	-	-	-	-	-	-	-1,399
160.	Share premium reserve	27,286	27,286	-	-	-	-	-	-	27,286
170.	Share capital	10,084	10,084	-	-	-	-	-	-	10,084
180.	Treasury shares (-)	-136	-136	-	-	-	-	-	-	-136
190.	Minority interests (+/-)	291	232	-	-	-	-	-	-	232
200.	Net income (loss) (+/-)	4,185	4,185	-	-	-	-	-	-	4,185
Total liabilities and shareholders' equity		**1,069,003**	**862,288**	**-**	**50,386**	***14,851***	***35,535***	**-**	**52,929**	**789,640**

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

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

(millions of euro)

		Total	Items subject to					
			Credit risk framework	Securitisation framework	CCR framework (*)	*of which: Subject to the CRR framework SFT*	*of which: Subject to the CRR framework Derivatives*	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**852,053**	**747,479**	**28,200**	**52,315**	***27,459***	***24,856***	**47,193**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template EU LI1)**	**72,648**	**-**	**-**	**50,386**	***14,851***	***35,535***	**52,929**
3	**Total net amount under the scope of prudential consolidation**	**924,701**	**747,479**	**28,200**	**67,166**	***42,310***	***24,856***	**100,122**
4	**Off-balance-sheet amounts**	**288,734**	**270,439**	**5,879**	**12,416**	***12,416***	***-***	
5	Differences in valuations	-	-	-	-	*-*	*-*	
6	Differences due to different netting rules, other than those already included in row 2	-53,043	-	-	-53,043	*-45,028*	*-8,015*	
7	Differences due to consideration of provisions	12,829	12,829	-	-	*-*	*-*	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-10,938	-10,834	-	-104	*-78*	*-26*	
9	Differences due to credit conversion factors	-209,330	-209,330	-	-	*-*	*-*	
10	Differences due to Securitisation with risk transfer	-2,097	-	-2,097	-	*-*	*-*	
11	Other differences	-28,816	-27,226	-1,644	54	*-*	*54*	
12	**Exposure amounts considered for regulatory purposes**	**840,184**	**783,357**	**30,338**	**26,489**	***9,620***	***16,869***	

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

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

a) amounts of the off-balance sheet exposures, not included in the carrying values, reported at nominal value for regulatory purposes, after application of the credit conversion factors;

b) the amounts relating to value adjustments, deducted from the gross value for accounting purposes, whereas for regulatory purposes and for the on-balance sheet exposures subject to internal models they do not reduce the value of the EAD (Exposure at Default), because they are included in the calculation of the Excess Reserve - Shortfall (comparison between value adjustments and expected losses);

c) amounts relating to the value of collateral received which, in the case of the standardised approach, are deducted from the carrying amount for the purposes of determining the exposure value, in application of the line-by-line method envisaged by the regulations;

d) amounts relating to initial and variation margins, for derivative transactions, which are not included in the exposure value for credit risk purposes because they are included in the calculation of the exposure value of derivatives subject to the EPE (Expected Positive Exposure) approach, shown in the table in row 11 “Other differences”.

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

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

a) for Derivatives, the use of an EPE internal model enables the measurement of the entire portfolio of this type of instrument over time, by simulating the risk factors over a period of one year (in accordance with the regulatory requirement). Derivatives that have a negative fair value at t_0, but could have a positive fair value over the one-year period, are simulated and revaluated;

b) at the same time, the internal model approach allows the Group to fully benefit from the risk mitigation contracts which consist of netting and margining arrangements, which it uses both to reduce bilateral risk and to comply with the EMIR clearing obligations. The exposure to each counterparty, in each simulated scenario, is obtained as the positive difference between the value of the portfolio and any financial collateral received or given to the counterparty. The final EAD corresponds to the weighted average for the period of the simulated exposures, scaled at a prudential alpha factor;

c) for the exposures in SFTs, these are margined daily, through GMRA/GMSLA arrangements, that reduce the exposure and consequently the EAD.

Section 3 - Own Funds

Qualitative disclosure

Introduction

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

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

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

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

- Commission Delegated Regulation (EU) 342/2014 of 21 January 2014, supplementing Directive 2002/87/EC of the European Parliament and of the Council and Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the application of the calculation methods of capital adequacy requirements for financial conglomerates;
- Commission Delegated Regulation (EU) 241/2014 with regard to regulatory technical standards for own funds requirements for institutions, in turn amended first by Commission Delegated Regulation (EU) 2015/923 on indirect and synthetic holdings and then by Commission Delegated Regulation (EU) 2020/2176 on the prudential treatment of software assets;
- 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 class 2 instruments with a residual duration of less than five years (being amortised) is determined based on the carrying amount instead of the nominal value.

The transitional period for the introduction of the "Basel 3" regulatory framework, which provided for the partial inclusion within or deduction from Own Funds of certain items to enable a gradual impact of the new regulatory requirements, in accordance with the provisions of Directive 2013/36/EU (CRD IV) and the CRR, ended in 2017, and the exemption period established by Regulation (EU) 575/2013 (CRR), regarding the amendments to be applied to IAS 19, also ended in 2018. In addition, since 2019, the Intesa Sanpaolo Group has no longer held any subordinated instruments subject to specific transitional rules (i.e. grandfathering, which ended in 2021) aimed at the gradual exclusion from own funds of instruments that do not meet the requirements of the CRR rules.

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

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

The above-mentioned Regulation (EU) 2019/876 (CRR II), in Article 494b "Grandfathering of Own Funds instruments and eligible liabilities instruments", introduced a new transitional regime, applicable until 28 June 2025, which allows Own Funds instruments – issued before 27 June 2019 (the date of entry into force of CRR II), which do not meet the specific conditions set out in points p), q) and r) of Article 52 ("Additional Tier 1 instruments"), as amended by Article 1 point 23) of CRR II, and in points n), o) and p) of Article 63 ("Tier 2 instruments"), as amended by Article 1 point 27) of CRR II – to qualify as AT1 and T2 instruments. Since July 2020, the Intesa Sanpaolo Group has no longer held any subordinated instruments subject to the above-mentioned transitional rules.

In addition, as already mentioned in the introduction to this document, since June 2020 the Intesa Sanpaolo Group has not adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVTOCI category, both introduced by the European Commission in Regulation 2020/873 of 24 June 2020 (quick fix).

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

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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 (CET 1) and weight them at 370% among RWA.
In addition, based on specific instructions received from the ECB, the T2 subordinated instruments issued by the Group's insurance companies and held by the Parent Company (254 million euro as at 31 December 2021) have been weighted among RWAs.

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

The following are significant restrictions on the transfer of resources within the Intesa Sanpaolo Group.
On 23 December 2016, the subsidiary Private Equity International issued a new category of class C shares, equal to 5.6% of the company's capital. These shares do not have voting rights at the shareholders' meeting and their yield is related to the economic results of certain investments held by the same Private Equity International.
Moreover, the Intesa Sanpaolo Group is subject to supervisory rules provided by Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), amended by Directive 2019/878/EU (CRD V) and Regulation (EU) 2019/876 (CRR II), respectively, and controls financial institutions subject to the same or similar regulations aiming to maintain an adequate level of regulatory capital in relation to risks taken; therefore, the ability of subsidiary banks or financial institutions to distribute capital or dividends is dependent on the fulfilment of the regulatory thresholds set in those regulations.
Lastly, within the Group, there are insurance companies subject to the Solvency Capital Requirements of Insurance companies established by the Solvency II legislation.

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

As at 31 December 2021, there were no capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to the mandatory capital requirements.

Quantitative disclosure

Breakdown of Own Funds

The structure of the Intesa Sanpaolo Group's Own Funds as at 31 December 2021 is summarised in the table below.

(millions of euro)

	31.12.2021	31.12.2020
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**55,955**	**57,717**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**492**	**706**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**56,447**	**58,423**
D. Items to be deducted from CET1	**-10,712**	**-9,482**
E. Transitional period - Impact on CET1 (+/-)	**1,512**	**2,129**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**47,247**	**51,070**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**6,264**	**7,486**
of which AT1 instruments subject to transitional adjustments	-	-
H. Items to be deducted from AT1	**-**	**-**
I. Transitional period - Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**6,264**	**7,486**
M. Total Tier 1 (T1) (F + L)	**53,511**	**58,556**
N. Tier 2 (T2) before items to be deducted and effects of transitional period	**9,164**	**9,632**
of which T2 instruments subject to transitional adjustments	-	-
O. Items to be deducted from T2	**-223**	**-255**
P. Transitional period - Impact on T2 (+ / -)	**-**	**-**
Q. Total Tier 2 (T2) (N - O +/- P)	**8,941**	**9,377**
R. Total own funds (F + L + Q)	**62,452**	**67,933**

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

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

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

Reconciliation of net book value and Common Equity Tier 1 Capital

(millions of euro)

Captions	31.12.2021	31.12.2020
Group Shareholders' equity	63,775	65,871
Minority interests	291	450
Shareholders' equity as per the Balance Sheet	**64,066**	**66,321**
Interim dividend [(a)]	1,399	-
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-6,263	-7,480
- Minority interests eligible for inclusion in AT1	-1	-6
- Minority interests eligible for inclusion in T2	-1	-5
- Ineligible minority interests on full phase-in	-286	-408
- Ineligible net income for the period [(b)]	-3,031	-821
- Treasury shares included under regulatory adjustments	266	263
- Other ineligible components on full phase-in	-194	-147
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**55,955**	**57,717**
Regulatory adjustments (including transitional adjustments) [(c)]	**-8,708**	**-6,647**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**47,247**	**51,070**

(a) As at 31 December 2021, the Shareholders' Equity as per the Balance Sheet does not include the interim dividend paid on 24 November 2021 of 1,399 million euro (net of the amount not distributed in respect of own shares held at the record date, of around 2 million euro).

(b) Common Equity Tier 1 capital as at 31 December 2021 includes the net income for 2021, less the related dividend (including the above-mentioned interim dividend paid), calculated taking into account the payout envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments and the portion of 2021 income allocated to charity, net of tax).

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

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

Common Equity Tier 1 Capital (CET1)

(millions of euro)

Information	31.12.2021	31.12.2020
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	10,084	10,084
Share premium reserve	27,286	27,444
Reserves (a)	17,662	17,408
Accumulated other comprehensive income (b)	-234	294
Net income (loss) for the period	4,185	3,277
Net income (loss) for the period not eligible (c)	-3,031	-821
Minority interests	3	31
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**55,955**	**57,717**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-266	-263
Goodwill	-4,146	-3,814
Other intangible assets	-3,609	-2,946
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-1,914	-1,824
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-318	-299
Defined benefit pension funds assets	-	-
Prudential filters	492	706
- of which Cash Flow Hedge Reserve	*602*	*728*
- of which Gains or Losses due to changes in own credit risk (DVA)	*125*	*212*
- of which Prudent valuation adjustments	*-235*	*-234*
- of which Other prudential filters	*-*	*-*
Exposures to securitisations deducted rather than risk weighted at 1250%	-155	-104
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically, which exceed the threshold of 10% of Common Equity	-	-
Deductions with 10% threshold (d)	-	-
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	*-*	*-*
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	*-*	*-*
Deductions with threshold of 17.65% (d)	-	-
Foreseeable tax charges relating to CET1 items	-242	-193
Positive or negative elements - other	-62	-39
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-10,220**	**-8,776**
Total adjustments in the transitional period (CET1)	**1,512**	**2,129**
Common Equity Tier 1 (CET1) - Total	**47,247**	**51,070**

(a) Amount included in CET1, includes a negative effect of about 3,265 million euro deriving from the adoption of IFRS 9, in addition to the 2020 income allocated to reserves.

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

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

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

For the purposes of calculating own funds as at 31 December 2021 the net income for 2021 was considered, less the related dividend, calculated according to the payout ratio envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges; as previously reported, on 24 November 2021 Intesa Sanpaolo distributed 1.4 billion euro of interim dividends on 2021 net income.
As envisaged by Article 36 (1)(k)(ii) of Regulation (EU) 575/2013 which governs this circumstance, in place of the weighting of the positions towards securitisations that meet the requirements to receive a weighting of 1,250%, it was chosen to proceed with the direct deduction of these exposures from the Own Funds.
The amount of such deduction as at 31 December 2021 is equal to -155 million euro.

Additional Tier 1 Capital (AT1)

(millions of euro)

Information	31.12.2021	31.12.2020
Additional Tier 1 capital (AT1)		
AT1 instruments	6,263	7,480
Minority interests	1	6
Additional Tier 1 capital (AT1) before regulatory adjustments	**6,264**	**7,486**
Regulatory adjustments to Additional Tier 1 (AT1)	**-**	**-**
Adjustments in the transitional period, including minority interests (AT1)	**-**	**-**
Additional Tier 1 (AT1) - Total	**6,264**	**7,486**

Additional Tier 1 (AT1) equity instruments

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfather-ing	Original amount in currency	Contribution to the own funds (millions of euro)
Intesa Sanpaolo	7.70% fixed rate	NO	17-Sep-2015	perpetual	17-Sep-2025	USD	NO	1,000,000,000	878
Intesa Sanpaolo	6.25% fixed rate	NO	16-May-2017	perpetual	16-May-2024	Eur	NO	750,000,000	745
Intesa Sanpaolo	7.75% fixed rate	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	NO	1,250,000,000	1,241
Intesa Sanpaolo	3.75% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2025	Eur	NO	750,000,000	745
Intesa Sanpaolo	4.125% fixed rate	NO	27-Feb-2020	perpetual	27-Feb-2030	Eur	NO	750,000,000	745
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Sep-2031	Eur	NO	750,000,000	745
Intesa Sanpaolo	5.5% fixed rate (payable semi-annually)	NO	01-Sep-2020	perpetual	01-Mar-2028	Eur	NO	750,000,000	745
Intesa Sanpaolo	5.875% fixed rate (payable semi-annually)	NO	20-Jan-2020	perpetual	20-Jan-2025	Eur	NO	400,000,000	396
REYL & Cie SA	4.75%	NO	30-Nov-2019	perpetual	30-Nov-2024	CHF	NO	15,000,000	13
REYL & Cie SA	4.75%	NO	30-Nov-2018	perpetual	30-Nov-2023	CHF	NO	12,000,000	10
Total Additional Tier 1 equity instruments									**6,263**

Tier 2 Capital (T2)

(millions of euro)

	31.12.2021	31.12.2020
Tier 2 Capital (T2)		
T2 Instruments	9,163	9,627
Minority interests	1	5
Excess of provisions over expected losses eligible (excess reserve)	-	-
Tier 2 capital before regulatory adjustments	**9,164**	**9,632**
Tier 2 Capital (T2): Regulatory adjustments		
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-223	-255
Positive or negative items - other	-	-
Total regulatory adjustments to Tier 2 (T2)	**-223**	**-255**
Total adjustments in the transitional period, including minority interests (T2)	**-**	**-**
Tier 2 Capital (T2) - Total	**8,941**	**9,377**

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	524
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	USD	NO	2,000,000,000	914
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	1,009
Intesa Sanpaolo	2.855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	341
Intesa Sanpaolo	3-month Euribor + 237 bps/4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	78
Intesa Sanpaolo	5.71% fixed rate	NO	15-Jan-2016	15-Jan-2026	NO	USD	NO	1,500,000,000	1,126
Intesa Sanpaolo	4.45% fixed rate	NO	15-Mar-2017	15-Mar-2027	15-Sep-2022	Eur	NO	500,000,000	490
Intesa Sanpaolo	3-month Euribor + 1.9%/4	NO	26-Sep-2017	26-Sep-2024	NO	Eur	NO	723,700,000	394
Intesa Sanpaolo	5.875% fixed rate	NO	04-Mar-2019	04-Mar-2029	04-Mar-2024	Eur	NO	500,000,000	556
Intesa Sanpaolo	4.375% fixed rate	NO	12-Jul-2019	12-Jul-2029	12-Jul-2024	Eur	NO	300,000,000	316
Intesa Sanpaolo	1.98% fixed rate	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	160,250,000	153
Intesa Sanpaolo	3-month Euribor + 206 bps/4	NO	11-Dec-2019	11-Dec-2026	NO	Eur	NO	188,000,000	179
Intesa Sanpaolo	5,148% fixed rate	NO	10-Jun-2020	10-Jun-2030	NO	GBP	NO	350,000,000	386
Intesa Sanpaolo	3,75% fixed rate	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	309,250,000	297
Intesa Sanpaolo	3-month Euribor + 405 bps/4	NO	29-Jun-2020	29-Jun-2027	NO	Eur	NO	590,500,000	572
Intesa Sanpaolo	2.925% fixed rate	NO	14-Oct-2020	14-Oct-2030	NO	Eur	NO	500,000,000	477
Intesa Sanpaolo	4.198% fixed rate	NO	01-Jun-2021	01-Jun-2032	01-Jun-2031	USD	NO	750,000,000	657
Intesa Sanpaolo	4.95% fixed rate	NO	01-Jun-2021	01-Jun-2042	01-Jun-2041	USD	NO	750,000,000	694
Total Tier 2 instruments									**9,163**

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

(millions of euro)

	31.12.2021	31.12.2020
A. Threshold of 10% for CET1 instruments of financial sector entities where the institution does not have a significant investment	4,576	4,894
B. Threshold of 10% for CET1 instruments of financial sector entities where the institution has a significant investment and for DTA that rely on future profitability and arise from temporary differences	4,576	4,894
C. Threshold of 17.65% for significant investments and DTA not deducted in the threshold described under point B	7,268	7,401

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

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

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

Changes in Own Funds

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

OWN FUNDS	01.01.2021 - 31.12.2021
Common Equity Tier 1 capital (CET1)	
Amount 31.12.2020	**51,070**
Changes of IFRS 9 filter	-617
Initial amount 01.01.2021	**50,453**
Shares issued during the period and relates share premium	-158
Changes in reserves [a]	-2,202
Accumulated other comprehensive income [b]	-528
Net income for the period (net of foreseeable dividends) [c]	1,154
Minority interests	-28
Regulatory adjustments	
Prudential filters [d]	-214
Own CET1 instruments	-3
Goodwill and other intangible assets [e]	-995
Deferred tax assets that rely on future profitability and do not arise from temporary differences	-90
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	-19
Deductions deriving from securitisations	-51
Other deductions	-72
Final amount 31.12.2021	**47,247**
Additional Tier 1 (AT1)	
Initial amount 01.01.2021	**7,486**
Issues/redemptions of AT1 instruments [f]	-1,217
Minority interests	-5
Regulatory adjustments	
Own AT1 instruments	-
Non-significant investments in AT1 instruments of the financial sector	-
Significant investments in AT1 instruments of the financial sector	-
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 31.12.2021	**6,264**
Tier 2 (T2)	
Initial amount 01.01.2021	**9,377**
Issues/redemptions of T2 instruments [g]	-464
Minority interests	-4
Excess adjustments over expected losses (excess reserve)	-
Regulatory adjustments	
Own T2 instruments	-
Non-significant investments in T2 instruments of the financial sector	-
Significant investments in T2 instruments of the financial sector	32
Transitional adjustments and instruments eligible for grandfathering	-
Final amount 31.12.2021	**8,941**
Total Own Funds at the end of the reporting period	**62,452**

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

Common Equity Tier 1 capital (CET1)

a) The reduction in reserves was mainly attributable to the extraordinary distribution of reserves made in November 2021, the implicit goodwill generated following the acquisition of the minority interest in Pramerica, the payment of coupons on AT1 securities and other minor effects;

b) The change in accumulated other comprehensive income was due to:
   - the decrease in the AFS reserve for the insurance companies of -286 million euro;
   - the deterioration in the reserve for equity and debt securities measured at fair value of -567 million euro;
   - the increase in the CFH reserve of 126 million euro;
   - the improvement in the exchange rate reserve (+96 million euro) and other minor effects (+103 million euro);

c) The consolidated net income for the period ended 31 December 2021, amounting to 4,185 million euro, was recognised in Own Funds for 1,154 million euro, due, as already mentioned above, to the regulatory conditions having been met for its inclusion, net of dividends and other foreseeable costs (3,031 million euro as at 31 December 2021);

d) The variance was mainly due to the change in the Filter on the CFH Reserve (-126 million euro) and the effect of the change in Group's own credit rating (DVA) (-87 million euro);

e) The increase in the deduction was attributable to:
   - new goodwill and other intangible assets, mainly recognised following the acquisition of Aviva Vita (now Assicurazioni Vita S.p.A.), Lombarda Vita, Cargeas and REYL;
   - the increase in other intangible assets and the reduction in DTLs as a result of the realignment of the tax values of certain intangible assets, in addition to the reduction in the benefit related to the prudential treatment of software introduced by Regulation (EU) 2020/2176.

Additional Tier 1 (AT1)

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

Tier 2 (T2)

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

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			**63,562**	
	Assets				
1	70. Investments in associates and companies subject to joint control	1,652	9,844	-572	8, 18, 19
1.1	*of which: implicit goodwill in associated companies IAS 28-31*	*572*	*1,549*	*-572*	*8*
2	100. Intangible assets	9,342	7,734	-7,390	8
2.1	*of which: goodwill*	*3,574*	*2,597*	*-3,574*	*8*
2.2	*of which: other intangible assets*	*5,768*	*5,137*	*-3,816*	*8*
3	110. Tax assets	18,808	18,031	-1,914	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*	*2,090*	*2,090*	*-2,090*	*10*
	Liabilities				
4	10. Securities issued	86,558	88,062	9,163	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*	-	*9,163*	*9,163*	*46, 52*
5	60. Tax liabilities	2,285	1,184	208	8
5.1	a) Current tax liabilities	363	311	N.A.	
5.2	b) Deferred tax liabilities	1,922	873	N.A.	
5.2.1	*of which: tax liabilities related to goodwill and other intangible assets*	-	-	*208*	*8*
6	120. Valuation reserves	-233	-233	368	3, 11
6.1	*of which: valuation reserves on securities available for sale*	*476*	-	*469*	
6.2	*of which: valuation reserves on financial assets measured at fair value through other comprehensive income*	*-473*	*-4*	*-473*	
6.3	*of which: valuation reserves on cash flow hedges*	*-608*	*-601*	-	*11*
6.4	*of which: foreign exchange differences*	*-1,039*	*-1,039*	*-1,039*	*3*
6.5	*of which: legally-required revaluations*	*1,906*	*1,906*	*1,906*	*3*
6.6	*of which: valuation reserves on net actuarial losses*	*-417*	*-417*	*-417*	*3*
6.7	*of which: other*	*-78*	*-78*	*-78*	
7	140 Equity instruments	6,282	6,282	6,263	30
8	150. Reserves	17,706	17,706	20,572	2
8.1	*of which: impact of the adoption of IFRS 9 net of transitional arrangements*	-	-	*1,512*	*27a*
	155. Interim dividend (-)	-1,399	-1,399	-1,399	
9	160. Share premium reserve	27,286	27,286	27,286	1
10	170. Share capital	10,084	10,084	10,084	1
10.1	*of which: ordinary shares*	*10,084*	*10,084*	*10,084*	*1*
11	180. Treasury shares (-)	-136	-136	-266	16
12	190. Minority interests (+/-)	291	232	5	5, 34, 48
12.1	*of which CET1 compliant*		-	*3*	*5*
12.2	*of which AT1 compliant*		-	*1*	*34*
12.3	*of which T2 compliant*		-	*1*	*48*
13	200. Net income (loss) for the period (+/-)	4,185	4,185	1,154	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*			*1,154*	*5a*
	OTHER COMPONENTS OF OWN FUNDS, OF WHICH:			**-1,110**	
14	Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities			125	14, 27a
15	Value adjustments due to the requirements for prudent valuation			-235	7
16	Exposures to securitisations deducted rather than risk weighted at 1250%			-155	20a, 20c
17	IRB shortfall of credit risk adjustments to expected losses			-318	12
18	IRB Excess of provisions over expected losses eligible			-	50
19	Filter on unrealised capital gains on real properties			-	27a
20	Direct and indirect holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment			-223	55
21	Indirect investments and irrevocable payment commitments			-304	25b, 27a
	Total own funds as at 31 December 2021			**62,452**	

Section 4 - Capital Requirements

Qualitative disclosure

Assessment of the adequacy of the Bank's internal capital

The management of capital adequacy consists of a series of policies that determine the size and optimal combination of the various capitalisation instruments, in order to ensure that the levels of capital of the Group and its banking subsidiaries are consistent with the risk profile assumed and meet the supervisory requirements.
The concept of capital at risk differs according to the basis for its measurement, and different target levels of capitalisation are established:
- Regulatory capital covering Pillar 1 risks;
- Overall Economic Capital for Pillar 2 risks (ICAAP).

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

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

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

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

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

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

Absorption of Economic Capital by type of risk and Business Unit

The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.
The majority of risk is concentrated in the "IMI Corporate & Investment Banking" Business Unit (31.5% of the total Economic Capital): this is attributable to the type of customers served (Corporate and Financial Institutions) and Capital Market activities. This Business Unit is assigned a significant share of credit risk and trading book risk. The "Banca dei Territori" Business Unit (21.2% of the total Economic Capital) is a significant source of absorption of Internal Capital, in line with its role as core business of the Group, serving Retail, Private and Small/Middle Corporate customers. It is assigned a sizeable portion of credit risk and operational risk. Most of the insurance risk is assigned to the "Insurance" Business Unit (13.6% of the total Economic Capital). The "International Subsidiary Banks" Business Unit is assigned 9.7% of the total risk, predominantly credit risk. In addition to credit risk, the "Corporate Centre" is attributed with the risks typical of this Business Unit, namely those resulting from investments, the risks pertaining to the exposures in default, the Banking Book interest rate and exchange rate risk, the risks arising from the management of the Parent Company's FVOCI portfolio (21.1% of the overall Economic Capital). Absorption of Economic Capital by the "Private Banking" and "Asset Management" Business Units is marginal (2.2% and 0.7%, respectively) due to the nature of their business, which is predominantly aimed at asset management activities.

In accordance with the capital adequacy rules, the Group completed the activities aimed at meeting the Pillar 2 requirements, preparing and sending the ICAAP Reports for the previous year on a consolidated basis to the Supervisory Authority, after approval by the Corporate Bodies. The Group has also substantially completed the ICAAP Report on the figures as at 31 December 2021 and the forecasts over a four-year period, and the final document is due to be sent to the Supervisor by 30 April 2022. The results of the ICAAP process confirm the Group's capital adequacy: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.

Quantitative disclosure

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 as amended), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's total own funds must amount to at least 12.79% of total risk-weighted assets (total capital ratio including the minimum requirement for Pillar 1, the additional Pillar 2 requirement of 1.5%, the capital conservation buffer of 2.5% on a fully-loaded basis already from 2019, the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis from 2021, and the institution-specific countercyclical capital buffer of 0.04% in the fourth quarter of 2021) arising from the risks typically associated with banking and financial activity (credit, counterparty, market and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risks as a result of insurance coverage. The competent authorities, as part of the Supervisory Review and Evaluation Process (SREP), may require higher capital requirements compared to those resulting from the application of the regulatory provisions.

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

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

The elements indicated above are subject to the following limits:

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

Following the Supervisory Review and Evaluation Process (SREP), the ECB annually makes a final decision on the capital requirement that Intesa Sanpaolo must comply with at consolidated level.

On 25 November 2020, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2021.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.59%.
This is the result of:

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

Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer, the Common Equity Tier 1 ratio was 8.63% in 2021 and 8.64% on a fully-loaded basis[7].

On 3 February 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 March 2022.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.76%.
This is the result of:

a) an SREP requirement in terms of Total Capital ratio of 9.79%, comprising a minimum Pillar 1 capital requirement of 8%, and an additional Pillar 2 capital requirement of 1.79%, of which 4.5% and 1.01%, respectively, in the Common Equity Tier 1 ratio and 6% and 1.34%, respectively, in the Tier 1 ratio;
b) the additional Capital Conservation Buffer requirement of 2.5% on a fully-loaded basis already from 2019 and the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis already from 2021.

Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer, the Common Equity Tier 1 ratio to be met is 8.81% on a fully loaded basis.

[7] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2021 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2021 and for the first quarter of 2022).

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

(millions of euro)

		Total risk exposure amounts (TREA)		Total own funds requirements
		31.12.2021	30.09.2021	31.12.2021
1	**Credit risk (excluding CCR)**	**273,599**	**270,460**	**21,889**
2	*Of which the standardised approach*	*88,190*	*88,930*	*7,055*
3	*Of which the Foundation IRB (F-IRB) approach*	*1,172*	*1,158*	*94*
4	*Of which slotting approach*	*1,053*	*1,087*	*84*
EU 4a	*Of which equities under the simple riskweighted approach*	*31,864*	*27,635*	*2,549*
5	*Of which the Advanced IRB (A-IRB) approach*	*145,789*	*143,880*	*11,663*
6	**Counterparty credit risk - CCR**	**6,106**	**6,771**	**488**
7	*Of which the standardised approach*	*423*	*634*	*34*
8	*Of which internal model method (IMM)*	*4,430*	*4,515*	*354*
EU 8a	*Of which exposures to a CCP*	*284*	*288*	*23*
EU 8b	*Of which credit valuation adjustment - CVA*	*463*	*502*	*37*
9	*Of which other CCR*	*506*	*832*	*40*
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap) (*)**	**9,101**	**8,395**	**728**
17	*Of which SEC-IRBA approach*	*5,413*	*5,014*	*433*
18	*Of which SEC-ERBA (including IAA)*	*154*	*150*	*12*
19	*Of which SEC-SA approach*	*3,534*	*3,231*	*283*
EU 19a	*Of which 1250%*	*-*	*-*	*-*
20	**Position, foreign exchange and commodities risks (Market risk)**	**12,792**	**16,172**	**1,023**
21	*Of which the standardised approach*	*1,604*	*1,516*	*128*
22	*Of which IMA*	*11,188*	*14,656*	*895*
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**25,305**	**26,378**	**2,024**
EU 23a	*Of which basic indicator approach*	*598*	*530*	*48*
EU 23b	*Of which standardised approach*	*2,907*	*3,479*	*232*
EU 23c	*Of which advanced measurement approach*	*21,800*	*22,369*	*1,744*
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (**)	10,285	12,304	823
29	**TOTAL**	**326,903**	**328,176**	**26,152**

(*) Memo item: deducted securitisations equivalent to 1,900 million euro of RWEAs and 152 million euro of requirement.

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

The total amount of risk-weighted exposures recorded as at 31 December 2021 was 326.9 billion euro, with a change of around -1.3 billion euro compared to September 2021. In particular, please note the following:

- the increase in credit risk (+3.1 billion euro compared to the previous quarter, excluding counterparty risk and including the amount below the deduction thresholds) was due mainly to the following: i) an increase in equity investments following the inclusion within the scope of the Danish Compromise (with an increase in the weighting) of the insurance companies of the former UBI Group as a result of the merger into Intesa Sanpaolo Vita; ii) an increase in the volumes of several Italian and international subsidiaries; and iii) the application of the new model on public sector entities. These effects were partially offset by a reduction in exposures related to the de-risking operations described in more detail in the section on securitisations;
- for counterparty risk (around -0.6 billion euro compared to the previous quarter), the decrease was due to a reduction in derivatives exposures, mainly linked to market movements on interest rates;
- for the securitisation exposures in the non-trading book (+0.7 billion euro compared to the previous quarter), the rise was due to an increase in exposures linked to the completion of a new synthetic securitisation and three new traditional securitisations on portfolios of UTP and bad loans. This increase was matched by a more than proportional reduction in RWAs on the rest of the portfolio (credit risk) as a result of the benefit provided by these transactions;
- for market risk (-3.4 billion euro compared to the previous quarter), the decrease was mainly due to the fall in average exposures on Italian government bonds, lower market volatility and the turnover of positions on credit indices;
- for operational risk (-1.1 billion euro compared to the previous quarter), the reduction was due to the updating of the parameters and the scope of the internal models.

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

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

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

(millions of euro)

		31.12.2021	30.09.2021	30.06.2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	47,247	46,992	48,992
2	Tier 1 capital	53,511	53,256	55,257
3	Total capital	62,452	62,431	64,776
	Risk-weighted exposure amounts			
4	Total risk exposure amount	326,903	328,176	329,748
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	14.45%	14.32%	14.86%
6	Tier 1 ratio (%)	16.37%	16.23%	16.76%
7	Total capital ratio (%)	19.10%	19.02%	19.64%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50%	1.50%	1.50%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*0.84%*	*0.84%*	*0.84%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.13%*	*1.13%*	*1.13%*
EU 7d	Total SREP own funds requirements (%)	9.50%	9.50%	9.50%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
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%
9	Institution specific countercyclical capital buffer (%)	0.04%	0.04%	0.04%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.75%	0.75%	0.75%
11	Combined buffer requirement (%)	3.29%	3.29%	3.29%
EU 11a	Overall capital requirements (%)	12.79%	12.79%	12.79%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.11%	8.98%	9.51%
	Leverage ratio			
13	Total exposure measure	805,561	792,111	805,410
14	Leverage ratio (%)	6.64%	6.72%	6.86%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.00%*	*0.00%*	*0.00%*
EU 14c	Total SREP leverage ratio requirements (%)	3.09%	3.09%	3.09%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.09%	3.09%	3.09%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	163,182	160,318	154,832
EU 16a	Cash outflows - Total weighted value	114,097	114,105	112,702
EU 16b	Cash inflows - Total weighted value	25,491	24,512	23,605
16	Total net cash outflows (adjusted value)	88,606	89,593	89,097
17	Liquidity coverage ratio (%)	184.5%	179.5%	173.9%
	Net Stable Funding Ratio			
18	Total available stable funding	628,694	626,529	626,257
19	Total required stable funding	493,679	505,925	505,948
20	NSFR ratio (%)	127.3%	123.8%	123.8%

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

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

(millions of euro)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at 30 September 2021**	**181,530**
2	Asset size (+/-)	2,789
3	Asset quality (+/-)	2,034
4	Model updates (+/-)	869
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	437
8	Other (+/-)	-2,250
9	**Risk weighted exposure amount as at 31 December 2021**	**185,409**

As at 31 December 2021, the RWEA amount relating to IRB models was 185,409 million euro and was attributable to the Foundation IRB approach for 1,172 million euro (Row 3 EU OV1), to the slotting criteria for 1,053 million euro (Row 4 EU OV1), Advanced IRB approach for 145,789 million euro (Row 5 EU OV1), to equity instruments measured using the simple risk weight approach for 31,864 million euro (Row 4a EU OV1), to amounts below the deduction thresholds for 2,252 million euro (Row 24 EU OV1), and to capital instruments measured at PD/LGD for 3,279 million euro.
As at December 2021, the aggregate of exposures measured under credit risk management advanced approaches[8] amounted to RWEAs of 185,409 million euro, a net increase of 3,879 million euro on September 2021, when the aggregate amounted to 181,530 million euro. The change during the quarter was attributable to the following:

- +2,789 million euro due to an increase in transaction volumes, mainly in the Corporate portfolio, partially offset by a decrease in the Banks and Public Entities aggregate;
- +2,034 million due to the increase, within the equity portfolio, of the level of equity investments in insurance companies with a higher risk profile, together with a reconfiguration of the risk level within the Banks and Public Entities aggregates;
- +869 million euro due to the application of the recalibrated models following the extension of the time series (ECB authorisation of 20 December 2021), which affect the Public Entities and Retail SME portfolios;
- +437 million euro due to changes in foreign currency exposures, reflecting exchange rate fluctuations, driven in particular by the EUR/USD and EUR/GBP appreciation;
- -2,250 million euro, mainly due to the completion of the sale of a portfolio of former UBI unlikely to pay (UTP) loans during the quarter and the completion of a new GARC synthetic securitisation.

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

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

(millions of euro)

		RWEA amounts
1	**RWEAs as at 30 September 2021**	**4,515**
2	Asset size	-48
3	Credit quality of counterparties	-134
4	Model updates (IMM only)	92
5	Methodology and policy (IMM only)	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	5
8	Other	-
9	**RWEAs as at 31 December 2021**	**4,430**

As required by Reg. 2021/637, the table does not include exposures to central counterparties (CCPs). Starting from June 2021 the amount reported in the above table takes into account this exclusion.

With regard to the changes in RWEAs related to CCR exposures (derivatives and SFTs, determined based on the IMM, in accordance with part three, title II, chapter 6 of the CRR) the value of the aggregate decreased in the quarter: 4,515 million euro at the end of September 2021 and 4,430 million euro at the end of December 2021. The reduction of 85 million euro was attributable to the following components:

- -48 million euro due to the decrease in exposures in the portfolio;
- -134 million euro due to the improvement in the credit rating of several counterparties in the portfolio.
- +92 million attributable to the application of the recalibrated models following the extension of the time series (ECB authorisation of 20 December 2021);
- +5 million euro due to foreign currency exposures, as a result of exchange rate fluctuations.

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

(millions of euro)

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1	**RWEAs as at 30 September 2021**	**2,362**	**8,155**	**3,910**	**-**	**229**	**14,656**	**1,173**
1a	*Regulatory adjustment*	*1,737*	*5,773*	*-*	*-*	*14*	*7,524*	*602*
1b	*RWEAs at the previous quarter-end (end of the day)*	*625*	*2,382*	*3,910*	*-*	*215*	*7,132*	*571*
2	Movement in risk levels	-127	186	-2,660	-	-19	-2,620	-210
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)*	*498*	*2,568*	*1,250*	*-*	*196*	*4,512*	*361*
8b	*Regulatory adjustment*	*1,065*	*4,695*	*897*	*-*	*19*	*6,676*	*534*
8	**RWEAs as at 31 December 2021**	**1,563**	**7,263**	**2,147**	**-**	**215**	**11,188**	**895**

The RWEAs for the fourth quarter are down compared to the end of September. The decrease in VaR and SVaR metrics was due to lower volatility of the key risk factors (VaR), as well as a decrease in credit indices exposure (SVaR). The IRC metric benefited from lower exposure to sovereign bonds in the trading book.

Institution-specific Countercyclical Capital Buffer

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

In reference to 31 December 2021:

- the countercyclical capital ratios at individual country level were set, with the methods summarised above, generally equal to 0%, with the exception of the following countries: Luxembourg (0.50%), Norway (1.00%), Hong Kong (1.00%), Czech Republic (0.50%), Slovakia (1.00%) and Bulgaria (0.50%) and were therefore unchanged from 30 September 2021;
- at consolidated level, Intesa Sanpaolo's specific countercyclical ratio amounts to 0.04%.

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

(millions of euro)

Total risk exposure amount	326,903
Institution specific countercyclical capital buffer rate	0.04%
Institution specific countercyclical capital buffer requirement	131

The table below shows the geographic distribution of the relevant credit exposures for the purpose of calculating the institution-specific countercyclical capital buffer as at 31 December 2021.

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

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER-CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
ITALY	42,989	334,278	361	52	30,286	407,966	13,135	53	671	13,859	173,107	71.15	-
ALBANIA	391	7	-	-	-	398	31	-	-	31	392	0.16	-
ALGERIA	1	-	-	-	-	1	-	-	-	-	1	0.00	-
ANDORRA	2	-	-	-	-	2	-	-	-	-	2	0.00	-
SAUDI ARABIA	2	457	-	-	-	459	9	-	-	9	114	0.05	-
ARGENTINA	11	3	-	-	-	14	1	-	-	1	10	0.00	-
AUSTRALIA	60	1,321	-	-	-	1,381	52	-	-	52	644	0.26	-
AUSTRIA	106	1,576	-	2	-	1,684	80	-	-	80	997	0.41	-
AZERBAIJAN	-	65	-	-	-	65	4	-	-	4	51	0.02	-
BAHAMAS ISLANDS	-	117	-	-	-	117	5	-	-	5	60	0.02	-
BAHREIN	1	1	-	-	-	2	-	-	-	-	1	0.00	-
BAILIWICK OF GUERNSEY	24	38	-	-	-	62	4	-	-	4	55	0.02	-
BAILIWICK OF JERSEY	362	15	-	-	-	377	30	-	-	30	374	0.15	-
BANGLADESH	-	1	-	-	-	1	-	-	-	-	-	0.00	-
BARBADOS	1	-	-	-	-	1	-	-	-	-	1	0.00	-
BELGIUM	1,057	489	4	3	-	1,553	96	-	-	96	1,206	0.50	-
BELIZE	2	-	-	-	-	2	-	-	-	-	2	0.00	-
BERMUDA	-	164	-	1	-	165	15	-	-	15	192	0.08	-
BELARUS	1	1	-	-	-	2	-	-	-	-	1	0.00	-
BOSNIA AND HERZEGOVINA	894	17	-	-	-	911	72	-	-	72	898	0.37	-
BRAZIL	316	613	-	-	-	929	50	-	-	50	627	0.26	-
BULGARIA	6	18	-	-	-	24	1	-	-	1	14	0.01	0.50
BURUNDI	16	-	-	-	-	16	1	-	-	1	15	0.01	-
CANADA	383	109	-	2	-	494	13	-	-	13	161	0.07	-
CAYMAN ISLANDS	574	598	-	1	18	1,191	60	-	1	61	766	0.31	-
CZECH REPUBLIC	282	1,381	-	-	-	1,663	83	-	-	83	1,041	0.43	0.50
CHILE	1	214	-	-	-	215	9	-	-	9	114	0.05	-
CHINA	528	991	-	-	-	1,519	170	-	-	170	2,128	0.87	-
CYPRUS	14	19	-	-	-	33	1	-	-	1	18	0.01	-
COLOMBIA	-	15	-	-	3	18	-	-	-	-	5	0.00	-
CONGO	2	-	-	-	-	2	-	-	-	-	1	0.00	-
NORTH KOREA	9	-	-	-	-	9	-	-	-	-	2	0.00	-
SOUTH KOREA	70	33	-	-	-	103	2	-	-	2	28	0.01	-
CROATIA	7,893	87	-	-	-	7,980	481	-	-	481	6,013	2.47	-
CUBA	80	-	-	-	-	80	10	-	-	10	120	0.05	-
CURACAO	2	15	-	-	-	17	1	-	-	1	6	0.00	-
DENMARK	40	18	-	6	-	64	4	-	-	4	48	0.02	-
DOMINICAN REPUBLIC	-	10	-	-	-	10	1	-	-	1	7	0.00	-
ECUADOR	1	26	-	-	-	27	-	-	-	-	6	0.00	-
EGYPT	2,625	106	-	-	-	2,731	166	-	-	166	2,078	0.85	-
UNITED ARAB EMIRATES	195	1,770	-	-	-	1,965	50	-	-	50	625	0.26	-
ESTONIA	24	2	-	-	-	26	-	-	-	-	4	0.00	-
ETHIOPIA	113	-	-	-	-	113	-	-	-	-	-	0.00	-
PHILIPPINES	-	11	-	-	-	11	1	-	-	1	7	0.00	-
FINLAND	53	309	-	7	-	369	15	-	-	15	185	0.08	-
FRANCE	1,233	3,863	21	180	12	5,309	200	5	-	205	2,564	1.05	-
GEORGIA	5	-	-	-	-	5	-	-	-	-	4	0.00	-
GERMANY	372	3,260	43	227	109	4,011	148	8	3	159	1,982	0.81	-
GHANA	-	57	-	-	-	57	4	-	-	4	55	0.02	-
JAPAN	227	784	-	6	-	1,017	44	-	-	44	555	0.23	-

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**			
GREECE	2	80	-	-	-	82	2	-	-	2	30	0.01	-
HONG KONG	30	524	-	5	-	559	14	-	-	14	178	0.07	1.00
INDIA	1	1,356	-	-	-	1,357	48	-	-	48	601	0.25	-
INDONESIA	59	123	-	-	-	182	10	-	-	10	121	0.05	-
IRAQ	-	1	-	-	-	1	-	-	-	-	-	0.00	-
IRELAND	555	182	499	2	1,247	2,485	51	50	18	119	1,492	0.61	-
ICELAND	-	22	-	-	-	22	1	-	-	1	9	0.00	-
ISLE OF MAN	2	-	-	-	-	2	-	-	-	-	2	0.00	-
BRITISH VIRGIN ISLANDS	42	89	-	-	-	131	7	-	-	7	86	0.04	-
ISRAEL	3	29	-	3	-	35	2	1	-	3	36	0.01	-
KAZAKHSTAN	-	1	-	-	-	1	-	-	-	-	-	0.00	-
KENYA	233	1	-	-	-	234	3	-	-	3	34	0.01	-
KUWAIT	-	60	-	-	-	60	1	-	-	1	16	0.01	-
LATVIA	2	-	-	-	-	2	-	-	-	-	1	0.00	-
LIECHTENSTEIN	1	1	-	-	-	2	-	-	-	-	1	0.00	-
LITHUANIA	7	-	-	-	-	7	-	-	-	-	2	0.00	-
LUXEMBOURG	2,970	5,661	3	101	-	8,735	355	3	-	358	4,466	1.83	0.50
MACEDONIA	1	1	-	-	-	2	-	-	-	-	1	0.00	-
MALAYSIA	47	18	-	-	-	65	3	-	-	3	42	0.02	-
MALTA	17	20	-	-	-	37	2	-	-	2	25	0.01	-
MOROCCO	2	-	-	-	-	2	-	-	-	-	2	0.00	-
MARSHALL ISLANDS	21	161	-	-	-	182	10	-	-	10	130	0.05	-
MAURITIUS ISLANDS	2	265	-	-	-	267	11	-	-	11	140	0.06	-
MEXICO	61	617	-	77	18	773	29	-	-	29	365	0.15	-
MOLDOVA	136	1	-	-	-	137	6	-	-	6	77	0.03	-
MONGOLIA	-	126	-	-	-	126	17	-	-	17	210	0.09	-
MONTENEGRO	9	-	-	-	-	9	1	-	-	1	8	0.00	-
NIGERIA	2	11	-	-	-	13	1	-	-	1	13	0.01	-
NORWAY	103	599	-	2	-	704	20	-	-	20	248	0.10	1.00
NEW ZELAND	20	19	-	1	-	40	1	-	-	1	14	0.01	-
OMAN	-	58	-	-	-	58	3	-	-	3	33	0.01	-
NETHERLANDS	843	2,789	86	66	273	4,057	168	15	3	186	2,332	0.96	-
PANAMA	18	147	-	-	-	165	9	-	-	9	118	0.05	-
PERU	36	69	-	-	-	105	4	-	-	4	55	0.02	-
POLAND	277	1,598	-	-	-	1,875	66	-	-	66	826	0.34	-
PUERTO RICO	-	6	-	-	-	6	-	-	-	-	3	0.00	-
PORTUGAL	85	186	30	7	15	323	11	2	-	13	164	0.07	-
PRINCIPALITY OF MONACO	64	12	-	-	-	76	4	-	-	4	46	0.02	-
QATAR	166	132	-	-	-	298	17	-	-	17	215	0.09	-
UNITED KINGDOM	1,024	5,509	5	290	128	6,956	322	7	-	329	4,124	1.69	-
ROMANIA	936	47	-	-	-	983	60	-	-	60	752	0.31	-
RUSSIA	924	5,221	-	-	-	6,145	226	-	-	226	2,827	1.16	-
SAN MARINO	3	83	-	-	-	86	3	-	-	3	41	0.02	-
SERBIA	4,479	186	2	-	-	4,667	257	-	-	257	3,211	1.32	-
SINGAPORE	20	772	-	1	-	793	17	-	-	17	217	0.09	-
SLOVAKIA	2,683	14,127	-	-	-	16,810	501	-	-	501	6,262	2.57	1.00
SLOVENIA	1,293	988	-	-	-	2,281	114	-	-	114	1,431	0.59	-
SPAIN	566	5,041	41	44	431	6,123	232	6	28	266	3,319	1.36	-
UNITED STATES OF AMERICA	1,223	11,354	-	103	73	12,753	473	5	4	482	6,037	2.48	-

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

(millions of euro)

	GENERAL CREDIT EXPOSURES		RELEVANT CREDIT EXPOSURES - MARKET RISK		Securitisation exposures Exposure value for non-trading book	Total exposure value	OWN FUND REQUIREMENTS				Risk-weighted exposure amounts (*)	Own fund requirements weights (%) (*)	COUNTER-CYCLICAL BUFFER RATE (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	**Total**			
SOUTH AFRICAN REPUBLIC	2	89	-	30	-	121	6	-	-	6	84	0.03	-
SWEDEN	153	407	-	8	-	568	21	1	-	22	279	0.11	-
SWITZERLAND	652	1,274	-	116	-	2,042	87	1	-	88	1,101	0.45	-
THAILAND	3	28	-	-	-	31	2	-	-	2	22	0.01	-
TANZANIA	2	-	-	-	-	2	-	-	-	-	2	0.00	-
TUNISIA	-	3	-	-	-	3	-	-	-	-	2	0.00	-
TURKEY	104	730	-	4	-	838	101	1	-	102	1,275	0.52	-
UKRAINE	185	74	-	1	-	260	13	-	-	13	158	0.06	-
HUNGARY	3,852	299	-	-	-	4,151	217	-	-	217	2,715	1.12	-
URUGUAY	3	138	-	-	-	141	4	-	-	4	54	0.02	-
UZBEKISTAN	-	102	-	-	-	102	9	-	-	9	115	0.05	-
VENEZUELA	3	3	-	-	-	6	-	-	-	-	4	0.00	-
VIETNAM	-	1	-	-	-	1	-	-	-	-	1	0.00	-
TOTAL	**84,895**	**414,300**	**1,095**	**1,348**	**32,613**	**534,251**	**18,591**	**158**	**728**	**19,477**	**243,462**	**100.00**	-

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

The Group's countercyclical buffer of 0.04% is calculated only for exposures to countries that adopt a non-zero buffer rate, which, moreover, have a marginal impact on the Group's overall portfolio.

Insurance participations (EU INS1 Reg. 2021/637)

(millions of euro)

	Exposure value	Risk exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	6,913	25,577

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. From 31 December 2021, the insurance own funds instruments originating from the former UBI Group, for which no request had been made in the past for extension of the Danish Compromise, as a result of the merger of Assicurazioni Vita S.p.A., Lombarda Vita S.p.A. and BancAssurance Popolari S.p.A into Intesa Sanpaolo Vita S.p.A., have been included for the application of this treatment.

Mainly as a result of the above, between June and December 2021, there was an increase of around 4.7 billion euro in terms of RWAs.
In addition, based on specific instructions received from the ECB, the T2 subordinated instruments issued by the Group's insurance companies and held by the Parent Company (254 million euro as at 31 December 2021) have been weighted, resulting in additional RWAs of around 0.9 billion euro. These latter figures are not included in the EU INS1 table figures.

THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

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

- Intesa Sanpaolo Vita;
- Intesa Sanpaolo Life;
- Intesa Sanpaolo Assicura;
- Fideuram Vita;
- Intesa Sanpaolo RBM Salute;
- Cargeas Assicurazioni.

In compliance with Article 438(g) of the CRR, the disclosure is provided below of the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate, calculated in accordance with the current provisions[9].

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

(millions of euro)

	31.12.2021
Supplementary own fund requirements of the financial conglomerate (amount)	42,451
Capital adequacy ratio of the financial conglomerate (%)	151.01%

As at 31 December 2021, the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by 21,653 million euro. For the purpose of calculating the capital requirements of the banks, a Total Capital Ratio of 12.79% was considered, as taken from the outcomes of the Supervisory Review and Evaluation Process (SREP) for 2021.

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

For 2021, the Group's insurance companies implemented all the new obligations required in that regard by the calendar for sending data reports to the Supervisory Authority (IVASS). The main data included in these reports concerned Eligible Own Funds, the Solvency Capital Requirement (SCR) and the Solvency Ratio. Intesa Sanpaolo Vita calculates the aggregate Solvency Ratio for the insurance companies as the Parent Company of the Insurance Group within the Intesa Sanpaolo Banking Group.
Based on Art. 96 of Legislative Decree 209/2005 (the Insurers' Code), Intesa Sanpaolo Vita is also required to prepare the "consolidated aggregate" financial statements of the Insurance Group that includes Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Cargeas Assicurazioni and Intesa Sanpaolo Insurance Agency, as they are 100% controlled and Intesa Sanpaolo RBM Salute controlled at 70.3%, in addition to Fideuram Vita, because it is subject to unitary management in accordance with the insurers' code.

In 2021, the companies Assicurazioni Vita (formerly Aviva Vita), BancAssurance Popolari and Lombarda Vita joined the Intesa Sanpaolo Vita Insurance Group, following the acquisition of the group headed by Unione di Banche Italiane (UBI Group) by Intesa Sanpaolo and the subsequent acquisition of full control by the latter.
As a result of the above-mentioned extraordinary transaction, it was decided to streamline the scope of the insurance group by merging Assicurazioni Vita, BancAssurance Popolari and Lombarda Vita into Intesa Sanpaolo Vita on 31 December 2021.
On 27 May 2021, a further extraordinary transaction was completed involving the acquisition by Intesa Sanpaolo Vita of 100% of the shares of Cargeas Assicurazioni, a company operating in the non-life business.

As at 31 December 2021, the Intesa Sanpaolo Vita Group had a regulatory Solvency Ratio of 267%, understood as the ratio of Group eligible own funds to the solvency capital requirement, both calculated according to Solvency II.

In addition, in 2021 the Ordinary Shareholders' Meeting of Intesa Sanpaolo Vita approved two distributions of part of the other shareholders' equity reserves to the Parent Company for a total of 550.3 million euro. In particular:

a) 242.4 million euro was approved and paid on 17 March 2021;
b) a further 307.9 million euro was approved and paid on 23 November 2021.

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

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

(millions of euro)

	Available capital (amounts)	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
1	Common Equity Tier 1 capital (CET1)	47,247	46,992	48,992	50,080	51,070
2	Common Equity Tier 1 capital (CET1) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	45,735	45,476	47,474	48,568	48,941
3	Tier 1 capital	53,511	53,256	55,257	56,300	58,556
4	Tier 1 capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	51,999	51,740	53,739	54,788	56,427
5	Total capital	62,452	62,431	64,776	65,623	67,933
6	Total capital if IFRS 9 or analogous ECLs transitional arrangements had not been applied	61,856	61,822	64,170	65,016	66,773
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	326,903	328,176	329,748	336,062	347,072
8	Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	327,834	329,098	330,715	337,071	348,519
	Capital ratios					
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	14.5%	14.3%	14.9%	14.9%	14.7%
10	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.0%	13.8%	14.4%	14.4%	14.0%
11	Tier 1 capital (as a percentage of the risk exposure amount)	16.4%	16.2%	16.8%	16.8%	16.9%
12	Tier 1 capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.9%	15.7%	16.2%	16.3%	16.2%
13	Total capital (as a percentage of the risk exposure amount)	19.1%	19.0%	19.6%	19.5%	19.6%
14	Total capital (as a percentage of the risk exposure amount) if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.9%	18.8%	19.4%	19.3%	19.2%
	Leverage ratio					
15	Leverage ratio total exposure measure	805,561	792,111	805,410	786,344	814,646
16	Leverage ratio	6.6%	6.7%	6.9%	7.2%	7.2%
17	Leverage ratio if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.5%	6.5%	6.7%	7.0%	6.9%

As described in the chapter “Own Funds”, the first-time adoption of IFRS 9 and the adoption of the “static” approach during the transitional period (2018-2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios as at 31 December 2021 (with and without applying the transitional provisions for IFRS 9) shown in the table above due to the following:

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

- the reduction of the risk-weighted assets (RWA) on standard exposures which, as a result of the increase in the provisions linked to the first-time adoption of IFRS 9, reduced the risk exposure (EAD);
- the increase in risk-weighted assets (RWA) on standard exposures due to the application, under said provisions, of the scaling factor set out in Regulation (EU) 2017/2395.

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

Section 5 - Liquidity Risk

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

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

The provisions on liquidity - introduced by the European Union in June 2013 and subsequently updated - establish that banks are required to comply with: (i) the short-term liquidity coverage ratio (LCR), as set out in Art. 38 of Delegated Regulation (EU) 2015/61, as supplemented and amended (minimum level of 100% from 1 January 2018) and (ii) the net stable funding ratio (NSFR), the minimum level of which of 100% entered into effect in June 2021, following final approval and publication in the Official Journal, in May 2019, of the package of banking reforms containing Directive (EU) 2019/878 (CRD V) and Regulation 2019/876 (CRR II).

The Intesa Sanpaolo Group Liquidity Risk Management Guidelines, which already referred to Bank of Italy Circulars 263 and 285, and Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), have reflected all of the related regulatory provisions.
The Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo’s Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

The key principles guiding the internal control and management system for liquidity risk defined by those Guidelines are as follows:

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

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

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

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

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

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

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

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

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

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

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

The Survival Period is an internal indicator designed to measure the first day on which the net liquidity position (NLP) (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 business continuity under conditions of extreme liquidity emergency, the Contingency Liquidity Plan (CLP) ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Market and Financial Risk Management Head Office Department. Within this framework, the Group Treasury and Finance Department was officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term. The CLP is part of the more general plan of Crisis Management (i.e. it is the first step of the escalation process envisaged in the management of liquidity emergencies) and the instruments envisaged in it represent a selection of recovery actions that are considered to be implementable in the short term and before other more radical measures, which are more extraordinary in nature or extent. To this end, intervention strategies and tools are defined according to the type, duration and intensity of the liquidity emergency, as well as the context in which the emergency is expected to occur.

Impacts from the COVID-19 pandemic

All the necessary preventive management and control measures implemented from the outset of the COVID-19 emergency remain in place to detect any signs of potential exacerbation of liquidity conditions.
The Group’s liquidity position – supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding – remained well within the risk limits set out in the current Group Liquidity Policy throughout 2021: both regulatory indicators, LCR and NSFR were well above the regulatory requirements. In 2021, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[10] of 184.5% (159.1% in December 2020). The NSFR also remained significantly higher than 100%, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. As at 31 December 2021, the Intesa Sanpaolo Group’s NSFR, measured in accordance with regulatory instructions, was 127.3%. This indicator remains significantly higher than 100%, even excluding the positive contribution from the TLTRO funding.
LCR and NSFR surpluses are mainly originated within the Eurozone sub-consolidation scope. For the purposes of the LCR indicator, individual surpluses recorded at some international subsidiaries are also sterilised on consolidation due to constraints on the circulation of liquidity at those subsidiaries.
At the end of December 2021, the exact value of total unencumbered HQLA reserves at the various Treasury Departments of the Group totalled 187 billion euro (170 billion euro at the end of 2020), approximately 72% of which consisted of cash as a result of higher temporary excess liquidity payments in the form of unrestricted deposits held at central banks compared to the end of 2020. Adding the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group’s unencumbered liquidity reserves amounted to a total of 192 billion euro.

(millions of euro)

	Unencumbered (net of haircut)	
	31.12.2021	**31.12.2020 (*)**
HQLA Liquidity Reserves	**187,066**	**170,264**
Cash and Deposits held with Central Banks (HQLA)	135,061	80,698
Highly liquid securities (HQLA)	52,005	89,566
Other eligible and/or marketable reserves	**5,306**	**24,403**
Total Group's Liquidity Buffer	**192,372**	**194,667**

(*) The figures include the UBI Group’s contribution

Regular stress tests are carried out to assess the impact of negative events on the company liquidity position and on the adequacy of liquidity reserves, in relation to the current and prospective situation of the Group, the Bank and the market, to enable the Corporate Bodies to promptly recognise any unexpected vulnerability and to direct the activation of consequent corrective measures. Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), the stress tests in a combined scenario of market and specific crises (with significant loss in customer deposits) yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.
Intesa Sanpaolo’s funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. The 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 operations on wholesale markets, in particular repurchase agreements, certificates of deposit and commercial paper, as well as (iii) own issues (covered bonds/ABS and other senior debt securities, in addition to subordinated securities) and refinancing operations with the Eurosystem (TLTRO). The Group Liquidity Risk Management Guidelines require the regular monitoring of the sources of funding (by counterparty/product) and the liquidity reserves (by issuer/counterparty).
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability

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

of the risk factors. This report includes an assessment of the liquidity risk exposure, also determined based on the adverse scenarios. The Board of Directors of Intesa Sanpaolo is regularly involved in defining the strategy for maintaining an adequate liquidity position at the level of the entire Group.

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

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

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

(millions of euro)

SCOPE OF CONSOLIDATION		TOTAL UNWEIGHTED VALUE (AVERAGE)				TOTAL WEIGHTED VALUE (AVERAGE)			
EU1a	Quarter ending on	31-dec-21	30-sep-21	30-jun-21	31-mar-21	31-dec-21	30-sep-21	30-jun-21	31-mar-21
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)**					**163,182**	**160,318**	**154,832**	**140,393**
CASH-OUTFLOWS									
2	**Retail deposits and deposits from small business customers, of which:**	**283,180**	**283,531**	**278,200**	**263,896**	**20,154**	**20,058**	**19,582**	**18,549**
3	*Stable deposits*	*202,381*	*203,891*	*201,011*	*190,689*	*10,119*	*10,195*	*10,051*	*9,534*
4	*Less stable deposits*	*80,799*	*79,640*	*77,189*	*73,207*	*10,035*	*9,863*	*9,531*	*9,015*
5	**Unsecured wholesale funding**	**145,352**	**145,434**	**143,889**	**136,835**	**64,512**	**64,985**	**64,501**	**61,492**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*47,038*	*45,824*	*44,401*	*42,431*	*11,756*	*11,453*	*11,097*	*10,605*
7	*Non operational deposits (all counterparties)*	*96,083*	*97,176*	*96,989*	*91,761*	*50,525*	*51,098*	*50,905*	*48,244*
8	*Unsecured debt*	*2,231*	*2,434*	*2,499*	*2,643*	*2,231*	*2,434*	*2,499*	*2,643*
9	**Secured wholesale funding**					**1,646**	**1,618**	**1,584**	**1,563**
10	**Additional requirements**	**72,212**	**70,801**	**69,752**	**67,247**	**17,428**	**17,416**	**17,615**	**17,432**
11	*Outflows related to derivative exposure and other collateral requirements*	*4,875*	*5,023*	*5,081*	*5,048*	*4,736*	*4,893*	*4,986*	*4,976*
12	*Outflos related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*67,337*	*65,778*	*64,671*	*62,199*	*12,692*	*12,523*	*12,629*	*12,456*
14	**Other contractual funding obligations**	**4,947**	**4,707**	**4,294**	**3,351**	**4,930**	**4,645**	**4,161**	**3,219**
15	**Other contingent funding obligations**	**115,414**	**119,783**	**121,073**	**116,324**	**5,427**	**5,383**	**5,259**	**4,935**
16	**TOTAL CASH OUTFLOWS**					**114,097**	**114,105**	**112,702**	**107,190**
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	18,440	18,045	18,944	22,365	972	847	643	622
18	Inflows from fully performing exposures	23,172	22,571	22,117	22,082	16,197	15,674	15,155	14,973
19	Other cash inflows	22,981	22,560	22,389	22,085	8,322	7,991	7,807	7,906
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**	**64,593**	**63,176**	**63,450**	**66,532**	**25,491**	**24,512**	**23,605**	**23,501**
EU20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU20c	*Inflows subject to 75% cap*	*64,593*	*63,176*	*63,450*	*66,532*	*25,491*	*24,512*	*23,605*	*23,501*
TOTAL ADJUSTED VALUE									
EU21	**LIQUIDITY BUFFER**					**163,182**	**160,318**	**154,832**	**140,393**
22	**TOTAL NET CASH OUTFLOWS**					**88,606**	**89,593**	**89,097**	**83,689**
23	**LIQUIDITY COVERAGE RATIO**					**184.5%**	**179.5%**	**173.9%**	**167.2%**

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

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

Net Stable Funding Ratio (NSFR) as at 31 December 2021 (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**	**61,953**	**-**	**-**	**9,164**	**71,118**
2	Own funds	61,953	-	-	9,164	71,118
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**294,786**	**2,192**	**14,905**	**292,718**
5	Stable deposits		210,269	388	318	200,442
6	Less stable deposits		84,517	1,804	14,587	92,276
7	**Wholesale funding:**		**187,977**	**27,174**	**176,268**	**257,805**
8	Operational deposits		52,932	-	-	26,466
9	Other wholesale funding		135,045	27,174	176,268	231,339
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**889**	**39,491**	**1,184**	**6,461**	**7,053**
12	NSFR derivative liabilities	889				
13	All other liabilities and capital instruments not included in the above categories		39,491	1,184	6,461	7,053
14	**Total available stable funding (ASF)**					**628,694**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**31,833**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**399**	**405**	**15,209**	**13,612**
16	**Deposits held at other financial institutions for operational purposes**		**321**	**-**	**-**	**161**
17	**Performing loans and securities:**		**113,390**	**31,490**	**337,113**	**361,151**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		17,402	58	6,587	7,438
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		14,772	2,479	13,999	16,719
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		59,217	22,520	192,274	214,291
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*238*	*297*	*3,525*	*2,633*
22	Performing residential mortgages, of which:		3,391	3,491	97,487	92,043
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,066*	*3,176*	*90,772*	*85,631*
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		18,608	2,942	26,766	30,660
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**40,117**	**9,339**	**57,269**	**75,669**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		2	-	4,261	3,624
29	NSFR derivative assets		5,381	-	-	5,381
30	NSFR derivative liabilities before deduction of variation margin posted		18,597	-	-	930
31	All other assets not included in the above categories		16,137	9,339	53,008	65,734
32	**Off-balance sheet items**		**2,570**	**100**	**187,479**	**11,253**
33	**Total RSF**					**493,679**
34	**Net Stable Funding Ratio (%)**					**127.3%**

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

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**62,016**	**-**	**-**	**9,491**	**71,507**
2	Own funds	62,016	-	-	9,491	71,507
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**287,545**	**2,566**	**14,828**	**286,366**
5	Stable deposits		208,457	312	263	198,594
6	Less stable deposits		79,088	2,254	14,565	87,772
7	**Wholesale funding:**		**191,052**	**10,047**	**194,136**	**261,226**
8	Operational deposits		48,090	-	43	24,088
9	Other wholesale funding		142,962	10,047	194,093	237,138
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**1,090**	**44,179**	**1,494**	**6,683**	**7,430**
12	NSFR derivative liabilities	1,090				
13	All other liabilities and capital instruments not included in the above categories		44,179	1,494	6,683	7,430
14	**Total available stable funding (ASF)**					**626,529**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**47,572**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**475**	**483**	**16,575**	**14,904**
16	**Deposits held at other financial institutions for operational purposes**		**281**	**-**	**-**	**140**
17	**Performing loans and securities:**		**116,844**	**31,066**	**327,489**	**351,229**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		21,909	271	6,224	7,663
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		16,329	1,570	13,614	15,999
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		58,080	22,927	187,116	210,239
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*174*	*192*	*2,113*	*324*
22	Performing residential mortgages, of which:		3,555	3,361	95,432	88,874
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3,120*	*3,095*	*87,950*	*83,617*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		16,971	2,937	25,103	28,454
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**42,100**	**8,269**	**61,618**	**81,417**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1	-	4,295	3,651
29	NSFR derivative assets		6,667	-	-	6,667
30	NSFR derivative liabilities before deduction of variation margin posted		20,249	-	-	1,013
31	All other assets not included in the above categories		15,183	8,269	57,323	70,086
32	**Off-balance sheet items**		**2,531**	**-**	**177,740**	**10,663**
33	**Total RSF**					**505,925**
34	**Net Stable Funding Ratio (%)**					**123.8%**

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

(millions of euro)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**63,836**	**-**	**-**	**9,834**	**73,670**
2	Own funds	63,836	-	-	9,834	73,670
3	Other capital instruments		-	-	-	-
4	**Retail deposits**		**281,648**	**2,291**	**16,336**	**282,217**
5	Stable deposits		206,365	342	314	196,686
6	Less stable deposits		75,283	1,949	16,022	85,531
7	**Wholesale funding:**		**170,292**	**11,715**	**194,559**	**262,085**
8	Operational deposits		48,210	-	-	24,105
9	Other wholesale funding		122,082	11,715	194,559	237,980
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**1,232**	**51,087**	**-**	**8,285**	**8,285**
12	NSFR derivative liabilities	1,232				
13	All other liabilities and capital instruments not included in the above categories		51,087	-	8,285	8,285
14	**Total available stable funding (ASF)**					**626,257**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**45,231**
EU15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**469**	**486**	**16,850**	**15,134**
16	**Deposits held at other financial institutions for operational purposes**		**97**	**5**	**5**	**56**
17	**Performing loans and securities:**		**107,129**	**34,788**	**326,980**	**351,663**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		19,909	547	5,668	7,652
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		14,479	2,242	12,562	15,103
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		51,963	24,690	198,895	218,750
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*110*	*171*	*2,271*	*1,668*
22	Performing residential mortgages, of which:		2,923	3,176	85,268	81,333
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*2,646*	*2,814*	*80,581*	*76,775*
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on- balance sheet products		17,855	4,133	24,587	28,825
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**54,280**	**8,242**	**56,484**	**83,170**
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		2	8	4,748	4,044
29	NSFR derivative assets		6,705	-	-	6,705
30	NSFR derivative liabilities before deduction of variation margin posted		19,916	-	-	996
31	All other assets not included in the above categories		27,657	8,234	51,736	71,425
32	**Off-balance sheet items**		**2,619**	**-**	**180,332**	**10,694**
33	**Total RSF**					**505,948**
34	**Net Stable Funding Ratio (%)**					**123.8%**

Group liquidity management model and interaction between affiliates

Integrated management is a key factor in the successful governance of liquidity risk. The existence of integrated liquidity management models is also recognised by the current European legislation, which provides the possibility of being exempted from individual compliance with the LCR requirement.
In this context, and in view of the centralised liquidity management models adopted by the Intesa Sanpaolo Group, the ECB has accepted the application for exemption from the individual compliance with the LCR requirement and the related reporting obligations (see Part 6, CRR) for the Group's main Italian subsidiaries.
All the international subsidiary banks of the Group comply with the individual LCR requirements, as they were well above the minimum regulatory amounts required throughout 2021. To this end, and based on the particular characteristics of each international jurisdiction, adequate liquid reserves are maintained that are readily available at local level. For affiliates resident in a third country subject to restrictions on the free transferability of funds, the calculation of the Group LCR can only include the reserves held there to meet liquidity outflows in that third country (accordingly, all surplus amounts are excluded from the consolidation).

Currency mismatch in the Liquidity Coverage Ratio

The Intesa Sanpaolo Group operates primarily in euro. The EU regulations require the monitoring and reporting of the "LCR in foreign currency" when the aggregate liabilities held in a foreign currency are "material", i.e. equal to or greater than 5% of the total liabilities held by the institution.
As at 31 December 2021, the US dollar (USD) was confirmed as material currency at consolidated level for the Group. Intesa Sanpaolo has an LCR position in USD of over 100% and has ample reserves of extremely high quality liquid assets (EHQLA) in US dollars, mainly consisting of unrestricted deposits held at the Federal Reserve.

Concentration of funding

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

Derivatives transactions and potential collateral calls

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

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

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

Section 6 - Credit risk: general disclosure

Qualitative disclosure

Risk management strategies and processes

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

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
It is important to note that the 2018-2021 Business Plan included – among other things – the ambition to excel in asset quality in which the effective management of non-performing loans is one of the first priorities. In this regard, the extraordinary de-risking already planned at the end of 2020, aimed at reducing the Group's non-performing loans, was completed during the year. Other portfolios and single names classified as bad loans or unlikely-to-pay held for disposal were also identified in 2021 for a total gross book value of 4.5 billion euro, which have already been classified as assets held for sale in the 2021 financial statements. A target was also set for 2022 of further sales of non-performing loans for a gross book value of 4.8 billion euro within two portfolios totalling 6.8 billion euro. These portfolios were recognised on the basis of IFRS 9, factoring in a probabilistic scenario of sale at market prices, considering the above-mentioned sale target of 4.8 billion euro in terms of GBV.
The main contents of these strategies and the results for the year are described in the "2018-2021 Business Plan" section of the Report on operations of the 2021 Consolidated Financial Statements.

Structure and organisation of the associated risk management function

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

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

The Chief Lending Officer Governance Area, with the aid of its structures (BdT Underwriting Head Office Department, CIB Underwriting Head Office Department, ISB Credit Head Office Department, Credit Governance Head Office Department, Credit Value Preservation Head Office Department and NPE Head Office Department):
- makes material credit decisions, directly or submitting them to the relevant bodies, in relation to the assumption and management of the Group's credit risks, authorising them directly if falling within its prerogatives, including by way of advisory opinions;
- ensures the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- ensures, for its area of responsibility, the proactive management of credit and guarantees the management and the monitoring of the Group's non-performing and bad loans kept within the Group's internal management;
- designs and manages transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performs monitoring and control on outsourced activities, including the monitoring of the performance KPIs of outsourcers, directly making decisions, or submitting them to the Competent Bodies, regarding proposals exceeding the powers delegated to the Outsourcers;

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

The Chief Risk Officer Governance Area is responsible for adapting the Risk Appetite Framework for the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures. Specifically, the Chief Risk Officer Governance Area:
- establishes the metrics for the measurement of credit risk - also with regard to the collective measurement of performing loans and the measurement of non-performing loans on a statistical basis;
- provides risk-adjusted pricing models and guidance on Expected Loss, Economic Capital (ECAP) and RWAs;
- monitors the absorption of capital relating to credit risk, supporting the Chief Financial Officer Governance Area in the active management of capital;
- makes proposals for the assignment of the Credit Granting and Management Powers;
- validates internal risk measurement systems;
- oversees model risk;
- performs level 2 controls for credit risk.

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

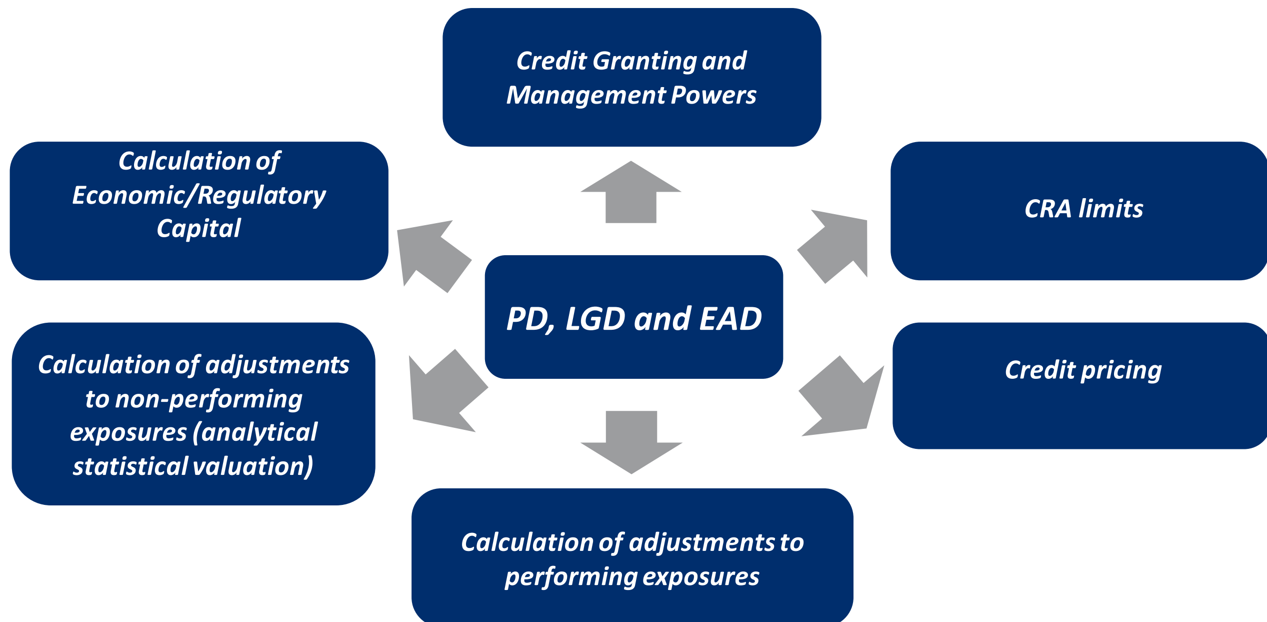
With regard to the credit management policies, the Chief Financial Officer Governance Area:
- assists the Corporate Bodies in defining, in accordance with the Group corporate strategies and objectives, the guidelines and policies on administration and tax, planning and management control, treasury and finance, studies and research, active management of the loan portfolio, relations with investors and rating agencies, and social and environmental responsibility;
- oversees Credit Portfolio Management at Group level, supporting the Divisions in the active management of credit risk, with the aim of improving the risk-return profile of the loan portfolio in order to create value for shareholders, through targeted credit strategies and participation in market operations on performing and non-performing loan portfolios;
- oversees and coordinates the “Group NPL Plan Control Room”, a managerial body with consulting, monitoring and guidance functions, established to ensure that the strategic objectives of the Group’s NPL Plan, approved annually by the Parent Company’s Board of Directors, are achieved while in compliance with the performance targets, solidity of the capital ratios and creation of value for the Group.

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

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

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

Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentration of exposures, limit potential losses in adverse scenarios, and maintain credit quality in line with the objectives of capital and financial stability.
Expected Loss and Risk Weighted Assets are fundamental elements for the management, measurement and control of credit risk. These measures incorporate the effects of the exposure size (Exposure at Default - EAD), the relative risk level of the customer (Probability of Default - PD), the loss estimate where insolvency conditions exist - taking into account the guarantees that mitigate the assumption of risk related to the loan (Loss Given Default - LGD) - and the duration of the exposure (maturity).
The components that contribute to the determination of the Risk Weighted Assets are the key elements for the determination of the levels of the Credit Granting Powers, the limits of the Credit Risk Appetite (CRA), the credit pricing, the calculation of the adjustments on performing exposures and the analytical-statistical adjustments on non-performing exposures, as well as the calculation of the economic and regulatory capital.



The Credit Risk Appetite is aimed at optimising the risk/return profile of the assets. The “Rules on Credit Risk Appetite” define the methods for applying the CRA and the methods for calculating the CRA colour class, with associated exposure limits, in order to pursue a growth in lending consistent with the risk appetite defined for the Group. In order to ensure homogeneous treatment of customers, guarantee current operations and consistent oversight of Group risks, the Credit Risk Appetite (CRA) framework of Intesa Sanpaolo was applied until the merger also to the scope of UBI Banca, as well as IW Bank, defining specific operational limits as well as the governance for managing breaches of the limits in line with that established at Intesa Sanpaolo.
The objective of the calculation of the pricing of transactions is to define the suitability of the economic conditions based on the value generation with respect to the expressed riskiness and all the components that contribute to the calculation of the value, also including the costs allocated to the structures.
The capital at risk is defined as the maximum “unexpected” loss that the Group may incur with particular confidence levels. The calculation is made with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macroeconomic scenario and on stress scenarios. Risk capital is a fundamental element in the assessment of the Group’s capital adequacy and is calculated within the ICAAP process both with regard to the regulatory parameters and from a management perspective.
The levels of Powers set in terms of RWA delimit the decision-making power in the granting phase, specifying the authorised professional profiles and the decision-making procedures for the loans for the individual counterparties. In particular, where the granting of loans by the Group’s subsidiaries exceeds certain thresholds, a request for a “Compliance Opinion” is made to the competent bodies of the Parent Company.
The credit granting phase is also regulated by metrics that are complementary to the RWAs, which define coordination mechanisms and support tools for the ongoing exercise of guidance, coordination and control responsibilities, in implementation of the corporate governance provisions. In particular, the company rules include the Granting Rules, which specify the methods for taking on credit risk with customers, and the Rules on Credit Strategies, which are designed to direct the development and composition of the loan portfolio towards a risk/return profile that is recognised as optimal over the medium/long-term.

The credit risk management processes also envisage the periodic review of the credit positions by the relevant centralised or decentralised structures and the assessment of customers not only at origination, but also on a continuous basis, by means of a periodic monitoring process that interacts with credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. An Early Warning System is in place for the Corporate, Retail SME, Retail and Institutions portfolios, with adaptations introduced alongside the updates to the internal rating models. The system used was developed on the basis of the indicators identified in the Asset Quality Review and consists of a statistical component and a qualitative component, plus manual triggers by event. The indicators are updated on a daily basis and, when they confirm a potential anomaly in the management of the relationship, the related positions are detected and reported in specific management processes. As mentioned above, further developments were made to the EWS engine in the second half of 2021, for a forthcoming update. More generally, the Group continued to develop its own management models to support the credit granting, monitoring and management processes (e.g. affordability and forecasting).

The valuation of the adjustments to the performing and non-performing exposures[11] is based on methods consistent with IFRS 9, as described in Section 7 - Credit Risk: credit quality of this document.
Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.
The country risk component is used in the granting of credit to non-resident entities in order to obtain a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. These limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, set on an annual basis in the Group Risk Appetite Framework.

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

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

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

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

Through specific control, guidance and coordination activities, the Internal Validation and Controls Head Office Department within the Chief Risk Officer Governance Area oversees the credit granting and management processes for the performing loans portfolio at the Group level, and through controls on individual positions, assesses that loans are properly classified. It also assesses the compliance of the internal risk measurement and management systems over time as regards determination of the capital requirements with the regulatory provisions, company needs and changes in the relative market.

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

[11] The analytical statistical measurement of the non-performing exposures applies to non-performing past-due due exposures and bad loan and unlikely-to-pay positions equal to or less than 2 million euro for the Parent Company. For Group companies, the threshold value for analytical-statistical measurement is set by the competent bodies of the individual companies, in coordination with the structures of Intesa Sanpaolo, at a level that is not, in any event, higher than that set by the Parent Company.

Methods of inclusion of climate and environmental risk for credit risk management

In the taxonomy of risks the Bank is exposed to, climate change risk is an emerging risk category that could have a significant and cross-cutting impact, in the medium to long-term, on traditional risks such as credit, market and liquidity, operational and reputational risk.

With this in mind, starting in 2020 Intesa Sanpaolo launched a number of project initiatives aimed at identifying, measuring, controlling and managing this new category of risks and their impact on the Bank's various areas of operations.

With regard to credit risk, it should first be noted that the effects of climate risk are mainly prospective and consequently there is no strong empirical evidence in the quantitative time series used for the rating models and the LGD and EAD estimates.

That said, the qualitative component of the Corporate models, currently validated and used by the Group as at 31 December 2021, for both regulatory and management purposes, considers various aspects and elements related to ESG and Climate, by means of specific questions answered by the analysts when assigning the rating. These include aspects such as the presence and quality of environmental certificates held by the company, the presence of legal disputes related to environmental issues (pollution resulting from production activities), and, more generally, human rights and the stability of corporate governance.

In the new Corporate models, for which the model change application was submitted during the first half of 2021 and is currently awaiting the completion of the validation process by the Supervisor, the above-mentioned factors have been maintained and specific "ESG" and "Catastrophic" modules have been developed, to increase the depth of analysis in these areas of investigation, which, together with the more traditional modules, contribute to defining the rating class as an output of the model.

To take account of the counterparty's exposure to physical risks arising from catastrophic events (e.g. damage to production facilities and/or warehouses), a specific new module has been developed within the new Corporate model (companies or groups with a size of less than 500 million euro), which uses a top-down approach (the data at individual level is currently very limited, especially for smaller companies) based on historical and public information on catastrophic events observed at geographical area level. More specifically, for domestic counterparties, this module provides an assessment of the risk of damage related to natural disasters (floods, fires, earthquakes) to which a company is potentially exposed depending on the region (and/or municipality) where it operates and/or mainly conducts its business.

For the Large Corporate model (companies or groups with a size of more than 500 million euro), on the other hand, a specific ESG module has been included, which uses a bottom-up approach, because the level of availability of information on ESG elements (risk drivers, approaches, corporate strategies) at individual debtor level is much greater for larger companies (generally more structured/organised, often listed companies). The proposed module statistically integrates three sub-scores, each of which considers specific Environmental (E), Social (S) and Governance (G) drivers (identified as being significant in relation to the credit default risk). Within the new model framework, it is a "stand-alone" component of the broader, more general qualitative section.

With regard to the measurement of the concentration of climate risk in the corporate and SME corporate loan portfolio, monitoring is currently conducted based on management data.

To this end, a top-down ESG sectoral assessment has been developed internally, which assigns qualitative scores at granular level (i.e. "sub-sector") to represent the component of the loan portfolio potentially most exposed to climate and ESG risks.

The assessment criteria underlying the assignment of these scores have been defined using numerous sources adopted within the financial system (publicly available analyses, research papers and findings from leading international working groups) that describe the financial materiality, at qualitative level, of the climate and ESG risk drivers for the main economic sectors.

Based on this approach, several sub-sectors have been classified as having high transition and ESG risk, and as at 31 December 2021 the portion of the Corporate and Corporate SME loan portfolio that had received this classification was still less than 20% of the total portfolio within scope.

Methods for measuring expected losses

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

In Intesa Sanpaolo, probability of default is measured by means of different rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle.

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

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

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

The models applied to the Retail portfolio are as follows:

- for the Retail SME segment, a highly-decentralised rating model by counterparty is used, in which the quantitative-objective elements are supplemented by qualitative subjective elements;
- for the Retail segment, a counterparty rating model consisting of the Retail Mortgages segment and the Other Retail segment has been in use since September 2018.

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

For the international subsidiary banks of the Group, PD models are used, which may be:
- developed by the international subsidiary banks in order to capture the specific features of the risk of the local counterparties;
- extended by the Parent Company;
- borrowed from the Parent Company and adapted to local situations.

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

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

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Factoring, Leasing, Public Entities and Banks). As in the case of the PD, the models that have been adopted for the LGD of the International Subsidiary Banks of the Group were developed by the banks themselves, extended by the Parent Company, using local parameters where necessary or changed by the Parent Company, with adaptations to each international subsidiary bank.
For the banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models, and a recalibration of the observed LGD levels on the bank’s internal defaults.
Sovereign LGD is estimated by analysing historical recovery rates on sovereign defaults, split into five categories according to income levels and other specific characteristics the individual countries.
The LGD Sovereign model is used solely for management purposes.

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

For the Group companies included in the roll out plan, the internal rating models (PD) and the EAD and LGD models are subject to independent validation by the Validation function and a level three control by the Internal Audit Department. At the end of these activities, a report is produced for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also verifies the actual deviation between the ex-ante estimates from the models and the actual ex-post values. This report, approved by the Board of Directors of Intesa Sanpaolo, confirms the compliance to the regulatory requirements.

The methodology for the estimation of the Expected Credit Loss (ECL), adopted for the determination of the impairment on loans in accordance with IFRS 9, is implemented at individual transaction or securities tranche level, based on the IRB modelling of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate adjustments are made to ensure compliance with the requirements of the standard. With a view to achieving convergence between the accounting and regulatory rules, while respecting their specific purposes, adjustments have been made to the estimation model for accounting LGD, incorporating the provisions progressively introduced and applied in the prudential IRB model changes.
A detailed description of the methods adopted by the Group is provided in Section 7 below.

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

As indicated in the section "Changes due to COVID-19" below, the macroeconomic scenarios were determined by the Bank's Research Department using forecast models, taking into account the forecasts of the main national and international bodies and institutions.

The effectiveness of the IFRS 9 models is also monitored by the Validation function once a year on the risk parameters (staging criteria and PD, LGD and haircut models), both through model performance tests and in terms of model design, data treatment and code review. In addition, regulatory compliance activities are also carried out in the event of methodological updates or updates of their underlying regulatory models, resulting from updates of their life cycle. The results are presented, in the same way as mentioned above, in the annual report on internal models used for managerial purposes.
Lastly, the following took place during the year:

- the merger of UBI Banca was completed, adopting certain temporary treatments that were superseded from the quarterly report as at 30 September 2021 with full harmonisation of the calculation of the Expected Credit Loss with Intesa Sanpaolo's measurement processes;
- the risk parameters for the Banks, Public Entities and Retail SME segments were updated following the corresponding regulatory model approvals.

Policies for hedging and mitigating risk

The risk mitigation techniques include those instruments that contribute to reducing the loss that the Bank would incur in the event of counterparty default, i.e. the Loss Given Default described in the paragraph above. In particular, these include guarantees and certain types of contracts that reduce credit risk.
The assessment of these mitigating factors is carried out by associating through a procedure that assigns a Loss Given Default to each individual exposure, which takes higher values in the case of ordinary unsecured financing and is reduced, on the other hand, depending on the the incremental strength of any mitigating factors present. The Loss Given Default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relationship
During the credit granting and managing process, the acquisition of mitigating factors is encouraged for counterparties with non-investment grade ratings or for certain types of medium/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges on non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of the individual collateral and guarantees, identifying the structure responsible as well as the methods for their correct completion, for archiving the documentation and for the complete and timely recording of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:

- all the requirements for the validity and effectiveness of credit protection are satisfied;
- a standard contractual framework is defined for grarantees and collateral of general and current use, accompanied by full instructions for its use;
- specific structures, other than those responsible for managing the commercial relationship with the customer, are identified by process in order to approve collateral and guarantee non-standard contract.

The management of collateral and guarantees received uses a single platform at Group level, which is integrated with the register of assets and the portal that manages the immovable property valuations.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the valuation of the asset, the acquisition of the collateral and the control of its value. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, focused mainly on the borrower's ability to meet the obligations assumed, irrespective of the associated collateral.
The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed on a regulated market, or, otherwise, the estimated realizable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts differentiated according to the intended use of the property.
Assets are appraised by internal and external appraisers. The external appraisers are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialized companies. The work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks carried out centrally.

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

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

In 2021, the Parent Company continued its activities relating to the “GARC” (Active Credit Risk Management) Project, involving a platform for monitoring credit risk of performing portfolios. The initiative involves the systematic acquisition of both personal guarantees and collateral to support lending to companies.

The guarantees obtained provide hedging of default risk (past due, unlikely to pay and bad loan) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (including Regulation (EU) 575/2013 and Bank of Italy Circular 285/2013).

During the year – also under the GARC Project – the following activities with the Guarantee Fund for SMEs were carried out: (i) a tranched cover transaction to hedge the junior risk of a portfolio of newly issued loans and (ii) the “Tranched Cover Confcommercio” synthetic securitisation dedicated to member companies of Confcommercio and local Credit Guarantee Consortia to facilitate access to new credit and provide financial resources in support of trade, tourism and services through investments aimed at growth, technological upgrading and business innovation.

For details of the transactions carried out in 2021 under the GARC Project, see the description provided in Section 12 - Securitisations of this document.

In order to optimise capital absorption, transactions to hedge the risk of expropriation of the compulsory and unrestricted reserves of the ISP Group banks operating in Bosnia Herzegovina, Egypt and Moldova were also renewed and the hedging for the bank operating in Albania was increased.

Impacts from the COVID-19 pandemic

Since the beginning of the pandemic all the Bank's functions have been involved in an extensive and complex set of actions aimed at supporting the various types of Group customers. This was provided through both the offer of government support related initiatives and through initiatives implemented autonomously by the Group.
The pandemic caused a significant threat to the resilience of the companies in the Group's loan portfolio. On the other hand, a series of unprecedented government measures were implemented to support the economy, which must be considered in assessing risk. The speed of change in the economic and social context has increased the level of uncertainty of economic forecasts used as the basis for the estimates of risk appetite. This phase thus requires a greater capacity to adapt and attention to the various challenges laid down by the current credit risk assessment models. As a result, in line with the approach adopted in 2020 after the beginning of the pandemic, it was decided to calibrate the risk appetite, to avoid pro-cyclical conduct while supporting the economy, maintaining a solid financial and equity position.
At the beginning of February, the Board of Directors approved the update of the Credit Risk Appetite Framework, within the overall Risk Appetite Framework, which, in line with the approach adopted in 2020, included the forward-looking information needed to reflect the specific impacts of the COVID-19 crisis within the risk and resilience factors on the Corporate Domestic, Large Corporate (Italy component), Corporate Real Estate and International Corporate scope and a vulnerability indicator for the Corporate Domestic and Corporate Real Estate scope. The vulnerability indicator, introduced in 2020, is based on the company's liquidity profile and its resulting ability to service existing debt and contracted debt in the face of the COVID-19 emergency. The assessment of debt sustainability is measured against the post-pandemic return to normality by using the pre-Covid EBITDA of the companies as a benchmark. The methodological decision to consider a post-crisis time horizon was due to the need to sterilise the transitional effects of the crisis, such as the exceptional institutional measures (e.g. moratoria, grace period for new secured transactions) and the volatility of net working capital, as well as to assess the medium/long-term sustainability in order to reduce the pro-cyclical effects. This indicator can therefore contribute to providing an initial – though partial – response to the expectation of reducing to the minimum any cliff-edge effects upon expiry of the moratoria.
For the Retail SME segment, at the time of the adoption of the new rating model, the choice was made to continue applying the resilience factor on the economic outlooks, implemented at micro-sector level.
The 2021 Risk Appetite Framework also included the introduction of an early warning threshold on the sectors most affected by the pandemic.
With regard to the methodologies and processes developed within the Chief Risk Officer Area, the Internal Validation and Controls Head Office Department refined the machine learning model for the Corporate Performing positions – developed in 2020 – aimed at measuring the risk in terms of probability of being classified in higher risk classes in the next six months. The model was made more responsive and capable of capturing signs of crisis/recovery specific to the COVID period. During the year, again with the aid of machine learning techniques, it developed similar models dedicated to the segments in scope, with the main objective of using innovative instruments to support the Level 2 controls on credit (single name), specifically with regard to the selection of the positions to be controlled.
In line with the roll-out plan updated by the Intesa Sanpaolo Group and adopted following the measures set out by the Supervisory Authorities as a result of the emergency COVID-19 crisis, the work continued on the re-estimation, updating and resolution of the remediation plans for the internal credit risk models. Specifically, in the first half of 2021, model change applications were submitted for all models related to all risk parameters (PD, LGD and EAD) of the Corporate and Retail regulatory segments. For these models, the inspections by the Regulator were conducted and completed, in offline mode, and the validation process has begun. During the fourth quarter of 2021, and in line with the above-mentioned roll-out plan, pre-application requests were sent for the Leasing/Factoring and Structured Finance LGD/EAD models, which will be completed, as envisaged by the ECB process, with the sending of the document packages (applications) during the first quarter of 2022. Also during the fourth quarter of 2021, ex-ante notifications were sent on the new Retail SME and Institutions models, authorised in the first half of the year and used for reporting purposes since June 2021, resulting from the usual time series updating and the recalibration to the new definition of default (already used in the bank processes since November 2019).

With regard to the determination of the Expected Credit Loss (ECL), up to the third quarter of the year the Group decided, on a prudent basis, to maintain the macroeconomic scenario used for the financial statements as at 31 December 2020, as described in the previous disclosures, without any changes. For the financial statements as at 31 December 2021, the Group has decided to return to using the macroeconomic scenarios produced internally by the Research Department as the inputs for the ECL models, after having verified that they are substantially consistent with the scenarios published by the ECB and Bank of Italy. This choice enables substantial uniformity of the scenario used for the measurement of expected losses, adopted in the valuation and forecasting processes, including the scenario underlying the new Business Plan being launched in 2022. With the consolidation of the recovery scenario observed in 2021 and on the basis of economic growth forecasts that are expected to remain strong over the next three years, despite some unfavourable circumstances in the short term, as also confirmed by the projections released in December 2021 by the banking supervisors (ECB and Bank of Italy), it was considered appropriate to also use the new scenario in the credit assessments. The sharp increase in coronavirus (COVID-19) infection rates in several Eurozone countries has led to new restrictions and greater uncertainty about the duration of the pandemic, increased by the arrival of the Omicron variant, but containment measures and vaccination campaigns have so far created the conditions for a more manageable pandemic without lockdowns. Consequently, for the 2021 financial statements, the adoption of the updated scenario takes into account the most recent ex-post information, while also adopting the updated forecasts for the period 2022-2024.
At the same time as returning to the use of scenarios (baseline, best-case and worst-case) produced internally, the Group decided to confirm and refine the management overlays adopted for the 2020 financial statements to incorporate the impacts from the continuation of the moratorium initiatives and from the government guarantees into the satellite models. Lastly, the extraordinary triggers for sliding into Stage 2 have been revised, refining their scope of application compared to 2020 to capture additional vulnerabilities in credit exposures subject to payment moratoria and applying greater caution in the assessment of exposures with higher risk.
The merger of UBI Banca into the Parent Company was also completed during the year, bringing the acquired portfolios fully into line with Intesa Sanpaolo's measurement methods for the calculation of the Expected Credit Loss and the related management overlays.

Actions in support of customers continued, in line with the initiatives implemented since the start of the pandemic, through:
a) extensions of the legislative moratoria decided by the Government in the second quarter (May 2021, the so-called "Sostegni" Law Decree); in this regard, the Bank has adapted its processes to the different approach introduced by the "Sostegni" Law Decree with respect to previous legislative measures, i.e. the introduction of the requirement for an express payment extension application by the customer;
b) proactive action by the Group based on in-depth diagnosis by the relationship managers (action plan).

With specific reference to the moratoria, the following should be noted:

- *corporate legislative moratoria*: Budget Act no. 178 of 30 December 2020 provided that, unless waived by the customer, the maturity dates already extended from 31 January 2021 to 31 March 2021 would be extended further "without formalities" to 30 June 2021. The Intesa Sanpaolo Group complied with this legislative provision through a centralised action which extended all credit maturities relating to the exposures meeting the legal requirements to 30 June 2021.
  Legislative Decree 73 (the so-called "Sostegni bis" Decree) adopted on 25 May 2021 further extended the measures already in place until 31 December 2021 with the following restrictions concerning the moratorium:
  - it is limited only to the principal amount, where applicable;
  - it is applicable only to companies already in receipt of the benefits under Article 56 of Law Decree no. 18 of 17 March 2020;
  - it is only granted on the customer's express request.

  In the third quarter, the Intesa Sanpaolo Group carried out the necessary actions to complete all the requests received within the legally established deadline;
- *moratoria under Italian Banking Association / industry sector agreements or the Bank's own initiative*: the Intesa Sanpaolo Group has provided support to its customers since the beginning of the COVID-19 emergency. More specifically, up to the first quarter of 2021, the support/moratoria initiatives continued for customers resident or operating throughout Italy not already covered by the legislative suspension initiatives, in line with the EBA Guidelines (with particular regard to the 9-month cap on suspension relating to the exemption from classification as forborne, introduced in the amendment of 2 December 2020) and the related Italian Banking Association agreements. For the moratoria that do not satisfy the above-mentioned 9-month cap requirement, or that do not fall within the framework established by the EBA Guidelines on "general payment moratoria", the Group has adopted an approach that involves the application of ordinary credit processes with a case-by-case assessment of both the classification as forborne and classification as unlikely to pay. Since 1 April 2021 (the final phase-out date of the EBA Guidelines on general payment moratoria), all moratoria that do not fall within the scope of the legislative initiatives have followed the ordinary lending processes.

In addition, the other support actions include:

- *Loans with the Central Guarantee Fund guarantee*: with regard to the loans for an amount up to 30 thousand euro to SMEs whose business activity has been harmed by the COVID-19 emergency, which are eligible for the guarantee from the Central Guarantee Fund for SMEs with 100% cover both through direct guarantee and reinsurance – pursuant to Conversion Law no. 40 of 5 June 2020 under Article 13, paragraph 1, letter m, of the "Liquidità" Law Decree no. 23 of 8 April 2020 – in the first half the Intesa Sanpaolo Group made the specific updates required by the 2021 Budget Act. In particular, the maximum repayment period has been extended from the previous 10 years to 15 years, both for new and existing loans. For these types of loans granted by 30 June 2021, the full guarantee (100%) has been confirmed and has remained unchanged even if the loan duration is rescheduled within the maximum permitted time limit.
  The "Sostegni bis" Decree extended access to loans of up to 30 thousand euro to the end of 2021 for companies that had not yet taken advantage of this option, with the following characteristics:
  - *for loans up to 30 thousand euro*: the reduction of the percentage coverage from 100% to 90% for loans taken out after 30 June 2021;
  - *for loans over 30 thousand euro:* extension of maturity from 6 to 8 years (both for existing loans and new disbursements) and, for new transactions after 30 June 2021, reduction of the percentage cover from 90% to 80%.
- *Loans with SACE guarantees:* in continuation from 2020, the support to enterprises through loans with SACE guarantees continued, enabling them to maintain the continuity of their economic activities.
- *Refinancing*: on the basis of the provisions of the 178/2020 Budget Act in terms of the granting of guarantees from the Guarantee Fund for SMEs and the SACE Italy Guarantee, the Intesa Sanpaolo Group launched an initiative, aimed at supporting businesses in the current difficult environment, to make the debt servicing for the businesses compatible and affordable with respect to the current and prospective cash flows generated by the counterparties, where conditions allowed.

With specific reference to credit portfolio management, in addition to the standard early warning indicators and proactive credit management processes, a further quantitative assessment layer was introduced, which combines sector-based forecasts with additional risk indicators. Specifically, government and bank financial support measures in 2020 and 2021 safeguarded many companies that faced a liquidity shortfall due to the COVID-19 situation. Otherwise, there would have been a worsening of the risk, which would have been reflected in a deterioration of the customers' ratings and an increase in the default rate. In this context, at the beginning of 2021, with a view to anticipating potential financial issues related to the expiry of the government support measures, the Chief Risk Officer Area conducted specific assessments to identify companies/sectors that continue to experience operational difficulties in terms of cash flow generation, despite being financially supported by those measures. The methodology was subsequently further developed, strengthened, supplemented and reported to the corporate bodies in line with the accompanying development of the Early Warning models, which was completed in December 2021.

The Group's proactive actions included the following initiatives:

- Action Plan: the Group has started a diagnosis on the moratoria portfolio for priority clusters identified on a risk basis (rating class, guaranteed quota, exposure amount, etc.), both for Corporates and Retail Individuals. Through a single name analysis of the positions, the diagnosis has produced a "traffic light" clustering of the portfolio and it identified the perimeter that may need intervention to support the regular resumption of payments when the moratoria expire. The initiative has so far involved 96% of the portfolio of active moratoria. The result of the initiative shows that around

90.62%, in terms of exposures, have been clustered with a Green light (affordable resumption of payments without intervention or with refinancing), 7.41% with a Yellow light (need for moratoria extension or renegotiation), 1.43% with an Orange light (resumption of payments is currently not affordable, with position to be reviewed at a later date) and only 0.54% with a Red light, which denotes a possible increase in credit risk with reclassification as non-performing loans. These management actions were monitored during the second half of the year, with requests for completion timing for the actions still in progress.

– Re-rating: this initiative aimed at updating the customer risk assessment in view of the effects of the economic situation also continued and concerned 92% of the positions and over 99% of the positions under moratoria. The results show a significant correlation between rating updating and deterioration and the outlook by sector of the economy, with a higher incidence of updated and deteriorated ratings among counterparties belonging to sectors with more negative prospects.

The flows of new non-performing loans in 2021 remained very low and below the levels observed in 2019, the last year before the pandemic. Specifically, also on positions that benefited from support measures such as moratoria, only around 2.7% of the positions with expired moratoria and past-due payment resumptions were included among the non-performing positions, for both retail and corporate customers.
The functions of the Chief Lending Officer Area continue to constantly monitor the Action Plan activities and the observed risk profiles, with periodic reporting to the Risks Committee and Management Control Committee of Intesa Sanpaolo.

As part of the initiatives in support of customers affected by the pandemic crisis, the Parent Company continued its direction and coordination of the Subsidiaries in 2021, aimed at the adoption of the same guidelines, particularly for countries where the legislative moratoria schemes continued in 2021 (Hungary).
With regard to counterparty risk, the pandemic crisis entailed an initial increase in exposures, mainly due to the decline in Euro area interest rates and the general, significant increase in the volatility of the main risk factors. However, no critical issues were encountered in the margining process with market counterparties, despite the sharp increase in collateral calls, by both number and volume, during the weeks of greatest stress on the markets. Margin processes with central counterparties also did not generate any operating issues. The situation on the financial markets has gradually stabilised. The level of exposure to customers gradually increased during 2020, followed by a decrease in 2021, driven by interest rate movements.

In 2021, as it did for the 2020 financial statements, the Intesa Sanpaolo Group continued to carefully observe the credit dynamics generated by the pandemic, by means of numerous management monitoring actions, which were also reported to the banking supervisor. On one hand, a modest flow of new defaults was observed during the year, also on positions that ceased to benefit from support measures, such as moratoria, and, on the other hand, reasonable prudence was maintained in the valuation of the credit positions, although with a much more favourable outlook than the one at the end of 2020.
As already noted in the introduction to this Section, COVID-19 led the Group to consider a number of specific adjustments to the Group's modelling in relation to the measurement of the significant increase in credit risk (SICR) and the measurement of expected losses for the purpose of determining the Expected Credit Losses (ECL) pursuant to IFRS 9. These adjustments were determined based on the management's judgement in order to better capture the uniqueness of this situation, also considering the continued substantial customer support measures, such as the payment moratoria that remained in place in Italy throughout 2021, albeit with a gradual reduction. The need for managerial adjustments and judgements of the current and future situation with respect to the estimation methods adopted has been the subject of substantial guidance from the Regulators and Standard Setters, which had already expressed their opinions in 2020, setting out a framework that is still applicable, given the absence of any further significant regulatory interventions by the Regulators and Standard Setters in 2021.
The Intesa Sanpaolo Group made these choices in the 2020 Annual Report and they continued to be implemented in 2021, gradually refining them to take account of the evolution of the health and macroeconomic situation – still characterised by uncertainty throughout 2021 – and the greater amount of information available to the Group.

Macroeconomic scenario for forward-looking conditioning

Intesa Sanpaolo's policy envisages the use of the macroeconomic scenario defined and constantly updated by the Research Department for the purpose of forward-looking conditioning.

As noted in the financial statements as at 31 December 2020, starting from June 2020 the Group followed the guidance provided by the ECB and the Bank of Italy and used the forecasts provided by those bank regulators instead of the above-mentioned scenario.

During 2021, all the macroeconomic projections published by the national and international regulators and bodies showed a progressive and significant improvement in the scenario compared to the one used for the 2020 financial statements. During the year, and therefore for the quarterly and half-yearly reports, the Group decided, on a prudent basis, to continue applying the scenario used in the 2020 financial statements, while awaiting the consolidation of these improvements.

At the end of the year, with the confirmation of the improvements in the forecasts for the coming years, less uncertainty in the estimation of the projections and the first final data relating to 2021 that confirmed this trend, the Group decided to return to the use of the scenarios produced internally by the Research Department as inputs to the ECL models. This choice, after having verified the substantial consistency with the scenarios published by the ECB and the Bank of Italy, provides substantial uniformity among the scenarios used in the other valuation/forecasting processes (such as the impairment testing of intangible assets, budget process, etc.) and in particular with the new Business Plan being launched in 2022.

The table below shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the "Most-Likely scenario + Add-on" model described in Section 7 of this document, where more details are provided.

Intesa Sanpaolo macroeconomic scenarios for calculating the ECL in the 2021 Financial Statements

		Baseline				Mild				Severe			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Italy	**Average Variation**												
	Real GDP Italy	6.2%	4.3%	2.4%	1.6%	6.3%	4.9%	2.6%	2.1%	6.2%	3.5%	1.5%	1.4%
	CPI Italy	1.8%	1.9%	1.4%	1.7%	1.8%	2.1%	2.0%	2.6%	1.8%	1.7%	0.8%	0.9%
	Residential Property Italy	2.4%	2.5%	0.7%	1.9%	2.6%	4.0%	2.8%	3.6%	2.3%	0.2%	-2.7%	-1.1%
	Average level												
	10Y BTP yield	0.7%	1.5%	2.0%	2.2%	0.7%	1.5%	2.2%	2.5%	0.8%	1.5%	2.1%	2.3%
	BTP-Bund Spread 10Y	1.1%	1.5%	1.6%	1.6%	1.1%	1.5%	1.5%	1.5%	1.1%	1.6%	1.9%	1.9%
	Italian Unemployment	9.4%	9.0%	8.8%	8.6%	9.5%	8.9%	8.7%	8.3%	9.5%	9.2%	9.3%	9.2%
Euro Area	**Average Variation**												
	Equity ESTOXX 50	22.9%	7.2%	0.5%	-0.3%	24.9%	10.8%	5.3%	1.3%	19.9%	0.5%	-4.2%	-1.6%
	Average level												
	Euro/$	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%
	EurIRS 10Y	0.1%	0.3%	0.5%	0.6%	0.1%	0.4%	0.8%	1.0%	0.1%	0.3%	0.4%	0.4%
US Area	**Average Variation**												
	Real GDP US	5.6%	4.1%	2.4%	2.0%	5.7%	4.9%	3.1%	2.3%	5.4%	3.4%	2.2%	1.8%
	Average level												
	US Unemployment	5.3%	3.7%	3.5%	3.4%	5.4%	3.6%	3.3%	3.2%	5.4%	4.1%	3.9%	3.8%

For Italy, the baseline scenario forecasts growth of 4.3% in GDP in 2022, following the rebound of 6.2% estimated for 2021. GDP growth remains above potential for 2023 (2.4%) and in 2024 (1.6%), in the assumption that aggregate demand remains supported by the flows connected with the NGEU programme, by an additional reduction in the average propensity to save, by a positive trend in employment and income and by an additional reopening of the sectors impacted by the pandemic.

As the recovery strengthens, fiscal policy should go back to focusing on debt reduction with short-term negative effects on demand. However, these could be mitigated by the launch of the EU recovery plan, which could contribute increasing resources up to 2023. GDP should return to pre-crisis levels in 2022, in advance of the forecasts made one year ago. The longer-term projections remain anchored to a conservative estimate of potential growth, as only a portion of the investments of the National Recovery and Resilience Plan may have positive long-term effects and the progress in structural reforms remains slow and uncertain.

The unemployment rate is thought to have reached its peak in 2021, and the decrease was quicker than expected. Despite the assumptions of recovery in the labour force participation rate, the decrease should continue in the next few years.

In 2021 real estate prices outperformed expectations, at least in the first three quarters of the year, refuting the forecasts of drops formulated one year ago. The year-on-year change in the ISTAT index in the third quarter came to 4.2%, resulting from another exceptionally robust quarterly change (1.2%) following the sharp increases previously seen in the first and second quarters (1.1% and 1.7%, respectively). A similar sequence in quarterly changes has not been seen in the last ten years. The annual average for 2021 is now estimated as growing by 2.4%. The improved performance partly reflects the robust economic

recovery, but probably the most important role was played by the partial use of excess savings accumulated during the initial phase of the pandemic crisis, in a scenario of improvement in the climate of confidence and accommodative financial conditions. As these factors will continue to produce effects in the short and medium-term, the reference scenario forecasts the positive continuation of this trend. However, at the same time, it is deemed that the pace of price increases should slow from 2023 to 2024 due to the reduction in monetary stimulus and the increase in interest rates, as well as due to the elimination of the distortion due the reinvestment of excess savings.
Inflation, which was substantially zero in 2020 as a result of the temporary collapse in oil prices during the first wave of the pandemic, rebounded sharply in 2021. In addition to the normalisation of transitional factors, in the second half of 2021, sharp increases in prices of energy commodities (natural gas even more than oil) were fuelled, with strong impacts also on electricity tariffs. The shortage of intermediate goods also contributed to inflation, but more modestly. The reference scenario projects substantially stable annual average inflation at 1.9% in 2022, falling to 1.4% in 2023 and rising again to 1.7% in 2024.
With regard to the Eurozone, estimates for the medium and long-term interest rate curve reflect the closing of the securities purchase programmes and modest expectations of increases in official rates, already priced in by the markets. Despite the restriction placed by the conservative assumptions on official rates, five-year swap rates should return above zero from 2022 onwards, as it happened for ten-year swap rates last year. The interest rate curve gets steeper in the two-year period 2022-23. The decrease in net purchases by the ECB could provide an additional contribution to the increase in interest rates, even if the boost should be lower than that exercised in the opposite direction by the increase in the securities portfolio of the Central Bank.
The decrease in support provided by the Eurosystem and the increase in risk-free rates could also reflect in an expansion of sovereign risk premiums. Nonetheless, this negative factor could be at least partly offset by the reduction in net issues by the Ministry of the Economy and Finance, in a context of improvement in public finances. The approaching end of the government's term of office in Italy, with the uncertainty associated with the evolution of the political scenario, could result in greater volatility in the BTP-Bund spread. However, the reference scenario incorporates an increase in the spread linked to only fundamental factors (performance of the debt) and monetary policy (rates and net purchases).
In the United States, GDP is expected to grow by 4.1% in 2022, and by 2.4% in 2023, following the rebound in 2021 (5.6%). The combination of strong tax and monetary stimulus and the imbalanced nature of the recovery fuelled a situation of excess demand, which, in turn, triggered widespread upwards pressure on wages and prices, not limited to just the energy sector.
The comparison between the domestic scenario produced by the Research Department and the scenarios published by the European Central Bank and the Bank of Italy shows substantial alignment of the forecasts for 2023 and 2024 for both the Eurozone and Italy. The GDP for the Italian economy in 2022 shows a deviation between the domestic macroeconomic scenario and the Bank of Italy scenario, as updated on 21 January, which is slightly larger with respect to the previous published forecast[12]. This different forecast growth is not decisive for the calculation of IFRS 9, as the medium-term behaviour (three years) is more important than the short-term (one year). The average annual growth for the overall period is in fact very similar.
With regard to the domestic inflation forecasts for 2022, which show lower increases than the Bank of Italy's most updated forecasts, which incorporated more recent developments (in particular, a new rebound in oil prices and continued high gas prices), they are not considered sufficient to affect the assumption of a likely subsequent decline towards 2%, as a result of the stabilisation of energy prices, and lead to significant revisions in the GDP growth forecasts. Moreover, the sensitivity analyses carried out show that the adoption of the most recent ECB and Bank of Italy forecasts, with respect to the internal scenario, indicate a similar effect to that estimated internally and used for the financial statements, for both the performing and non-performing portfolios.

Management overlays and triggers for sliding into Stage 2

As highlighted in the introduction to this Section, COVID-19 had a particular impact on the issues of classification of credit exposures, specifically the aspects linked to payment moratoria, as well as on the measurement of the significant increase in credit risk (SICR) and the measurement of expected losses for the purpose of determining the Expected Credit Losses (ECL) pursuant to IFRS 9.
Given the particular nature of the economic environment generated by the pandemic and the measures adopted by governments to deal with its impacts, the Group – in order to reflect elements of risk potentially present in the portfolio, but not fully captured by the models used to determine the SICR – has decided to incorporate specific management overlays in the satellite models aimed at including forward-looking information, to capture these elements of risk "correcting the estimates produced by the models".
More specifically, before describing the methods and assumptions used in the ECL calculation, it is worth noting that COVID-19, as the first pandemic in over a century, led the Group to consider a number of specific adjustments to its modelling in relation to the measurement of the significant increase in credit risk (SICR) and the measurement of expected losses for the purpose of determining the Expected Credit Losses (ECL) pursuant to IFRS 9. These adjustments were determined based on the management's judgement in order to better capture the uniqueness of this situation, also considering the continued substantial customer support measures, such as the payment moratoria that remained in place in Italy throughout 2021, albeit with a gradual reduction. The need for managerial adjustments and judgements of the current and future situation regarding the estimation methods adopted has been the subject of substantial guidance from the Regulators and Standard Setters, which had already expressed their opinions in 2020, setting out a framework that is still applicable, given the absence of any further significant regulatory interventions by the Regulators and Standard Setters in 2021.
Specifically, in the context described above, account was taken of the fact that, in the approach adopted by the Intesa Sanpaolo Group, the main parameter aimed at capturing any significant increase in credit risk (SICR) is expressed by the change in the probability of default, measured over the remaining lifetime of the financial asset ("delta PD lifetime"), for which the forecasting models with an impact on the "delta PD lifetime" component and staging allocation were developed based on

[12] On 21 January, the Bank of Italy updated its scenario, compared to the projections provided to contribute to the Eurosystem coordinated exercise, published on 17 December, in order to take account of certain factors, such as the new worsening of the pandemic and the higher energy prices observed in recent weeks. This limited revision resulted in a forecast of a slight reduction in GDP for 2022 to 3.8% (previously 4%), while the forecasts for 2023 and 2024 remained unchanged (2.5% and 1.7%, respectively). The Bank of Italy is below consensus for 2022 and in line with it for 2023. The average annual growth rates over the period are not significantly different.

historical experience that did not contemplate such exceptional precedents. In addition, account was taken of the need – in the context of the adoption of significant support measures by the Government – to maintain close monitoring of the evolution of the quality of credit exposures, which may not be adequately captured by the additional SICR indicators adopted (for the stage allocation, the Intesa Sanpaolo Group also considers more than 30 days past due and the presence of forbearance measures). Accordingly, the Group strengthened the action aimed at promptly identifying and introducing the aspects of counterparty vulnerability, only temporarily mitigated by the presence of the aforementioned measures, into the ECL estimates by means of management overlays.
These overlays, already adopted for the 2020 financial statements, were substantially maintained, in terms of the methodological framework, for the consolidated financial statements as at 31 December 2021, gradually refining them to take into account the evolution of the health and macroeconomic situation – characterised by a high degree of uncertainty throughout 2021 – and the greater amount of information available to the Group.
A description is provided below of the management overlays adopted and the methodological refinements made during the year.

Transfer of default flows due to the effects of moratoria granted and government guarantees obtained
In 2020, the Group had already adopted a specific management overlay – incorporated in the results of the forward-looking conditioning in the satellite models – aimed at "correcting" the estimated expected default flows, determined based on the application of the macroeconomic scenarios considered over time, to incorporate the effect that the moratoria have on transfers to default during their period of validity. Essentially, the overlay reduces the forecast of the flow of transfers to default during the period of validity of the moratoria and shifts these flows, in addition to those estimated by the satellite model, to subsequent periods, i.e. when the moratoria will expire and payment terms resume.
In the 2020 financial statements, the overlay, applied to the domestic counterparties in the Corporate (excluding Large Corporate), Corporate SME, Retail SME and Mortgage segments, took into account the fact that the moratoria would allow a portion of the customer defaults estimated by the satellite models to be carried forward to the following year. Based on specific analyses, the overlay assumed a mitigating effect on the defaults for the year, i.e., that around 70% of the defaults would be avoided in 2020 due to access to moratoria, but that only a portion of the customers who had avoided default (15% in the baseline scenario) would also survive in 2021, thanks to the mitigation of financial problems and consequent possibility of taking advantage of the economic recovery. The above-mentioned overlay therefore effectively shifted the default expectation on the remaining 85% of the defaults not envisaged in 2020 to 2021.
In 2021, the overlay described above was extended, already from the half-yearly report, in view of the low levels of transfer to default observed in the period and the further six-month extension of the legislative moratoria granted by the "Sostegni bis" Decree. For the financial statements as at 31 December 2021, the overlay acted as follows: 70% of the defaults (at systemic level) estimated by the satellite models (based solely on macroeconomic variables, which therefore do not contain the impact of the government measures) for the period of maximum effectiveness of the moratoria (from mid-2020 to mid-2021) have been carried forward to 2022, except for the 15% portion that, having taken advantage of the economic recovery, is assumed to have avoided default (in the alternative scenarios, this survival percentage becomes 30% in the best-case scenario and zero in the worst-case scenario, in line with the narrative associated with those scenarios).
By amplifying the flow of transfers to future defaults, this approach seeks on a prudent basis to better capture the expected cliff-edge effect resulting from the removal of the government support measures. Indeed, it is worth noting that the systemic default rates observed in 2020 and 2021 were much lower than in the previous period despite the strong decline in GDP over the period. The effect of that overlay also acts through the SICR logics of the PD Change and therefore increases the transfers to Stage 2 and ECLs, which change from measurement at 12 months to lifetime. Overall, however, it bears recalling, especially in the comparison with the observations made in the 2020 financial statements, that the macroeconomic scenario adopted acts in the opposite direction through the forward-looking conditioning.
For the 2020 financial statements, the Intesa Sanpaolo Group also incorporated an additional management overlay in the forward-looking conditioning satellite models, aimed at capturing the mitigating effects on the future risk of the domestic Corporate (including Large Corporate), Corporate SME and Retail SME counterparties related to the acquisition of government guarantees, such as those resulting from the "Cura Italia" and "Liquidità" decrees. The overlay introduces a mitigation factor to be used to discount the default rate envisaged by the model over 24 months (July 2020 – June 2022).
This overlay has been maintained for the 2021 financial statements, with the same methodology and limited time effect. However, the assumed benefit on the decrease in expected default rates, as at 31 December 2021, is insignificant in amount, due to the smaller time window for the application of the mitigation, as envisaged by the methodology described above.

Extraordinary triggers for sliding into Stage 2
Given that indicators of a potential increase in credit risk, such as, primarily, the detection of amounts more than 30 days past due and, to a lesser extent, the granting of forbearance measures, have become less significant for the staging allocation, as a result of legislative initiatives to support the economy and the banking system, as well as the guidance from the Regulators and Standard Setters[13], the Intesa Sanpaolo Group decided to introduce "extraordinary" triggers for sliding into Stage 2, starting from the year 2020, acting on counterparties that were not already classified in that status under the IFRS 9 models (also corrected by the management overlays described in the paragraph above) and identified as counterparties that had benefited from the above-mentioned support measures.
Compared to the 2020 financial statements, in the subsequent quarterly reports the extraordinary criteria adopted for the triggers have been refined based on the developments observed, to take account of the continued presence of outstanding moratoria, the results of the credit risk monitoring initiatives conducted, also through specific action plans, and the progress of the specific rating updates made to take account of the developments in the pandemic situation. The assumptions for the application of the extraordinary Stage 2 triggers have been revised in light of the change in the macroeconomic environment,

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

which has reduced the relevance of the distinction between higher risk and lower risk sectors and made the assessment of individual positions with a less robust rating and at least one moratorium still active more significant for the transition to Stage 2.
In the 2021 financial statements, these triggers consisted of the simultaneous presence of the following:

- counterparties with moratoria that have not yet expired or, if they have expired, are waiting for payments to be resumed; this is essentially the portfolio that adhered to the last additional legislative extension upon specific request (unlike the previous measures granted on a more mass basis), for which there is still no significant information on payments following the expiry of the moratorium;
- counterparties with medium/high risk profiles, as indicated by the internal ratings assigned and subject to specific re-rating initiatives under the above-mentioned Action Plans; specifically, the level of prudence has been strengthened by extending the scope of reference of the Corporate and SME (Small Medium Enterprises) counterparties to the risk classes starting from I4 inclusive and of the Retail non-SME counterparties to the risk classes starting from RT05 inclusive, as well as introducing a de-notching, for the higher risk classes, for the ECL calculation.

Additionally, in keeping with the approach already adopted from 2020, counterparties not already covered by the above criterion have been considered that have come up as yellow or orange in the “traffic light” system within the proactive credit monitoring. These consist of counterparties that – based on an assessment made by the individual relationship managers – need support in resuming payments when they come due, through measures designed to provide temporary relief from financial difficulties. Lastly, these triggers also act “downstream” on counterparties not already classified under the ordinary criteria.
As at 31 December 2021, the gross exposure classified as Stage 2, following the application of the extraordinary triggers described above, corresponded to over 20% of the total exposure of the portfolio in Stage 2 of around 56 billion euro.

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As a whole, the management overlays/extraordinary staging triggers adopted in the 2021 Financial Statements increased the adjustment allowance for performing loans to customers (equal to 2.5 billion euro) by a total amount estimated at around 700 million euro.
In contrast, the procyclical effect of the forward-looking assessments acted in the opposite manner. This is particularly significant in the estimate of the ECL for 2021, in light of the scenario that sees a significant economic recovery in the forecast for the three-year period 2022-24, while – if the 2020 Financial Statements are considered – that assessment had an opposite impact, capturing the forecasts of recession at the time to a greater extent.
In light of the above, the impact on the income statement for the year in terms of adjustments to performing loans generated by the above elements (application of the scenarios and management overlays/triggers), came to around 500 million euro in net recoveries (on-balance sheet loans and unsecured loans), reducing the significant increases applied in 2020, in light of the improved context.
However, that positive effect was partially mitigated by actions on the management models for estimating LGD.

ECL sensitivity analysis

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios.
That analysis was conducted on a performing loan portfolio (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the Parent Company and the Banks in the IMI C&IB Division that represent around 80% of the Group’s total exposure).
The sensitivity was determined based on the assumptions adopted for the alternative scenarios (best-case and worst-case) used to determine the add-on mentioned above, weighted at 100%, rather than the most-likely scenario, and maintaining the effects of the management overlays described above.
A summary is provided below of the quantitative impacts of the sensitivity analyses conducted on the ECL, as at 31 December 2021, according to the methodology described above and based on the scenarios determined internally by the Research Department.
The sensitivity of the portfolio to the worst-case scenario, as at 31 December 2021, would result in an increase of 205 million euro in the ECL, with 5.1 billion euro of exposures sliding to Stage 2 (around 9%). The coverage ratio for performing exposures would increase by 5 bps and for Stage 2 by 6 bps.
Conversely, the sensitivity of the portfolio to the best-case scenario would see a decrease of 205 million euro in the ECL, with a return to Stage 1 of 0.8 billion euro of exposures (around 1%). The coverage ratio for performing exposures would decrease by 5 bps and for Stage 2 by 23 bps.

Section 7 - Credit risk: credit quality

Qualitative disclosure

Definitions of “non-performing” loans

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

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

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

The type “exposures subject to concessions – forbearance” has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures).
Non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are a sub-set of the above categories of non-performing assets.
Non-performing assets are subject to an assessment process resulting in the calculation of the expected loss for uniform categories (identified based on the risk status, duration of risk status and significance of the underlying exposure) and the allocation of the impairment adjustment for each position.
Non-performing loans are measured using two methods:

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

In addition to the assessment component determined through statistical valuation models or through individual expert evaluation, a component is calculated to take into account the evolution of the current operational variables, the future macroeconomic scenarios, the incremental risk of the counterparty as long as it remains in the specific risk status for unlikely-to-pay exposures (vintage), as well as the sales prospects if present.
The assessment of non-performing positions classified as assets held for sale was carried out based on the expected sales prices, less their costs to sell, supported by fairness opinions.
The measurement methods for non-performing loans are described in detail below in this section.
The assessments are carried out upon classification of the exposures as non-performing and are reviewed periodically.
The assessment of the loans is also reviewed whenever a new event occurs that could affect the prospects for recovery (e.g.

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

Forborne exposures

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

- a significant deterioration in the debtor's rating identified in the previous three months;
- the presence of exposures past due by thirty days or more at the measurement date associated with a rating level in the highest-risk band;
- Early Warning System (EWS) colour "red", associated with a rating in the highest risk band.

A state of financial difficulty is always assumed in the case where the borrower is classified as non-performing.
The definition of forborne exposure applies transversally to the classification macro-categories (performing and non-

performing). Forborne assets may be included in Stage 2 (Performing) or Stage 3 (Non-Performing – forborne non-performing).
The forbearance measures granted are monitored for minimum predefined periods, differentiated based on the administrative status of the risk assigned to the counterparty. In detail:
- 24 months for performing positions (probation period);
- 36 months for positions classified as non-performing, represented by a cure period of 12 months and a probation period of an additional 24 months.

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

Description of the methods adopted to calculate the adjustments

At each reporting date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment aimed at verifying whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for loan commitments and for guarantees given that must be tested for impairment under IFRS 9.
In preparation for the determination of the impairment losses, at each reporting date the financial instruments must be assigned to the following categories (Stage Assignment or Staging):
- Stage 1: comprising financial instruments for which, from their initial recognition up to the reporting date, there is no evidence of a significant increase in credit risk;
- Stage 2: it comprises financial assets that have had a significant increase in credit risk since initial recognition;
- Stage 3: if there is evidence of impairment, these financial assets – in line with any other assets pertaining to the same counterparty – are considered impaired and are therefore included in Stage 3.
  The impaired exposures consist of financial assets classified in the categories of bad loans, unlikely-to-pay (UTP) loans and exposures past due by more than ninety days, defined in Bank of Italy Circular 272/2008.

Before describing the methods for determining the impairment of performing and non-performing financial assets, it is noted that the treatment described below must be read along with the measures introduced – also as per instructions from regulators – as a result of the COVID-19 pandemic, described in more detail in Section 6 of this document.

Impairment of performing financial assets

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

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

"significantly increased" and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between "stages" where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

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

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

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

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

As mentioned above, in order to comply with IFRS 9, specific adjustments had to be made to these factors, including in particular:
- adoption of a Point in Time (PIT) PD compared to the Through the Cycle (TTC) PD used for Basel purposes;
- removal of some additional components from the TTC LGD, such as indirect costs (non-recurring costs) and an additional margin of conservatism specifically introduced for the regulatory models, as well as the component linked to the economic downturn;
- the introduction of specific treatments with respect to the regulations, for the purposes of estimating the accounting LGD, to include in the models (in line with the indications of IFRS 9 on the use of entity specific information) the positions defined from a regulatory perspective as "substantially closed" (non-performing loans with particularly high vintage) and the effects of massive/strategic transfers of NPLs;
- the use of PDs and, where necessary, multi-period LGDs, to determine the lifetime expected loss of the financial instrument (stages 2 and 3);
- the use of the effective interest rate of the individual transaction in the discounting of the expected future cash flows, unlike in the regulatory models, where the individual cash flows are discounted using the discounting rates determined in compliance with the prudential regulations.

In relation to the multi-period EAD, in line with IFRS 9 the Intesa Sanpaolo Group refers to the plans at amortised cost for both loans and debt securities, regardless of the measurement method used (amortised cost or fair value through other

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the analytical-specific measurement of bad loans and unlikely-to-pay loans above 2 million euro is a measurement performed by the managers of the individual positions based on a qualitative and quantitative analysis of the borrower's financial position, the riskiness of the credit relationship, the targets and strategies for reduction of the non-performing loans set out in the “NPL Plan”, and any mitigating factors (collateral), taking into account the financial impact of the estimated recovery time.

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

- last available financial statements;
- legal status of the borrowers and any pending insolvency and/or individual proceedings.

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

In addition, for unlikely-to-pay loans, the measurement is based on a qualitative and quantitative analysis of the borrower’s financial position and on precise assessment of the risk situation.
The calculation of the impairment loss involves the valuation of the future cash flows that the borrower is considered to be able to generate and that will also be used to service the financial debt. This estimate must be made based on two alternative approaches:

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

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

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

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

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

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

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

With regard to the alternative recovery scenarios, the Intesa Sanpaolo Group, in relation to the objectives of reducing the stock of outstanding non-performing loans, included in its business plans, and the commitments made to the Supervisory Authorities, with specific regard to the NPL Strategy, considers the sale of particular portfolios as the strategy that, in certain conditions, can maximise the cash flow recovery, also considering the recovery times.
In its “NPL Guidance” published in March 2017, the ECB also requested banks with non-performing loans above the average of European banks to establish a strategy aimed at achieving a progressive reduction in those loans.
Consequently, the “ordinary” scenario, which assumes a recovery strategy based on the collection of credit, typically through legal actions, mandates to credit recovery companies and the realisation of mortgage collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.
In compliance with the “NPL Guidance” the business strategies regarding NPL reduction are illustrated in the “NPL plan”, a document approved by the Board of Directors to be sent to the Supervisory Authority and updated annually.
Where said document identifies disposal objectives and strategies and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.
In particular, where the “NPL plan” identifies a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives, the book value of said portfolio is determined by weighting the amount recoverable through operating activities with the amount recoverable through sale.
More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that adequately reflects the probability of sale of the portfolios whose disposal is considered highly probable. The “collection amount” was determined according to the already shown ordinary methods adopted by the Group for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.
However, where the “NPL plan” specifically identifies the positions to be sold, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.

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

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

a) uncollectability of the debt, as a result of definite and precise elements (such as, for example, untraceability and indigence of the debtor, lack of recovery from realisation of securities and real estate, negative foreclosures, bankruptcy proceedings closed with no full compensation for the Bank, if there are no further guarantees that can be enforced etc.);
b) disposal of the loan;
c) waiver of the credit claim, due to the unilateral cancellation of the debt or residual amount as a result of settlement agreements;
d) no waiver of the credit claim. With regard to the full or partial write-offs without waiver of the credit claim, in order to avoid maintaining loans on the balance sheet that have a very low possibility of recovery, despite continuing to be managed by the recovery structures, they are fully or partially written off due to uncollectability even if the legal proceedings have not

been closed. The write-off can only involve the portion of the loan covered by provisions and, therefore, each loan can only be written off up to the amount of its net book value. Therefore, on a periodic basis, the Group identifies the bad loan portfolios to be subject to total or partial write-offs with the following macro-characteristics:

- percentage cover of 100% and a vintage (understood as the period of time in “bad loan” status) of >1 year;
- percentage cover of >95% and a vintage (understood as the period of time in “bad loan” status) of >5 years or >8 years, respectively, for non-mortgage and mortgage loans.

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

Quantitative disclosure

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

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

(millions of euro)

		GROSS CARRYING VALUE OF PERFORMING AND NON-PERFORMING EXPOSURES					
		Performing exposures			Non-performing exposures		
		Total	*Of which stage 1*	*Of which stage 2*	Total	*Of which stage 2*	*Of which stage 3*
5	**Cash balances at central banks and other demand deposits**	**137,380**	***137,160***	***220***	**-**	**-**	**-**
10	**Loans and advances**	**491,197**	***433,778***	***56,202***	**15,596**	**-**	***15,025***
20	Central banks	4,483	*4,483*	-	-	-	-
30	General governments	16,428	*14,801*	*1,627*	502	-	*502*
40	Credit institutions	30,801	*30,607*	*156*	70	-	*70*
50	Other financial corporations	48,376	*42,598*	*5,580*	470	-	*466*
60	Non-financial corporations	215,509	*180,703*	*34,120*	9,534	-	*9,175*
70	*Of which: SMEs*	*86,213*	*63,771*	*22,251*	*6,533*	-	*6,305*
80	Households	175,600	*160,586*	*14,719*	5,020	-	*4,812*
90	**Debt securities**	**113,032**	***107,416***	***4,960***	**121**	**-**	***121***
100	Central banks	36	-	*36*	-	-	-
110	General governments	78,477	*75,847*	*2,629*	17	-	*17*
120	Credit institutions	7,458	*7,267*	*191*	-	-	-
130	Other financial corporations	19,920	*17,290*	*1,984*	69	-	*69*
140	Non-financial corporations	7,141	*7,012*	*120*	35	-	*35*
150	**Off-balance-sheet exposures**	**287,211**	***265,009***	***22,201***	**1,531**	**-**	***1,525***
160	Central banks	1,618	*1,600*	*18*	-	-	-
170	General governments	11,797	*10,782*	*1,015*	47	-	*47*
180	Credit institutions	38,232	*37,122*	*1,110*	24	-	*24*
190	Other financial corporations	30,280	*25,912*	*4,368*	45	-	*45*
200	Non-financial corporations	189,162	*174,453*	*14,709*	1,353	-	*1,347*
210	Households	16,122	*15,140*	*981*	62	-	*62*
220	**TOTAL**	**1,028,820**	***943,363***	***83,583***	**17,248**	**-**	***16,671***

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

(millions of euro)

		ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS						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**	**-3**	***-2***	***-1***	**-**	**-**	**-**	**-**	**175**	**-**
10	**Loans and advances**	**-2,484**	***-743***	***-1,737***	**-8,258**	**-**	***-8,105***	**6,475**	**297,897**	**5,577**
20	Central banks	-5	*-5*	*-*	-	-	*-*	-	211	-
30	General governments	-44	*-20*	*-24*	-146	-	*-146*	7	2,975	203
40	Credit institutions	-8	*-7*	*-1*	-17	-	*-17*	4	9,567	-
50	Other financial corporations	-139	*-50*	*-89*	-206	-	*-204*	126	22,602	108
60	Non-financial corporations	-1,623	*-434*	*-1,187*	-5,508	-	*-5,435*	5,800	113,418	3,182
70	*Of which: SMEs*	*-907*	*-217*	*-690*	*-3,754*	*-*	*-3,712*	*4,115*	*66,810*	*2,417*
80	Households	-665	*-227*	*-436*	-2,381	-	*-2,303*	538	149,124	2,084
90	**Debt securities**	**-125**	***-59***	***-66***	**-92**	**-**	***-92***	**-**	**1,694**	**-**
100	Central banks	-5	*-*	*-5*	-	-	*-*	-	-	-
110	General governments	-72	*-44*	*-28*	-2	-	*-2*	-	-	-
120	Credit institutions	-4	*-3*	*-1*	-	-	*-*	-	-	-
130	Other financial corporations	-30	*-6*	*-24*	-68	-	*-68*	-	1,682	-
140	Non-financial corporations	-14	*-6*	*-8*	-22	-	*-22*	-	12	-
150	**Off-balance-sheet exposures**	**-218**	***-113***	***-105***	**-227**	**-**	***-227***		**50,148**	**405**
160	Central banks	-	*-*	*-*	-	-	*-*		-	-
170	General governments	-6	*-3*	*-3*	-2	-	*-2*		871	43
180	Credit institutions	-1	*-1*	*-*	-	-	*-*		5,957	-
190	Other financial corporations	-28	*-22*	*-6*	-2	-	*-2*		8,278	-
200	Non-financial corporations	-164	*-77*	*-87*	-209	-	*-209*		29,932	350
210	Households	-19	*-10*	*-9*	-14	-	*-14*		5,110	12
220	**TOTAL**	**-2,830**	***-917***	***-1,909***	**-8,577**	**-**	***-8,424***	**6,475**	**349,914**	**5,982**

The exposures relating to "Loans and advances" and "Debt securities" also include exposures not subject to impairment, as well as purchased or originated credit impaired assets (POCIs).

With regard to the caption "Loans and advances", there was an increase of 14.7 billion euro in the gross value of the performing exposures compared to June 2021. Within the performing exposures, the proportion of Stage 1 increased compared to June 2021 (from 85.3% to 88.3%), while the coverage of these exposures stood at 0.51% as at 31 December 2021 (0.62% in June 2021).

For non-performing loans and advances, there was a decrease of around 4 billion euro in gross values in the half year as a result of additional de-risking operations carried out in the second half. The coverage of non-performing positions was at 66.8% (taking into account partial write-offs, reported in the table above), up on June 2021, when it was at 62.4%.

For the caption "Debt securities", there was an increase of 1.2 billion euro in performing exposures compared to June 2021. This change was due to the offsetting effect of an increase of around 2.7 billion euro attributable to securities issued by other financial companies (+2 billion euro) and by non-financial companies (+0.7 billion euro) and a reduction of around 1.5 billion euro in government securities (-1.2 billion euro) and securities issued by credit institutions (-0.3 billion euro), while non-performing "Debt securities" were essentially unchanged.

The performing off-balance sheet exposures increased by 4.1 billion euro compared to June 2021.

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	24,040	119,782	135,765	216,464	-	**496,051**
2	Debt securities	3	12,822	29,726	70,306	79	**112,936**
3	**Total**	**24,043**	**132,604**	**165,491**	**286,770**	**79**	**608,987**

This table reports the exposures as at 31 December 2021 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. These exposures were mainly concentrated in the band with a maturity of more than 5 years and had a substantially stable time bucket distribution compared to June 2021.

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

(millions of euro)

		Gross carrying amount
1	**Initial stock of non-performing loans and advances as at 31 December 2020**	**21,218**
2	Inflows to non-performing portfolios	5,717
3	Outflows from non-performing portfolios	-11,339
4	*Outflows due to write-offs*	*-1,147*
5	*Outflow due to other situations*	*-10,192*
6	**Final stock of non-performing loans and advances as at 31 December 2021**	**15,596**

The table above relates solely to loans and advances and does not include loans and advances classified as held for sale and debt securities.

Inflows to non-performing portfolios included new entries to non-performing status in the year totalling around 3 billion euro. Outflows due to other situations included the return to performing status during the year of around 0.9 billion euro and the additional de-risking operations referred to above carried out during the year, which resulted in the reclassification of around 4.7 billion euro to held for sale, outflows of 1.6 billion euro due to the sale of instruments and outflows of 1.8 billion euro due to partial or total redemption.

Credit quality of performing and non-performing exposures by past-due days as at 31 December 2021 (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**	**137,380**	**137,380**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	**Loans and advances**	**491,197**	**489,966**	**1,231**	**15,596**	**3,671**	**528**	**1,167**	**1,278**	**3,967**	**1,842**	**3,143**	***15,596***
20	Central banks	4,483	4,483	-	-	-	-	-	-	-	-	-	-
30	General governments	16,428	16,301	127	502	27	-	12	2	230	12	219	*502*
40	Credit institutions	30,801	30,773	28	70	21	-	-	1	44	3	1	*70*
50	Other financial corporations	48,376	48,344	32	470	160	22	31	116	26	94	21	*470*
60	Non-financial corporations	215,509	215,081	428	9,534	2,255	267	586	694	2,487	1,253	1,992	*9,534*
70	*Of which: SMEs*	*86,213*	*85,982*	*231*	*6,533*	*1,444*	*234*	*385*	*524*	*1,652*	*669*	*1,625*	*6,533*
80	Households	175,600	174,984	616	5,020	1,208	239	538	465	1,180	480	910	*5,020*
90	**Debt securities**	**113,032**	**113,017**	**15**	**121**	**64**	**-**	**-**	**-**	**39**	**4**	**14**	***121***
100	Central banks	36	36	-	-	-	-	-	-	-	-	-	-
110	General governments	78,477	78,477	-	17	7	-	-	-	2	4	4	*17*
120	Credit institutions	7,458	7,443	15	-	-	-	-	-	-	-	-	-
130	Other financial corporations	19,920	19,920	-	69	55	-	-	-	14	-	-	*69*
140	Non-financial corporations	7,141	7,141	-	35	2	-	-	-	23	-	10	*35*
150	**Off-balance-sheet exposures**	**287,211**			**1,531**								***1,531***
160	Central banks	1,618			-								-
170	General governments	11,797			47								*47*
180	Credit institutions	38,232			24								*24*
190	Other financial corporations	30,280			45								*45*
200	Non-financial corporations	189,162			1,353								*1,353*
210	Households	16,122			62								*62*
220	**TOTAL**	**1,028,820**	**740,363**	**1,246**	**17,248**	**3,735**	**528**	**1,167**	**1,278**	**4,006**	**1,846**	**3,157**	***17,248***

With regard to the on-balance sheet exposures, the table shows the distribution by past-due bands, which compared to June 2021 mainly changed in the "5 to 7 years" and "1 to 2 years" bands, which decreased as a proportion of total non-performing exposures by around 2.1% and 1.9% respectively.

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

The gross NPE ratio as at 31 December 2021 was 3.08%, down from 3.96% as at 30 June 2021, due to the additional de-risking operations carried out in the second half. This ratio is calculated, in accordance with Regulation (EU) 2021/637, as the ratio of the gross value of non-performing loans and advances to the gross value of total loans and advances.

Quality of non-performing exposures by geography as at 31 December 2021 (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**	**619,946**	***15,717***	***15,717***	***618,090***	**-10,942**		**-17**
2	Italy	410,269	*13,861*	*13,861*	*408,849*	-9,298		-17
3	U.S.A.	21,851	*10*	*10*	*21,787*	-28		-
4	France	20,266	*9*	*9*	*20,266*	-11		-
5	United Kingdom	17,951	*2*	*2*	*17,907*	-16		-
6	Spain	17,524	*3*	*3*	*17,524*	-19		-
7	Slovakia	15505	*360*	*360*	*15,505*	-341		-
8	Germany	10,592	*49*	*49*	*10,592*	-45		-
9	Luxembourg	8,053	-	-	*8,002*	-17		-
10	Croatia	9,196	*409*	*409*	*9,196*	-318		-
11	Ireland	4,345	*8*	*8*	*4,345*	-19		-
12	Netherlands	3,495	-	-	*3,480*	-5		-
13	Russia	5,843	*31*	*31*	*5,843*	-32		-
14	Egypt	6,584	*149*	*149*	*6,584*	-139		-
15	Hungary	6,522	*117*	*117*	*6,304*	-103		-
16	Serbia	5,229	*119*	*119*	*5,226*	-153		-
17	China	1,800	*1*	*1*	*1,800*	-2		-
18	Other Countries	54,921	*589*	*589*	*54,880*	-396		-
19	**OFF-BALANCE-SHEET EXPOSURES**	**288,742**	***1,531***	***1,531***			***-445***	
20	Italy	165,838	*1,345*	*1,345*			*-321*	
21	U.S.A.	17,835	*12*	*12*			*-3*	
22	France	14,985	*6*	*6*			*-2*	
23	United Kingdom	6,144	-	-			*-2*	
24	Spain	5,450	*1*	*1*			*-3*	
25	Slovakia	3,534	*24*	*24*			*-19*	
26	Germany	6,854	*2*	*2*			*-3*	
27	Luxembourg	4,563	-	-			*-1*	
28	Croatia	2,423	*48*	*48*			*-33*	
29	Ireland	7,130	-	-			*-20*	
30	Netherlands	6,113	-	-			*-1*	
31	Russia	2,737	-	-			*-1*	
32	Egypt	1,556	*5*	*5*			*-6*	
33	Hungary	1,477	*2*	*2*			*-4*	
34	Serbia	1,571	*3*	*3*			*-4*	
35	China	4,485	-	-			-	
36	Other Countries	36,047	*83*	*83*			*-22*	
37	**TOTAL**	**908,688**	**17,248**	**17,248**	**618,090**	**-10,942**	**-445**	**-17**

This table shows, in descending order of overall exposure, only the countries towards which the Group has on- and off-balance sheet exposures that exceed the threshold of 6 billion euro (which represents around 90% of the total exposure).
The total on-balance sheet exposures amounting to 619,946 million euro include 1,856 million euro of exposures not subject to impairment and debt securities amounting to 113,153 million euro (of which 121 million euro non-performing). The geographical breakdown as at 31 December 2021 did not change significantly compared to June 2021.
The most significant countries that are not specifically identified were:
1) Europe: Belgium, Switzerland, Slovenia and Poland;
2) Americas: Brazil and Canada;
3) Asia: Qatar, United Arab Emirates, Japan and India.

In order to provide a comprehensive picture of the Group's risk profile, following the military conflict between Russia and Ukraine which began on 24 February 2022, information is provided below on these two countries where Intesa Sanpaolo Group has equity investments. The Group is present in Ukraine with its subsidiary Pravex, which is relatively small in size after the reorganisations carried out in recent years (loans to customers of 154 million euro and customer deposits of 249 million euro), with a net carrying amount of 55 million euro in the consolidated financial statements, and in Russia with its subsidiary Banca Intesa Russia, which is also small in size (loans to customers of 0.7 billion euro, customer deposits of 0.3 billion euro and amounts due from banks of 0.2 billion euro), with a net carrying amount in the consolidated financial statements of 175 million euro. With regard to Russia, the rest of the Group has business and loan relationships with large companies that have significant and consolidated business relationships with European and international customers and a significant share of revenues deriving from the export of raw materials and commodities. In particular, the on-balance-sheet exposure to customers as at 31 December 2021 amounted to 3.9 billion euro[14] net of ECA (Export Credit Agencies) guarantees – for an amount of around 1 billion euro – and the vast majority of the exposure is to groups with very strong credit and liquidity ratios, reflected in the investment grade rating assigned by the major international rating agencies.

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

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

(millions of euro)

		GROSS CARRYING VALUE				ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NON-PERFORMING EXPOSURES
		Total	*Of which non-performing*		*Of which loans and advances subject to impairment*		
				Of which defaulted			
1	Agriculture, forestry and fishing	4,306	*250*	*250*	*4,293*	-186	-
2	Mining and quarrying	3,903	*53*	*53*	*3,903*	-58	-
3	Manufacturing	64,061	*2,839*	*2,839*	*63,833*	-2,149	-4
4	Electricity, gas, steam and air conditioning supply	11,576	*137*	*137*	*11,572*	-136	-
5	Water supply	2,276	*44*	*44*	*2,276*	-39	-
6	Construction	15,788	*1,813*	*1,813*	*15,765*	-1,270	-1
7	Wholesale and retail trade	37,850	*1,415*	*1,415*	*37,821*	-1,105	-1
8	Transport and storage	15,322	*283*	*283*	*15,322*	-263	-
9	Accommodation and food service activities	7,201	*420*	*420*	*7,195*	-368	-2
10	Information and communication	10,498	*191*	*191*	*10,493*	-109	-
11	Financial and Insurance activities	8,754	*70*	*70*	*8,754*	-31	-
12	Real estate activities	18,546	*1,329*	*1,329*	*18,151*	-855	-8
13	Professional, scientific and technical activities	13,494	*253*	*253*	*13,459*	-182	-1
14	Administrative and support service activities	5,128	*243*	*243*	*5,127*	-191	-
15	Public administration and defence, compulsory social security	62	*-*	*-*	*62*	-1	-
16	Education	276	*10*	*10*	*276*	-7	-
17	Human health services and social work activities	2,462	*60*	*60*	*2,462*	-53	-
18	Arts, entertainment and recreation	922	*62*	*62*	*922*	-45	-
19	Other services	2,618	*62*	*62*	*2,618*	-66	-
20	**TOTAL**	**225,043**	***9,534***	***9,534***	***224,304***	**-7,114**	**-17**

The total exposures, amounting to 225,043 million euro, include 739 million euro of exposures not subject to impairment.
There were no significant changes in the breakdown by industry of loans and advances to non-financial companies compared to June 2021.

[14] There is also an off-balance sheet exposure to customers of 1 billion euro (of which 0.8 billion euro in available margins on irrevocable credit lines) and an off-balance sheet exposure to banks of 1.1 billion euro (without available margins on irrevocable credit lines), net of ECA guarantees. There is no significant on-balance sheet exposure to banks.

Credit quality of forborne exposures as at 31 December 2021 (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**	**8,625**	**4,794**	***4,794***	***4,764***	**-513**	**-1,978**	**8,590**	***2,196***
20	Central banks	-	-	*-*	*-*	-	-	-	*-*
30	General governments	128	32	*32*	*32*	-5	-12	74	*-*
40	Credit institutions	9	66	*66*	*66*	-	-13	-	*-*
50	Other financial corporations	265	241	*241*	*240*	-5	-125	201	*15*
60	Non-financial corporations	6,351	3,059	*3,059*	*3,030*	-437	-1,348	5,916	*1,378*
70	Households	1,872	1,396	*1,396*	*1,396*	-66	-480	2,399	*803*
80	**Debt Securities**	**-**	**1**	**1**	**1**	**-**	**-**	**-**	**-**
90	**Loan commitments given**	**498**	**185**	***185***	***185***	**-3**	**-8**	**219**	***44***
100	**Total**	**9,123**	**4,980**	***4,980***	***4,950***	**-516**	**-1,986**	**8,809**	***2,240***

The gross values for “Loans and advances” subject to forbearance measures as at 31 December 2021 were down slightly (-0.8 billion euro) compared to 30 June 2021. This change was concentrated in non-performing loans and advances, which amounted to 4.8 billion euro (-1.3 billion euro on June 2021).
There were no significant changes in the exposures to “Debt securities” and “Loan commitments given” compared to 30 June 2021.

Collateral obtained by taking possession and execution processes as at 31 December 2021 (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	773	-219
3	*Residential immovable property*	*38*	*-1*
4	*Commercial immovable property*	*362*	*-53*
5	*Movable property (auto, shipping, etc.)*	*1*	*-1*
6	*Equity and debt instruments*	*372*	*-164*
7	*Other collateral*	*-*	*-*
8	**TOTAL**	**775**	**-219**

The equity and debt instruments include financial assets not previously provided by the borrower as security for pre-existing loans, but acquired under bilateral agreements with the borrower, following which the Group has derecognised the credit exposure.
There were no significant changes compared to 30 June 2021.

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

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

(millions of euro)

		Gross carrying amount						
		Total Performing and Non performing	Performing			Non performing		
			Total	*Of which: exposures with forbearance measures*	*Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)*	Total	*Of which: exposures with forbearance measures*	*Of which: Unlikely to pay that are not past-due or past-due <= 90 days*
1	**Loans and advances subject to moratorium**	**1,102**	**1,091**	***62***	***980***	**11**	***6***	***8***
2	of which: Households	**124**	**122**	*19*	*105*	**2**	*1*	*2*
3	*of which: Collateralised by residential immovable property*	***102***	***100***	*18*	*88*	***2***	*1*	*1*
4	of which: Non-financial corporations	**975**	**966**	*43*	*872*	**9**	*5*	*6*
5	*of which: Small and Medium-sized Enterprises*	***886***	***877***	*32*	*792*	***9***	*5*	*6*
6	*of which: Collateralised by commercial immovable property*	***709***	***704***	*28*	*633*	***5***	*2*	*2*

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

(millions of euro)

		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount of inflows to non-performing exposures
		Total Performing and Non performing	Performing			Non performing			
			Total	*Of which: exposures with forbearance measures*	*Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)*	Total	*Of which: exposures with forbearance measures*	*Of which: Unlikely to pay that are not past-due or past-due <= 90 days*	
1	**Loans and advances subject to moratorium**	**-42**	**-40**	***-5***	***-40***	**-2**	***-1***	***-2***	**1**
2	of which: Households	**-3**	**-3**	*-1*	*-3*	**-**	*-*	*-*	**-**
3	*of which: Collateralised by residential immovable property*	***-2***	***-2***	*-1*	*-2*	***-***	*-*	*-*	***-***
4	of which: Non-financial corporations	**-39**	**-37**	*-4*	*-37*	**-2**	*-1*	*-1*	**1**
5	*of which: Small and Medium-sized Enterprises*	***-36***	***-34***	*-2*	*-34*	***-2***	*-1*	*-1*	***1***
6	*of which: Collateralised by commercial immovable property*	***-29***	***-28***	*-2*	*-28*	***-1***	*-*	*-*	***-***

The Intesa Sanpaolo Group supported the legislative and non-legislative measures adopted in the various countries where it operates in order to combat the crisis generated by the COVID-19 pandemic.
The gross values for "Loans and advances" subject to outstanding forbearance measures as at 31 December 2021, totalling 1.1 billion euro, were down by around 2.4 billion euro compared to 30 June 2021. In this regard, under the new EBA guidance of 2 December 2020, moratoria granted after 31 March 2021 as well as those granted previously that have exceeded a total duration of nine months cannot be considered EBA compliant[15] and therefore are shown in the table below as expired moratoria, together with those for which the suspension period has effectively ended.

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

Within the non-financial companies, the sectors most affected by these measures were: accommodation and food services, real estate, and administrative and support services.

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

(millions of euro)

		NUMBER OF OBLIGORS	GROSS CARRYING AMOUNT							
			Total			Residual maturity of moratoria				
				Of which: legislative moratoria	*Of which: expired*	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	**Loans and advances for which moratorium was offered**	**769,316**	**50,789**							
2	**Loans and advances subject to moratorium (granted)**	**759,161**	**50,455**	***26,043***	***49,353***	**995**	**69**	**35**	**3**	**-**
3	of which: Households		**20,700**	*5,527*	*20,576*	108	13	3	-	-
4	*of which: Collateralised by residential immovable property*		***15,613***	*3,063*	*15,511*	*89*	*12*	*1*	*-*	*-*
5	of which: Non-financial corporations		**27,619**	*20,340*	*26,644*	885	55	32	3	-
6	*of which: Small and Medium-sized Enterprises*		***21,652***	*17,971*	*20,766*	*798*	*55*	*30*	*3*	*-*
7	*of which: Collateralised by commercial immovable property*		***15,381***	*11,309*	*14,672*	*680*	*16*	*12*	*1*	*-*

The gross values for "Loans and advances" subject to "EBA compliant" forbearance measures (both outstanding and expired) as at 31 December 2021 totalled 50.5 billion euro, down by around 6.5 billion euro on 30 June 2021 (-10 billion euro compared to December 2020).
The gross value of the expired moratoria, amounting to 49 billion euro, increased by around 4 billion euro compared to June 2021, mainly due to the factors described in relation to the table above.
As at 31 December 2021, around 90% of the moratoria granted and still in place as EBA compliant had a residual maturity within the following 3 months.

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

(millions of euro)

		GROSS CARRYING AMOUNT		MAXIMUM AMOUNT OF THE GUARANTEE THAT CAN BE CONSIDERED	GROSS CARRYING AMOUNT
		Total			
			Of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**39,660**	***150***	**34,144**	**102**
2	of which: Households	3,263			14
3	*of which: Collateralised by residential immovable property*	-			-
4	of which: Non-financial corporations	36,241	*145*	30,893	87
5	*of which: Small and Medium-sized Enterprises*	*22,558*			*80*
6	*of which: Collateralised by commercial immovable property*	*88*			*-*

As at 31 December 2021, the value of exposures subject to loans backed by government guarantee schemes – for which the process has been completed for both the acquisition of the guarantees and the disbursement, which may also not be concluded at the same time – was 39.7 billion euro, up by 2 billion euro on June 2021. The associated government guarantees amounted to around 34 billion euro (32.8 billion euro in June 2021).
The residual maturity of these loans was 56% from 2 to 5 years and 26% over 5 years.
The sectors most affected by these measures were: manufacturing, wholesale and retail trade, and construction. As at 31 December 2021, almost all the exposures were performing, with a very low level of forborne exposures (0.40%).

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

Qualitative disclosure

External agencies used

For the determination of the risk weightings under the standardised approach, the Intesa Sanpaolo Group uses the ratings of the following external agencies for all of its portfolios subject to reporting: Standard & Poor's ratings Services, Moody's Investors Service, Fitch Ratings and DBRS Morningstar. These agencies are valid for all Group banks.
In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used to determine its capital requirements; when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

List of the external Rating Agencies

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

(*) Ratings characteristics: solicited/unsolicited.

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

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

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

Quantitative disclosure

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

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

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

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

(millions of euro)

	EXPOSURE CLASSES	EXPOSURES BEFORE CCF AND BEFORE CRM		EXPOSURES POST CCF AND POST CRM		RWAs AND RWAs DENSITY	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA density (*) (%)
1	Central government or central banks	240,611	7,656	294,455	3,451	22,514	7.56
2	Regional government or local authorities	840	218	993	165	298	25.74
3	Public sector entities	1,406	255	774	60	568	68.07
4	Multilateral development banks	808	45	1,144	5	-	-
5	International organisations	1,210	-	1,210	-	-	-
6	Institutions	7,999	6,205	7,420	1,049	4,364	51.53
7	Corporates	36,134	14,872	26,445	3,666	27,327	90.76
8	Retail	18,526	7,236	13,395	796	9,515	67.05
9	Secured by mortgages on immovable property	6,901	73	6,525	34	2,411	36.75
10	Exposures in default	1,168	123	953	24	1,135	116.25
11	Exposures associated with particularly high risk	346	130	333	95	640	149.35
12	Covered bonds	1,879	-	1,879	-	211	11.22
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	3,190	904	3,190	482	4,428	120.61
15	Equity	1,441	100	1,441	100	2,131	138.31
16	Other items	18,681	-	18,684	-	12,648	67.69
17	**TOTAL**	**341,140**	**37,817**	**378,841**	**9,927**	**88,190**	**22.68**
	TOTAL ON- AND OFF-BALANCE SHEET AMOUNTS	**378,957**		**388,768**			

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

The consolidated balance sheet aggregate as at December 2021 was 379 billion euro before the Credit Risk Mitigation (CRM) treatments and the application of the Credit Conversion Factors (CCFs) envisaged by the prudential regulations. These treatments resulted in an increase (+37.7 billion euro) for the on-balance-sheet items and a decrease (-27.9 billion euro) for the off-balance-sheet items, with a net positive balance (+9.8 billion euro) and a valuation of the prudential aggregate totalling 388.8 billion euro, corresponding to 88.2 billion euro in RWAs, down in the half year (-2.7 billion euro). With regard to the specific impact of the CCF/CRM on the various types of exposures and exposure classes, the changes in the asset values were reflected to a greater extent in the pool of exposures to “Central Governments or Central Banks”. In the half year, the growth in the overall aggregate after application of the CCF/CRM treatments (+16.5 billion euro) was entirely attributable to the increase in the “Central Governments or Central Banks” portfolio, which, however, only had a marginal impact in terms of capital absorption (-426 million euro of RWAs). This increase was mainly due to a) the increase in liquidity held with the Bank of Italy, as a result of the reduction in reverse repurchase agreements as part of the usual Treasury operations aimed at offsetting non-invested assets (+11.7 billion euro); b) the increase in the exposure to the Italian Treasury (+2.8 billion euro); c) the increase in guarantees provided by the Ministry of the Economy and Finance – with a corresponding reallocation of the amount guaranteed to “Central Governments” – to maintain favourable conditions for the development of loans originated by banks to customers, as part of the measures in support of the production cycle and liquidity, in order to counter the economic

impacts of the pandemic (+2.7 billion euro); and d) the reduction in the liquidity invested in the securities portfolio (-2 billion euro). Overall, the reconfiguration of the portfolios in the half year was characterised by an increase in the exposure classes with lower prudential weighting levels, resulting in a considerable reduction in the risk profile, with an RWA density of 22.7% at December 2021 compared to 24.4% in June 2021, further strengthening the decline in capital absorption already seen in the previous year.

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

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	276,749	-	-	-	1,939	-	2,745	-	-
2	Regional government or local authorities	17	-	-	-	1,049	-	1	-	-
3	Public sector entities	17	-	-	-	276	-	56	-	-
4	Multilateral development banks	1,149	-	-	-	-	-	-	-	-
5	International organisations	1,210	-	-	-	-	-	-	-	-
6	Institutions	-	132	-	-	4,015	-	1,511	-	-
7	Corporates	-	-	-	-	1,328	-	1,353	52	-
8	Retail exposures	-	-	-	-	-	1,943	-	-	12,248
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	5,014	1,545	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	1,650	229	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	999	-	-	-	-	-	-	-	18
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	4,791	-	-	-	1,556	-	-	-	-
17	**Total**	**284,932**	**132**	**-**	**1,650**	**10,392**	**6,957**	**7,211**	**52**	**12,266**

Standardised approach – Exposures post CCF and CRM as at 31 December 2021 (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	13,544	109	2,820	-	-	-	297,906	7,048
2	Regional government or local authorities	91	-	-	-	-	-	1,158	858
3	Public sector entities	485	-	-	-	-	-	834	406
4	Multilateral development banks	-	-	-	-	-	-	1,149	13
5	International organisations	-	-	-	-	-	-	1,210	-
6	Institutions	2,798	13	-	-	-	-	8,469	3,826
7	Corporates	27,159	219	-	-	-	-	30,111	25,362
8	Retail exposures	-	-	-	-	-	-	14,191	14,160
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	6,559	6,238
10	Exposures in default	659	318	-	-	-	-	977	953
11	Exposures associated with particularly high risk	-	428	-	-	-	-	428	428
12	Covered bonds	-	-	-	-	-	-	1,879	523
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	996	19	-	41	78	1,521	3,672	3,660
15	Equity exposures	1,147	-	394	-	-	-	1,541	1,541
16	Other items	12,337	-	-	-	-	-	18,684	18,613
17	**Total**	**59,216**	**1,106**	**3,214**	**41**	**78**	**1,521**	**388,768**	**83,629**

The aggregate of the exposures included in the calculation under the standardised approach amounts to 388.8 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 slight decrease in the RWA density in the half year (-1.7%), confirming the trend already seen in the previous half year and in 2020. The average density was 22.7%, with a further polarisation of exposures towards zero-weighted classes: this was again due to the significant increase in the “Central Governments or Central Banks” class (+18.1 billion euro post-CCF/CRM), as already mentioned in the comments to Table EU CR4, to which reference is made. The other captions only recorded marginal changes.

Standardised approach - Exposures before CCF and CRM as at 31 December 2021 (EU CR5 bis) *(Table 1 of 2)*

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT								
		0%	2%	4%	10%	20%	35%	50%	70%	75%
1	Central governments or central banks	225,318	-	-	-	1,939	-	2,306	-	-
2	Regional government or local authorities	10	-	-	-	935	-	1	-	-
3	Public sector entities	23	-	-	-	332	-	88	-	-
4	Multilateral development banks	853	-	-	-	-	-	-	-	-
5	International organisations	1,210	-	-	-	-	-	-	-	-
6	Institutions	-	132	-	-	5,925	-	2,276	-	-
7	Corporates	-	-	-	-	1,218	-	1,384	-	-
8	Retail exposures	-	-	-	-	-	1,943	-	-	23,819
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	5,397	1,577	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	1,650	229	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	1,042	-	-	-	-	-	-	-	18
15	Equity exposures	-	-	-	-	-	-	-	-	-
16	Other items	4,789	-	-	-	1,556	-	-	-	-
17	**Total**	**233,245**	**132**	**-**	**1,650**	**12,134**	**7,340**	**7,632**	**-**	**23,837**

Standardised approach - Exposures before CCF and CRM as at 31 December 2021 (EU CR5 bis) *(Table 2 of 2)*

(millions of euro)

	EXPOSURE CLASSES	RISK WEIGHT						TOTAL	OF WHICH UNRATED
		100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	15,626	258	2,820	-	-	-	248,267	7,765
2	Regional government or local authorities	112	-	-	-	-	-	1,058	889
3	Public sector entities	1,218	-	-	-	-	-	1,661	1,195
4	Multilateral development banks	-	-	-	-	-	-	853	-
5	International organisations	-	-	-	-	-	-	1,210	-
6	Institutions	5,822	49	-	-	-	-	14,204	8,175
7	Corporates	48,023	381	-	-	-	-	51,006	44,708
8	Retail exposures	-	-	-	-	-	-	25,762	25,678
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	6,974	6,270
10	Exposures in default	928	363	-	-	-	-	1,291	1,037
11	Exposures associated with particularly high risk	-	476	-	-	-	-	476	476
12	Covered bonds	-	-	-	-	-	-	1,879	523
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	1,016	19	-	76	83	1,840	4,094	4,069
15	Equity exposures	1,147	-	394	-	-	-	1,541	1,541
16	Other items	12,336	-	-	-	-	-	18,681	18,610
17	**Total**	**86,228**	**1,546**	**3,214**	**76**	**83**	**1,840**	**378,957**	**120,936**

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

Qualitative disclosure

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

The rollout plan for the internal models

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

As already set out in the first Section of this document ("Basel 3 regulations" paragraph), the coverage of the portfolios of the Italian banks of the "former Intesa Sanpaolo" scope with internal models is now complete. As a result, the activities planned for the coming years will essentially be aimed at achieving the objectives of the "IRB regulatory roadmap", focused on updating and re-estimating the models to periodically update the time series data, adopting the recent regulatory provisions (e.g. EBA Guidelines and TRIM guide to internal models) and implementing the corrective measures imposed within the permissions given as well as the strategic Return to Compliance Plan following the acquisition of the UBI Banca Group.
With regard to the International Subsidiaries, the commitments in the plan for the coming years mainly envisage the rollout of the internal models for credit risk. For the Slovenian subsidiary, Intesa Sanpaolo Bank and the Slovak subsidiary VUB, the activities will also focus on updating and re-estimating the models currently already validated by the Supervisor.

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

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

Structure of the internal rating systems (PD)

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

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

The table below illustrates the correspondence between the (n) internal rating classes and the ratings by the major agencies: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and DBRS Morningstar. As indicated in the table, compared to the counterparties rated with Large Corporate, Regional Authorities, Banks and Retail models where there is full correspondence with the classes of Rating Agencies, the counterparties rated with other models have a cap on Rating and, therefore, on their reported PD.

Correspondence between internal rating classes and ratings by the major agencies

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

Structure of the internal rating systems (LGD)

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

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

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Banks and Public Entities). Specific models are available for the Leasing and Factoring products for the Corporate and Retail SME models.

The models are updated annually in compliance with internal and external regulations.

Use of the rating systems (PD, LGD and EAD)

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

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

Credit Granting and Management Powers

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

Credit Risk Appetite

The Credit Risk Appetite (CRA) Framework, a specific RAF for credit risk introduced in 2015, identifies areas of growth for loans and areas to be monitored, using an approach based on ratings and other appropriate predictive indicators, to guide lending growth by optimising the management of risk and expected loss.

The CRA limits are approved within the RAF and are continuously monitored by the Banca dei Territori Risk Management Head Office Department and the IMI CIB Risk Management Head Office Department.

Credit monitoring and management

The credit granting phase is also regulated by metrics that are complementary to the RWAs, which define coordination mechanisms and support tools for the ongoing exercise of guidance, coordination and control responsibilities, in implementation of the corporate governance provisions. In particular, the company rules include the Rules for Credit Granting and Management, which specify the methods for taking on credit risk with customers, and the Rules on Credit Strategies, which are designed to direct the development and composition of the loan portfolio towards a risk/return profile that is recognised as optimal over the medium/long-term.

The credit risk management processes also envisage the periodic review of all the credit positions by the relevant centralised or decentralised structures and the assessment of customers not only at origination, but also on a continuous basis, by means of a monthly monitoring process that interacts with credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. For the Corporate, Retail SME, Retail and Institutions portfolios this is implemented in the form of an Early Warning System. The system was developed on the basis of the indicators identified in the Asset Quality Review and consists of a statistical component and a qualitative component, plus manual triggers by event. The indicators are updated on a daily basis and, when they confirm a potential anomaly in the management of the relationship the related positions are detected and reported in the Proactive Management Process.

Pricing

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

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

Calculation of economic capital and value governance
The capital at risk consists of the maximum "unexpected" loss the Group may incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the projected economic scenario.

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

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

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

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

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

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

Control and auditing of the rating systems

A prerequisite for the adoption of internal risk measurement systems for the calculation of the regulatory capital is an internal validation and auditing process for the rating systems, both during their establishment, aimed at obtaining the authorisation from the Supervisory Authorities, and during their ongoing operation/maintenance once the authorisation has been given.
The function responsible for the internal validation process for the Intesa Sanpaolo Group is the Internal Validation and Controls Head Office Department, which operates independently from the functions that manage the development activities and from the internal auditing function. Specifically, this sub-department is responsible for continuously and interactively validating risk measurement and management systems in order to assess their compliance with regulatory provisions, operational company demands and the reference market.
Therefore, with regard to the macro processes of development, adoption, monitoring and modification of the internal measurement systems for credit risk, the following activities are assigned exclusively to the Internal Validation and Controls Head Office Department:
- preparation of the annual validation report to be presented to the Board of Directors to accompany the resolution for the certification of ongoing compliance of the internal system with the regulatory requirements, detailing any issues/areas for improvement;
- preparation of the Supplementary Validation Report (Annex 2) on the performance of the advanced approach models, as required by the supervisory framework;
- preparation of the validation report in the event of substantial or ex-ante changes to internal systems to be submitted to the competent bodies for their approval, with details of any issues/areas for improvement and assurances regarding the resolution plans for the issues identified by the supervisor during its on-site inspections;
- periodical analyses of the consistency of the corrective measures in case of critical issues/areas of improvement of the system highlighted by the same Internal Validation function, the Internal Auditing function and the Supervisory Authority, based on the progress report provided by the Credit Risk Management Head Office Department;
- initial and ongoing validation of the internal models for Italian and international subsidiaries that do not have a local validation function;
- supervision and coordination of the local validation activities carried out by the corresponding functions of the Group companies;
- calculation of the default rate for model development/recalibration;
- monitoring of the performance of the IRB system within the annual Eurosystem Credit Assessment Framework - ECAF reporting (Static Pool);
- contribution to the disclosure process pursuant to Pillar 3.

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

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

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

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

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

The Corporate model

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

The Large Corporate model

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

The Banks model

The key choice for the determination of the PD for the bank models was the differentiation of the models between banks in mature economies and banks in emerging countries. In short, the models are composed of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, and a country rating component that, based on the bank/country connection, assesses any negative effect of the country on the counterparty credit risk or, vice versa, the

support capacity in the event of difficulties of the bank being assessed. Lastly, the module ("relationship manager's judgement") allows for the change of the rating under certain conditions.

Public Entities model

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

The Specialised Lending models

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

a) The Project Finance model

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

b) Commercial Real Estate

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

c) The Real Estate Development (RED) model

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

d) Asset Finance

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

e) Leveraged & Acquisition Finance

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

The Corporate models used by Intesa Sanpaolo Bank Ireland and Intesa Sanpaolo Luxembourg

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

The Corporate models used by VUB

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

a) The Internationally Active Large Corporate (IALC) model

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

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

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

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

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

For the Retail portfolio, a rating model (PD, LGD, and EAD) has been used since September 2018, consisting of the Mortgage segment and the Other Retail segment.
The Retail internal rating system, divided into the Mortgage and Other Retail sub-segments, adopts a counterparty approach and covers the entire private individuals portfolio.
The rating system is differentiated according to type of customer (new customers, borrower customers and non-borrower customers) and is designed to use the most extensive set of information, both internal and external, available on each type of customer.
The model's structure is based on the integration of several modules that differ according to the type of customer and lead to an overall score, which forms the basis of the calibration performed to obtain a rating.
The rating may be subsequently modified based on two additional modules (household budget and adverse news), which act through improving or worsening notching matrices.

VUB Retail Mortgage PD Model
The PD and LGD models for the Slovakian residential mortgage market were developed by VUB in collaboration with the Parent Company's structures within the specific Project.
The model basically consists of two statistical modules. The acceptance module processes the socio-demographic characteristics of customers, such as educational qualification, marital status and home address. The behavioural module integrates behavioural information, for each of the four retail products (mortgages, personal loans, credit cards and credit facilities), including transactions, missed payments, use of credit line limits, and length of relationship with the Bank.
These modules are subsequently integrated statistically with additional information on the customer's risk status.

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

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

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

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

In addition to the Corporate or Corporate SME regulatory segment, specific elements are also used to determine the LGD of the Leasing and Factoring segments, such as the type of product (real estate, capital equipment, aircraft, railway, registered vehicle) for Leasing and the type of contract (with recourse, without recourse) and the geographical area (Italy, International) for Factoring.

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

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

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

LGD model for the VUB mortgage segment

The LGD model was developed based on a "workout" approach, analysing the losses sustained by the Bank on the historical defaults. LGD is therefore determined based on the recovery rates achieved during the default period, taking into consideration direct and indirect costs and recovery times. Assessment of the loss rates was carried out for each individual transaction. The model classifies the data into two groups, according to two risk factors: LTV (residual debt at default over the value of the guarantee provided) and PPI (purchasing power index of the geographical area in which the collateral is situated).

With regard to IFRS 9, the models have the same development framework, but are subject to the adaptations necessary to align them to the accounting standard.

Description of the EAD models

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

Quantitative disclosure

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

Scope of companies for application of the IRB approaches

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

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

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

(millions of euro)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
1	Central governments or central banks	-	245,875	100.00	-	-
1.1	*Of which Regional governments or local authorities*		*89*	*100.00*	-	-
1.2	*Of which Public sector entities*		*55*	*100.00*	-	-
2	Institutions	30,126	47,135	10.90	72.24	16.86
3	Corporates	226,730	277,253	9.79	85.98	4.23
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		*12,093*	*0.11*	*99.89*	-
3.2	*Of which Corporates - Specialised lending under slotting approach*		*1,081*	-	*87.61*	*12.39*
4	Retail	172,729	192,522	5.95	86.82	7.23
4.1	*of which Retail – Secured by real estate SMEs*		*6,340*	*2.31*	*93.46*	*4.23*
4.2	*of which Retail – Secured by real estate non-SMEs*		*123,979*	*0.77*	*96.31*	*2.92*
4.3	*of which Retail – Qualifying revolving*		*480*	-	-	*100.00*
4.4	*of which Retail – Other SMEs*		*23,648*	*4.60*	*89.58*	*5.82*
4.5	*of which Retail – Other non-SMEs*		*38,075*	*24.36*	*54.17*	*21.47*
5	Equity	11,384	13,036	12.33	87.38	0.29
6	Other non-credit obligation assets	-	18,180	100.00	-	-
7	**Total**	**440,969**	**794,001**	**38.96**	**56.80**	**4.24**

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

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

The EAD values of exposures as at 31 December 2021 for the various IRB approaches (IRB, Foundation IRB and Advanced IRB) are shown in the tables below.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2021	31.12.2020
Exposures to or secured by corporates:		
- Specialised lending	-	-
- SMEs (Small and Medium Enterprises)	456	459
- Other corporates	1,164	885
Total credit risk (IRB)	**1,620**	**1,344**

Exposure values by regulatory portfolio (Advanced IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2021	31.12.2020
Exposures to or secured by corporates:		
- Specialised lending	12,391	10,422
- SMEs (Small and Medium Enterprises)	47,172	53,368
- Other corporates	134,404	142,621
Exposures to or secured by Supervised Intermediaries, Public sector and local entities and Other entities	36,866	30,131
Total credit risk (Advanced IRB approach)	**230,833**	**236,542**

Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2021	31.12.2020
Retail exposures:		
- Exposures secured by residential property: SMEs	6,117	8,511
- Exposures secured by residential property: private individuals	118,589	126,453
- Other retail exposures: SMEs	14,017	14,481
- Other retail exposures: private individuals	21,086	23,097
- Qualifying revolving exposures	-	1,907
Total credit risk (IRB)	**159,809**	**174,449**

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2021	31.12.2020
Exposures in equity instruments subject to the PD/LGD approach	1,306	948
Total credit risk (IRB)	**1,306**	**948**

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

IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques as at 31 December 2021 (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**	**1,172**	**1,172**
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates	1,172	1,172
4.1	*of which Corporates - SMEs*	*311*	*311*
4.2	*of which Corporates - specialised lending*	-	-
5	**Exposures under A-IRB**	**146,859**	**146,842**
6	Central governments and central banks	-	-
7	Institutions	17,113	17,119
8	Corporates	96,813	96,790
8.1	*of which Corporates - SMEs*	*26,633*	*26,633*
8.2	*of which Corporates - specialised lending*	*7,387*	*7,387*
9	Retail	32,933	32,933
9.1	*of which Retail – SMEs, secured by immovable property collateral*	*1,773*	*1,773*
9.2	*of which Retail – non SMEs, secured by immovable property collateral*	*21,855*	*21,855*
9.3	*of which Retail – qualifying revolving*	-	-
9.4	*of which Retail – SMEs, other*	*3,491*	*3,491*
9.5	*of which Retail – non SMEs, other*	*5,814*	*5,814*
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**148,031**	**148,014**

The use of credit derivatives as a credit risk mitigation tool is marginal and the effects as at 31 December were small: in relation to the reduction of -22.9 million RWA in the Corporates portfolio, there was an increase of +6 million euro in RWAs in the Institutions portfolio, with a net change of -16.9 million euro in RWAs.

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

(millions of euro)

A-IRB PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to Institutions												
0,00 to <0,15	5,974	14,926	3.25%	6,604	0.07	819	40.66	2.43	2,083	31.54%	2	-5
0,00 to < 0,10	*4,760*	*12,073*	*3.62%*	*5,336*	*0.05*	*515*	*41.31*	*2.37*	*1,555*	*29.15%*	*1*	*-4*
0,10 to < 0,15	*1,214*	*2,853*	*1.68%*	*1,268*	*0.11*	*304*	*37.95*	*2.72*	*528*	*41.60%*	*1*	*-1*
0,15 to <0,25	3,975	5,802	6.41%	4,399	0.20	612	31.57	2.23	1,641	37.29%	3	-2
0,25 to <0,50	6,971	9,722	9.80%	7,933	0.38	950	28.42	2.97	4,293	54.12%	9	-8
0,50 to <0,75	645	1,045	12.31%	753	0.63	280	29.36	2.28	409	54.33%	2	-1
0,75 to <2,50	7,988	7,138	3.51%	8,332	1.41	1,324	28.33	2.79	6,455	77.47%	37	-31
0,75 to < 1,75	*6,011*	*5,576*	*3.58%*	*6,322*	*1.18*	*995*	*23.71*	*3.22*	*4,165*	*65.88%*	*19*	*-14*
1,75 to < 2,5	*1,977*	*1,562*	*3.26%*	*2,010*	*2.12*	*329*	*42.85*	*1.45*	*2,290*	*113.92%*	*18*	*-17*
2,50 to <10,00	1,618	3,119	4.45%	1,622	4.72	806	23.44	3.43	1,466	90.37%	18	-12
2,5 to < 5	*936*	*2,502*	*4.69%*	*969*	*3.40*	*484*	*24.43*	*3.46*	*870*	*89.72%*	*8*	*-4*
5 to < 10	*682*	*617*	*3.47%*	*653*	*6.67*	*322*	*21.96*	*3.39*	*596*	*91.32%*	*10*	*-8*
10,00 to < 100,00	242	308	1.08%	270	16.91	228	21.02	3.34	314	115.91%	9	-4
10 to < 20	*220*	*301*	*1.03%*	*247*	*14.71*	*160*	*21.84*	*3.20*	*297*	*119.94%*	*8*	*-4*
20 to < 30	*2*	*2*	*-*	*2*	*25.85*	*10*	*13.69*	*4.90*	*2*	*86.55%*	*-*	*-*
30,00 to < 100,00	*20*	*5*	*4.35%*	*21*	*42.19*	*58*	*12.07*	*4.85*	*15*	*71.23%*	*1*	*-*
100,00 (default)	383	25	1.02%	383	100.00	126	81.68	1.58	458	119.71%	278	-167
Subtotal	27,796	42,085	5.54%	30,296	2.21	5,145	31.88	2.69	17,119	56.50%	358	-230
Exposures to corporates												
- SMEs (small and medium enterprises)												
0,00 to <0,15	968	1,076	22.52%	1,003	0.12	4,114	41.23	2.37	209	20.78%	-	-1
0,00 to < 0,10	*188*	*219*	*19.34%*	*201*	*0.08*	*612*	*43.41*	*2.96*	*52*	*25.60%*	*-*	*-*
0,10 to < 0,15	*780*	*857*	*23.33%*	*802*	*0.13*	*3,502*	*40.68*	*2.23*	*157*	*19.57%*	*-*	*-1*
0,15 to <0,25	2,330	2,380	21.63%	2,027	0.20	8,769	40.90	2.13	521	25.68%	2	-5
0,25 to <0,50	9,236	7,125	21.32%	7,024	0.38	26,742	41.19	2.09	2,542	36.20%	11	-21
0,50 to <0,75	7,053	4,894	21.72%	5,091	0.60	19,076	41.00	2.11	2,314	45.46%	13	-22
0,75 to <2,50	18,498	8,968	23.34%	13,052	1.46	44,599	39.70	2.37	8,136	62.33%	75	-137
0,75 to < 1,75	*12,673*	*6,575*	*23.47%*	*9,029*	*1.26*	*31,487*	*39.97*	*2.29*	*5,400*	*59.81%*	*45*	*-75*
1,75 to < 2,5	*5,825*	*2,393*	*23.00%*	*4,023*	*1.91*	*13,112*	*39.09*	*2.54*	*2,736*	*68.00%*	*30*	*-62*
2,50 to <10,00	12,511	3,788	22.46%	9,105	5.21	29,772	38.46	2.69	7,852	86.24%	181	-297
2,5 to < 5	*5,794*	*1,953*	*23.80%*	*4,357*	*3.19*	*13,851*	*39.16*	*2.58*	*3,409*	*78.25%*	*54*	*-91*
5 to < 10	*6,717*	*1,835*	*21.03%*	*4,748*	*7.06*	*15,921*	*37.82*	*2.78*	*4,443*	*93.58%*	*127*	*-206*
10,00 to < 100,00	3,070	615	23.34%	2,525	20.07	9,799	36.68	3.10	3,344	132.45%	185	-395
10 to < 20	*2,011*	*454*	*23.00%*	*1,495*	*14.75*	*5,566*	*36.82*	*2.94*	*1,809*	*120.99%*	*81*	*-134*
20 to < 30	*610*	*74*	*25.57%*	*502*	*23.26*	*1,703*	*35.41*	*3.38*	*687*	*137.01%*	*41*	*-88*
30,00 to < 100,00	*449*	*87*	*23.16%*	*528*	*32.08*	*2,530*	*37.47*	*3.27*	*848*	*160.57%*	*63*	*-173*
100,00 (default)	7,306	391	78.13%	7,043	100.00	12,708	55.05	2.25	1,715	24.35%	3,756	-4,482
Subtotal	60,972	29,237	23.03%	46,870	17.66	155,579	42.05	2.37	26,633	56.82%	4,223	-5,360
- Specialised lending												
0,00 to <0,15	-	-	-	-	-	-	-	-	-	-	-	-
0,00 to < 0,10	-	-	-	-	-	-	-	-	-	-	-	-
0,10 to < 0,15	-	-	-	-	-	-	-	-	-	-	-	-
0,15 to <0,25	150	69	50.23%	184	0.23	36	19.06	4.71	47	25.65%	-	-
0,25 to <0,50	175	189	51.57%	271	0.35	89	21.40	3.06	72	26.45%	-	-
0,50 to <0,75	1,199	229	51.10%	1,292	0.54	215	19.58	4.00	470	36.39%	2	-3
0,75 to <2,50	5,423	2,259	49.66%	6,066	1.25	1,028	19.62	3.54	2,776	45.77%	16	-46
0,75 to < 1,75	*4,169*	*1,968*	*49.70%*	*4,671*	*1.06*	*694*	*19.76*	*3.61*	*2,078*	*44.50%*	*11*	*-31*
1,75 to < 2,5	*1,254*	*291*	*49.39%*	*1,395*	*1.90*	*334*	*19.14*	*3.30*	*698*	*50.03%*	*5*	*-15*
2,50 to <10,00	1,918	890	47.15%	2,271	3.72	626	19.78	2.97	1,328	58.43%	17	-47
2,5 to < 5	*1,758*	*874*	*47.18%*	*2,111*	*3.35*	*539*	*19.75*	*3.06*	*1,220*	*57.77%*	*14*	*-42*
5 to < 10	*160*	*16*	*45.54%*	*160*	*8.53*	*87*	*20.16*	*1.72*	*108*	*67.08%*	*3*	*-5*
10,00 to < 100,00	980	291	49.69%	1,052	21.47	280	25.83	2.85	1,393	132.46%	54	-79
10 to < 20	*705*	*212*	*48.62%*	*738*	*15.38*	*145*	*28.84*	*2.71*	*1,109*	*150.34%*	*33*	*-62*
20 to < 30	-	-	-	-	-	-	-	-	-	-	-	-
30,00 to < 100,00	*275*	*79*	*52.56%*	*314*	*35.79*	*135*	*18.75*	*3.19*	*284*	*90.46%*	*21*	*-17*
100,00 (default)	927	73	47.48%	923	100.00	460	44.95	2.61	248	26.84%	396	-498
Subtotal	10,772	4,000	49.25%	12,059	10.92	2,734	22.16	3.36	6,334	52.52%	485	-673

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

(millions of euro)

A-IRB PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
- Other corporates												
0,00 to <0,15	9,955	32,068	21.90%	16,968	0.09	1,588	32.66	2.17	3,233	19.05%	5	-3
0,00 to < 0,10	*3,568*	*18,371*	*23.57%*	*7,889*	*0.06*	*653*	*32.75*	*2.11*	*1,096*	*13.89%*	*1*	*-1*
0,10 to < 0,15	*6,387*	*13,697*	*19.67%*	*9,079*	*0.12*	*935*	*32.58*	*2.23*	*2,137*	*23.54%*	*4*	*-2*
0,15 to <0,25	19,139	29,937	20.11%	24,911	0.20	1,945	32.54	1.89	7,284	29.24%	16	-6
0,25 to <0,50	30,990	33,376	21.09%	31,577	0.33	4,423	32.31	1.97	12,235	38.75%	34	-19
0,50 to <0,75	10,431	13,249	23.88%	12,752	0.53	2,721	31.83	2.25	6,373	49.98%	22	-17
0,75 to <2,50	24,198	26,523	26.89%	29,115	1.32	5,367	31.96	2.13	20,220	69.45%	124	-98
0,75 to < 1,75	*17,791*	*21,007*	*26.76%*	*21,777*	*1.12*	*3,968*	*31.94*	*2.08*	*14,282*	*65.58%*	*79*	*-57*
1,75 to < 2,5	*6,407*	*5,516*	*27.37%*	*7,338*	*1.93*	*1,399*	*32.02*	*2.28*	*5,938*	*80.93%*	*45*	*-41*
2,50 to <10,00	8,959	4,670	26.74%	8,521	4.93	2,365	29.83	2.33	8,252	96.85%	125	-182
2,5 to < 5	*5,806*	*3,069*	*24.27%*	*5,397*	*3.59*	*1,328*	*29.83*	*2.39*	*4,856*	*89.98%*	*58*	*-90*
5 to < 10	*3,153*	*1,601*	*31.47%*	*3,124*	*7.26*	*1,037*	*29.84*	*2.22*	*3,396*	*108.71%*	*67*	*-92*
10,00 to < 100,00	2,839	1,550	32.61%	3,064	19.89	732	28.08	2.26	3,992	130.29%	170	-308
10 to < 20	*1,637*	*1,070*	*31.56%*	*1,685*	*15.41*	*470*	*29.68*	*2.71*	*2,465*	*146.23%*	*78*	*-118*
20 to < 30	*851*	*372*	*35.72%*	*975*	*22.82*	*64*	*25.19*	*1.37*	*916*	*93.97%*	*56*	*-92*
30,00 to < 100,00	*351*	*108*	*32.31%*	*404*	*31.52*	*198*	*28.40*	*2.57*	*611*	*151.38%*	*36*	*-98*
100,00 (default)	4,458	782	52.08%	4,658	100.00	1,515	44.38	1.55	1,181	25.35%	1,973	-2,696
Subtotal	110,969	142,155	22.89%	131,566	4.80	20,656	32.44	2.06	62,770	47.71%	2,469	-3,329
Retail exposures: (*)												
- SME secured by immovable property collateral												
0,00 to <0,15	752	14	50.67%	755	0.08	6,638	19.33	-	24	3.18%	-	-
0,00 to < 0,10	*737*	*14*	*50.77%*	*740*	*0.08*	*6,537*	*19.28*	-	*23*	*3.14%*	-	-
0,10 to < 0,15	*15*	-	*14.89%*	*15*	*0.12*	*101*	*21.80*	-	*1*	*4.81%*	-	-
0,15 to <0,25	556	9	38.92%	556	0.18	5,357	19.47	-	33	5.94%	-	-1
0,25 to <0,50	897	15	34.33%	892	0.39	7,987	19.45	-	94	10.55%	1	-3
0,50 to <0,75	491	12	38.93%	487	0.74	4,249	19.55	-	80	16.39%	1	-2
0,75 to <2,50	940	17	26.61%	927	1.33	7,954	19.63	-	227	24.52%	2	-6
0,75 to < 1,75	*907*	*17*	*26.35%*	*894*	*1.31*	*7,573*	*19.48*	-	*215*	*24.07%*	*2*	*-5*
1,75 to < 2,5	*33*	-	*40.05%*	*33*	*1.90*	*381*	*23.76*	-	*12*	*36.69%*	-	*-1*
2,50 to <10,00	1,396	24	23.44%	1,368	4.71	12,394	19.60	-	670	49.03%	12	-20
2,5 to < 5	*1,097*	*19*	*23.14%*	*1,076*	*3.51*	*9,684*	*19.55*	-	*464*	*43.15%*	*7*	*-13*
5 to < 10	*299*	*5*	*24.53%*	*292*	*9.13*	*2,710*	*19.79*	-	*206*	*70.69%*	*5*	*-7*
10,00 to < 100,00	497	6	36.04%	479	27.80	4,523	19.75	-	420	87.43%	25	-24
10 to < 20	*184*	*2*	*35.93%*	*178*	*15.35*	*1,686*	*19.89*	-	*153*	*85.87%*	*5*	*-6*
20 to < 30	*154*	*2*	*46.48%*	*149*	*23.69*	*1,304*	*19.54*	-	*139*	*92.84%*	*7*	*-8*
30,00 to < 100,00	*159*	*2*	*23.36%*	*152*	*46.45*	*1,533*	*19.80*	-	*128*	*83.94%*	*13*	*-10*
100,00 (default)	663	7	23.28%	653	100.00	5,903	51.61	-	225	34.47%	322	-263
Subtotal	6,192	104	33.08%	6,117	14.25	55,005	22.96	-	1,773	28.98%	363	-319
- SME other												
0,00 to <0,15	3,461	2,777	36.58%	2,589	0.08	110,519	30.16	-	147	5.68%	1	-3
0,00 to < 0,10	*3,414*	*2,728*	*36.30%*	*2,533*	*0.08*	*107,695*	*29.95*	-	*142*	*5.61%*	*1*	*-2*
0,10 to < 0,15	*47*	*49*	*52.19%*	*56*	*0.12*	*2,824*	*39.89*	-	*5*	*9.09%*	-	*-1*
0,15 to <0,25	2,395	1,309	42.04%	1,640	0.18	92,949	30.94	-	175	10.68%	1	-3
0,25 to <0,50	3,472	1,511	40.64%	2,254	0.39	135,253	30.93	-	398	17.65%	3	-8
0,50 to <0,75	1,722	529	38.03%	1,023	0.73	66,478	31.28	-	255	24.99%	2	-4
0,75 to <2,50	3,026	707	35.76%	1,760	1.34	114,700	32.30	-	586	33.28%	8	-12
0,75 to < 1,75	*2,934*	*667*	*34.36%*	*1,658*	*1.31*	*108,272*	*31.29*	-	*533*	*32.13%*	*7*	*-10*
1,75 to < 2,5	*92*	*40*	*59.21%*	*102*	*1.92*	*6,428*	*48.75*	-	*53*	*51.93%*	*1*	*-2*
2,50 to <10,00	4,226	749	30.01%	2,416	4.82	161,857	31.45	-	1,015	42.03%	36	-46
2,5 to < 5	*3,292*	*593*	*30.25%*	*1,878*	*3.63*	*122,336*	*31.48*	-	*765*	*40.72%*	*21*	*-30*
5 to < 10	*934*	*156*	*29.11%*	*538*	*8.99*	*39,521*	*31.35*	-	*250*	*46.60%*	*15*	*-16*
10,00 to < 100,00	1,336	166	33.75%	757	27.46	91,781	31.69	-	504	66.57%	65	-67
10 to < 20	*521*	*70*	*32.53%*	*301*	*14.96*	*24,839*	*32.20*	-	*173*	*57.59%*	*14*	*-17*
20 to < 30	*415*	*45*	*26.50%*	*215*	*23.75*	*23,466*	*29.99*	-	*142*	*65.95%*	*15*	*-16*
30,00 to < 100,00	*400*	*51*	*41.77%*	*241*	*46.38*	*43,476*	*32.56*	-	*189*	*78.31%*	*36*	*-34*
100,00 (default)	1,736	71	36.18%	1,558	100.00	70,658	81.15	-	411	26.36%	1,242	-1,191
Subtotal	21,374	7,819	37.61%	13,997	13.77	844,195	36.71	-	3,491	24.94%	1,358	-1,334

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

(millions of euro)

A-IRB PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
- Non-SME secured by immovable property collateral												
0,00 to <0,15	41,476	600	72.73%	41,626	0.08	481,734	17.66	-	1,573	3.78%	6	-5
0,00 to < 0,10	*16,029*	*402*	*79.17%*	*16,247*	*0.05*	*196,383*	*17.61*	*-*	*409*	*2.52%*	*1*	*-2*
0,10 to < 0,15	*25,447*	*198*	*59.66%*	*25,379*	*0.10*	*285,351*	*17.70*	*-*	*1,164*	*4.59%*	*5*	*-3*
0,15 to <0,25	13,452	64	12.97%	13,291	0.17	148,574	17.60	-	884	6.65%	4	-2
0,25 to <0,50	16,807	148	59.86%	16,619	0.28	190,328	18.39	-	1,674	10.07%	9	-6
0,50 to <0,75	9,529	80	58.80%	9,368	0.51	105,770	18.49	-	1,456	15.55%	9	-7
0,75 to <2,50	23,747	95	51.88%	23,231	1.26	289,475	18.19	-	6,321	27.21%	53	-47
0,75 to < 1,75	*13,850*	*78*	*60.20%*	*13,547*	*0.79*	*163,968*	*18.46*	*-*	*2,837*	*20.94%*	*20*	*-21*
1,75 to < 2,5	*9,897*	*17*	*13.45%*	*9,684*	*1.93*	*125,507*	*17.80*	*-*	*3,484*	*35.97%*	*33*	*-26*
2,50 to <10,00	9,675	35	51.61%	9,469	5.79	116,170	18.43	-	6,425	67.86%	101	-73
2,5 to < 5	*4,233*	*25*	*65.37%*	*4,135*	*3.98*	*51,501*	*18.45*	*-*	*2,349*	*56.81%*	*30*	*-18*
5 to < 10	*5,442*	*10*	*17.90%*	*5,334*	*7.19*	*64,669*	*18.42*	*-*	*4,076*	*76.43%*	*71*	*-55*
10,00 to < 100,00	2,622	3	33.51%	2,592	19.80	30,099	18.23	-	2,713	104.68%	93	-112
10 to < 20	*1,955*	*2*	*15.27%*	*1,930*	*15.80*	*22,820*	*18.20*	*-*	*1,964*	*101.75%*	*55*	*-68*
20 to < 30	*-*	*-*	*-*	*-*	*23.68*	*6*	*16.30*	*-*	*-*	*99.84%*	*-*	*-*
30,00 to < 100,00	*667*	*1*	*61.33%*	*662*	*31.47*	*7,273*	*18.32*	*-*	*749*	*113.22%*	*38*	*-44*
100,00 (default)	2,397	3	100.00%	2,393	100.00	29,680	37.84	-	809	33.82%	878	-847
Subtotal	119,705	1,028	63.37%	118,589	3.29	1,391,830	18.41	-	21,855	18.43%	1,153	-1,099
- Non-SME other												
0,00 to <0,15	3,208	2,170	57.46%	4,377	0.07	1,236,297	30.91	-	278	6.35%	1	-1
0,00 to < 0,10	*1,293*	*1,492*	*58.13%*	*2,130*	*0.05*	*777,761*	*31.59*	*-*	*99*	*4.65%*	*-*	*-*
0,10 to < 0,15	*1,915*	*678*	*55.99%*	*2,247*	*0.10*	*458,536*	*30.27*	*-*	*179*	*7.96%*	*1*	*-1*
0,15 to <0,25	1,741	536	59.81%	1,991	0.17	439,909	31.95	-	245	12.29%	1	-1
0,25 to <0,50	2,378	505	62.59%	2,587	0.28	486,920	32.71	-	454	17.55%	2	-1
0,50 to <0,75	1,795	306	63.32%	1,916	0.51	334,696	33.57	-	496	25.91%	3	-2
0,75 to <2,50	5,178	764	69.20%	5,443	1.29	1,003,374	33.50	-	2,067	37.97%	23	-14
0,75 to < 1,75	*2,818*	*445*	*67.54%*	*3,034*	*0.78*	*497,754*	*34.01*	*-*	*994*	*32.76%*	*8*	*-6*
1,75 to < 2,5	*2,360*	*319*	*71.52%*	*2,409*	*1.93*	*505,620*	*32.85*	*-*	*1,073*	*44.52%*	*15*	*-8*
2,50 to <10,00	2,999	318	66.37%	3,041	5.72	654,782	33.69	-	1,633	53.72%	59	-32
2,5 to < 5	*1,414*	*161*	*65.98%*	*1,431*	*4.01*	*259,253*	*33.33*	*-*	*730*	*51.06%*	*19*	*-11*
5 to < 10	*1,585*	*157*	*66.77%*	*1,610*	*7.25*	*395,529*	*34.01*	*-*	*903*	*56.08%*	*40*	*-21*
10,00 to < 100,00	650	44	65.94%	657	19.29	174,574	33.58	-	500	76.05%	43	-35
10 to < 20	*507*	*35*	*66.32%*	*514*	*15.93*	*133,237*	*33.68*	*-*	*370*	*71.92%*	*28*	*-22*
20 to < 30	*-*	*-*	*134.83%*	*-*	*23.68*	*29*	*36.00*	*-*	*-*	*90.81%*	*-*	*-*
30,00 to < 100,00	*143*	*9*	*64.41%*	*143*	*31.40*	*41,308*	*33.22*	*-*	*130*	*90.92%*	*15*	*-13*
100,00 (default)	1,057	21	88.25%	1,071	100.00	153,789	64.14	-	141	13.18%	690	-688
Subtotal	19,006	4,664	61.42%	21,083	6.95	4,484,341	34.31	-	5,814	27.58%	822	-774
TOTAL	**376,786**	**231,092**	**21.66%**	**380,577**		**6,959,485**		**2.28**	**145,789**	**38.31%**	**11,231**	**-13,118**

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

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

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

(millions of euro)

FIRB PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	EL	Value adjust-ments and provisions
Exposures to corporates												
- SMEs												
0,00 to <0,15	5	11	48.65%	10	0.11	50	41.12	2.50	2	21.27%	-	-
0,00 to < 0,10	*-*	*-*	*53.49%*	*-*	*0.07*	*2*	*45.00*	*2.50*	*-*	*15.47%*	*-*	*-*
0,10 to < 0,15	*5*	*11*	*48.56%*	*10*	*0.11*	*48*	*41.07*	*2.50*	*2*	*21.33%*	*-*	*-*
0,15 to <0,25	7	57	51.10%	36	0.19	142	43.74	2.50	11	29.98%	-	-
0,25 to <0,50	23	142	36.24%	75	0.37	244	43.86	2.50	30	40.12%	-	-
0,50 to <0,75	15	83	40.94%	50	0.61	169	43.82	2.50	29	59.49%	-	-
0,75 to <2,50	59	171	55.42%	154	1.30	406	43.91	2.50	118	76.30%	1	-2
0,75 to < 1,75	*38*	*117*	*60.95%*	*109*	*1.08*	*247*	*44.17*	*2.50*	*83*	*76.15%*	*1*	*-2*
1,75 to < 2,5	*21*	*54*	*43.47%*	*45*	*1.84*	*159*	*43.29*	*2.50*	*35*	*76.66%*	*-*	*-*
2,50 to <10,00	53	87	47.05%	94	3.73	330	43.43	2.50	92	98.14%	1	-1
2,5 to < 5	*49*	*65*	*52.07%*	*83*	*3.32*	*276*	*43.62*	*2.50*	*79*	*95.35%*	*1*	*-1*
5 to < 10	*4*	*22*	*32.57%*	*11*	*6.73*	*54*	*42.00*	*2.50*	*13*	*118.36%*	*-*	*-*
10,00 to < 100,00	8	24	57.15%	21	15.29	116	43.12	2.50	29	134.62%	2	-1
10 to < 20	*6*	*19*	*56.19%*	*16*	*12.03*	*64*	*42.81*	*2.50*	*20*	*125.08%*	*1*	*-1*
20 to < 30	*2*	*5*	*60.90%*	*5*	*25.27*	*50*	*44.08*	*2.50*	*9*	*163.97%*	*1*	*-*
30,00 to < 100,00	*-*	*-*	*20.25%*	*-*	*31.62*	*2*	*45.00*	*2.50*	*-*	*164.32%*	*-*	*-*
100,00 (default)	8	14	43.94%	14	100.00	52	42.57	2.50	-	-	6	-9
Subtotal	178	589	46.77%	454	5.20	1,509	43.64	2.50	311	68.48%	10	-13
- Other												
0,00 to <0,15	17	266	41.66%	128	0.07	20	45.00	2.50	34	26.42%	-	-
0,00 to < 0,10	*12*	*138*	*44.31%*	*73*	*0.05*	*3*	*45.00*	*2.50*	*16*	*21.71%*	*-*	*-*
0,10 to < 0,15	*5*	*128*	*38.78%*	*55*	*0.10*	*17*	*45.00*	*2.50*	*18*	*32.77%*	*-*	*-*
0,15 to <0,25	66	42	66.53%	94	0.17	15	42.81	2.50	38	41.19%	-	-
0,25 to <0,50	296	104	65.35%	364	0.34	75	44.30	2.50	218	59.85%	1	-1
0,50 to <0,75	117	55	42.88%	140	0.68	30	44.30	2.50	115	82.43%	-	-1
0,75 to <2,50	435	158	49.62%	338	1.31	88	44.24	2.50	352	104.20%	2	-2
0,75 to < 1,75	*351*	*101*	*53.18%*	*229*	*1.05*	*50*	*44.34*	*2.50*	*225*	*98.47%*	*1*	*-1*
1,75 to < 2,5	*84*	*57*	*43.32%*	*109*	*1.86*	*38*	*44.03*	*2.50*	*127*	*116.22%*	*1*	*-1*
2,50 to <10,00	31	110	35.25%	69	3.16	33	45.00	2.50	96	138.89%	1	-1
2,5 to < 5	*31*	*106*	*35.53%*	*68*	*3.10*	*31*	*45.00*	*2.50*	*94*	*138.15%*	*1*	*-1*
5 to < 10	*-*	*4*	*28.07%*	*1*	*6.65*	*2*	*45.00*	*2.50*	*2*	*183.01%*	*-*	*-*
10,00 to < 100,00	4	-	-	4	10.22	2	45.00	2.50	8	214.99%	-	-
10 to < 20	*4*	*-*	*-*	*4*	*10.22*	*1*	*45.00*	*2.50*	*8*	*214.99%*	*-*	*-*
20 to < 30	*-*	*-*	*-*	*-*	*23.25*	*1*	*45.00*	*2.50*	*-*	*150.00%*	*-*	*-*
30,00 to < 100,00	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
100,00 (default)	1	-	50.00%	1	100.00	11	43.85	2.50	-	-	1	-1
Subtotal	967	735	47.27%	1,138	0.96	274	44.28	2.50	861	75.76%	5	-6
TOTAL	**1,145**	**1,324**	**47.05%**	**1,592**		**1,783**		**2.50**	**1,172**	**73.68%**	**15**	**-19**

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

The aggregate of the exposures subject to credit risk, measured using advanced approaches, remained substantially stable with a moderate net decrease of 1 billion euro (-0.3% compared to June 2021). Of note, were the following: a) an increase in the "Other corporates", "Corporates – Specialised Lending" and "Corporates – SMEs" portfolios, attributable to the growth in intermediated volumes, together with the expansion of the scope of counterparties subject to measurement using internal models (+3.8 billion euro); and b) a decrease in the exposures in both the "Banks" portfolio (-1.3 billion euro) and the Retail portfolio (-3.5 billion euro). In addition, during the half year, a number of securitisations were completed (KENOBI, SKYWALKER, and M2) with underlying non-performing loans, together with other securitisations on performing loans relating to the Corporate, Corporate SME and Retail portfolios, as part of the active credit risk management programme (GARC High Potential-1 and Residential Mortgages-2 securitisations), details of which can be found in the discussion of the Table EU SEC1.
Overall, the average risk (PD) remained at the values recorded in the first half of the year (1.67%): despite a significant improvement in the estimates of the impact of the pandemic crisis, the Group has adopted a highly conservative approach for credit exposures that have benefited from moratorium measures, to filter out situations that may only be an apparent improvement in the income and financial position of the customers, due to the credit facilities granted and the temporary liquidity support. With regard to the estimated recovery capacity (LGD), the values (29%) remained substantially in line with the previous half year (29.6%).

Specialised lending and equity exposures under the simple risk weight approach as at 31 December 2021 (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	168	130	70%	262	183	1
Category 2	Less than 2.5 years	-	-	70%	-	-	-
	Equal to or more than 2.5 years	369	52	90%	407	367	3
Category 3	Less than 2.5 years	29	21	115%	45	51	1
	Equal to or more than 2.5 years	236	21	115%	252	290	7
Category 4	Less than 2.5 years	28	1	250%	29	72	2
	Equal to or more than 2.5 years	36	-	250%	36	90	3
Category 5	Less than 2.5 years	5	-	-	5	-	3
	Equal to or more than 2.5 years	-	-	-	-	-	-
Total	**Less than 2.5 years**	**62**	**22**		**79**	**123**	**6**
	Equal to or more than 2.5 years	**809**	**203**		**957**	**930**	**14**

The comparison with the values in June 2021 shows substantial stability (after the merger of UBI Banca into Intesa Sanpaolo, 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 31 December 2021.

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

(million 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	639	3	190%	642	1.220	5
Exchange-traded equity exposures	1.169	-	290%	1.169	3.390	9
Other equity exposures	7.335	31	370%	7.366	27.254	177
TOTAL	**9.143**	**34**		**9.177**	**31.864**	**191**

This table shows the aggregate of the equity exposures, for which the RWA calculation is performed using the “simple risk weight” approach, by applying fixed risk weights of 370%, 290% and 190% respectively, for the various exposure classes in accordance with Article 155(2) CRR. During the second half of 2021, the total aggregate increased by 2.3 billion euro, split across the various exposure classes (+1.3 billion euro for “Other equity exposures”, +953 million euro for “Exchange-traded equity exposures” and +116 million euro for “Private equity exposures”). With regard to the increase in the exposures with a risk weight of 370%, this was attributable to the equity investment in Intesa Sanpaolo Vita S.p.A., following the absorption of the insurance companies of the former UBI Group: Aviva Vita S.p.A., Lombarda Vita S.p.A. and BancAssurance Popolari. For the exposures with a risk weight of 290%, the increase was due to the change in the shareholding in Nexi S.p.A., which led to its inclusion in this class instead of its previous classification under significant capital investments (risk weight of 250%). Lastly, for the exposures with a risk weight of 190%, the change was attributable to the increase in the exposures, primarily driven by the exposures held in units of Collective Investment Undertakings (CIUs).

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	30,296	0.15	1.03	1.03	-	-	-	-	-	-	1.82	-	17,216	17,119
3	Corporates	191,531	0.59	11.38	11.38	-	-	-	-	-	-	19.62	0.02	118,633	96,790
3.1	*Of which Corporates – SMEs*	*46,870*	*1.31*	*30.30*	*30.30*	-	-	-	-	-	-	*48.73*	-	*41,164*	*26,633*
3.2	*Of which Corporates – Specialised lending*	*13,095*	*0.16*	*13.00*	*13.00*	-	-	-	-	-	-	*5.73*	-	*7,877*	*7,387*
3.3	*Of which Corporates – Other*	*131,566*	*0.37*	*4.48*	*4.48*	-	-	-	-	-	-	*10.63*	*0.03*	*69,592*	*62,770*
4	Retail	159,786	0.35	77.80	77.75	-	0.05	-	-	-	-	8.43	-	35,829	32,933
4.1	*Of which Retail – Immovable property SMEs*	*6,117*	*0.12*	*99.25*	*99.25*	-	-	-	-	-	-	*1.79*	-	*1,835*	*1,773*
4.2	*Of which Retail – Immovable property non-SMEs*	*118,589*	*0.02*	*99.06*	*98.99*	-	*0.07*	-	-	-	-	*1.49*	-	*22,408*	*21,855*
4.3	*Of which Retail – Qualifying revolving*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4	*Of which Retail – Other SMEs*	*13,997*	*1.98*	*5.52*	*5.52*	-	-	-	-	-	-	*76.77*	-	*5,606*	*3,491*
4.5	*Of which Retail – Other non-SMEs*	*21,083*	*1.19*	-	-	-	-	-	-	-	-	*4.02*	-	*5,980*	*5,814*
5	**Total**	**381,613**	**0.45**	**38.37**	**38.35**	**-**	**0.02**	**-**	**-**	**-**	**-**	**13.52**	**0.01**	**171,678**	**146,842**

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	1,592	0.22	8.60	8.60	-	-	-	-	-	-	11.07	-	1,353	1,172
3.1	*Of which Corporates – SMEs*	*454*	*0.11*	*15.03*	*15.03*	-	-	-	-	-	-	-	-	*311*	*311*
3.2	*Of which Corporates – Specialised lending*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3	*Of which Corporates – Other*	*1,138*	*0.27*	*6.04*	*6.04*	-	-	-	-	-	-	*15.48*	-	*1,042*	*861*
4	**Total**	**1,592**	**0.22**	**8.60**	**8.60**	**-**	**-**	**-**	**-**	**-**	**-**	**11.07**	**-**	**1,353**	**1,172**

The table above provides details on the use of credit risk mitigation techniques under the IRB model (A-IRB and F-IRB). It should be noted that in accordance with the Group's "Prudential Supervision Rules" and the provisions of Regulation (EU) 575/2013 (CRR), some forms of guarantees provided in favour of the lender that are attributable to "exposures covered by other funded credit protection" are considered ineligible. Specifically these consist of:

- cash and assimilated instruments held by a third party institution, in a non-custodial arrangement;
- life insurance policies;
- instruments issued by third parties, which can be repurchased by them at the institution's request.

Of the total A-IRB and F-IRB exposure (383 billion euro), 38.2% was covered by real estate collateral. More specifically, the retail exposure of 160 billion euro was covered by real estate collateral representing 77.8% of the exposure, of which 119 billion euro consisted of "exposures to non-SMEs", with almost total coverage (99%). With regard to the "exposures to corporates", the portfolio amounted to 193 billion euro, with real estate collateral accounting for 11.4%. The use of personal guarantees (13.5%) as a credit risk mitigation technique resulted (substitution effect) in a reduction of around 25 billion euro in the calculation of the RWAs as at December 2021, which was concentrated, both in terms of volumes and related percentage level, on exposures in the "Corporates" portfolio (-22 billion euro), with a more residual value for exposures in the "Retail" portfolio (-2.9 billion euro). The reductions relating to the "exposures to corporates" were mainly linked to loans granted to customers and backed by government guarantees as part of the measures to combat the COVID-19 pandemic, which resulted in their reclassification to the items included in the "Central Governments" class, which is subject to calculation of the capital requirement using the standardised approach and whose values are therefore shown and described in Tables EU CR4 and EU CR5.

Actual losses and comparison with expected losses

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

Actual losses by regulatory portfolio

(millions of euro)

Regulatory portfolio	Actual losses		
	2021	2020	2019
Exposures to or secured by corporates (Corporate)	-1,807	-1,726	-1,414
Exposures secured by residential property (Retail mortgages)	-118	-97	-90
Exposures to SMEs (SME retail)	-407	-438	-266

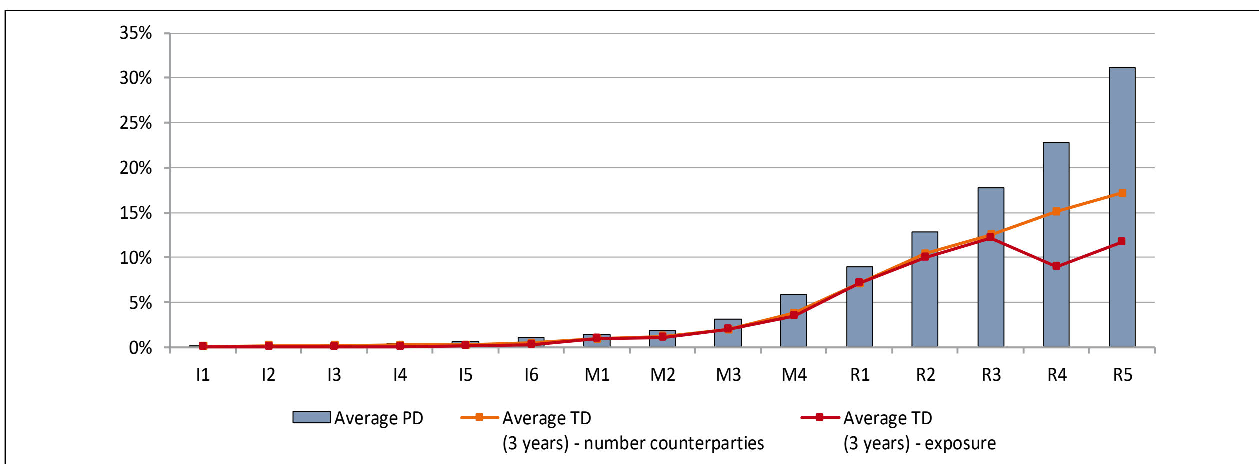
During the period 2019-2021, expected losses for performing Corporate counterparties (determined based on prior year-end data) totalled 3,083 million euro, in addition to 636 million euro for Retail Mortgage and 354 million euro for Retail SME.

The comparison shows that the actual losses exceeded the expected losses in the three-year period 2019-2021 for Corporate and Retail SME, whereas for Retail Mortgages the expected losses exceeded the actual losses in the three-year period.
The total amount of actual losses over the last three years was significantly impacted by the losses sustained on non-performing loans in prior periods.
The effects recorded in recent years have been influenced by the major de-risking carried out, as well as the events arising from the COVID-19 pandemic.

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

As part of its ongoing validation work, Internal Validation – Corporate Credit and Management Models Internal Systems periodically (on a half-yearly basis) compares the default rates[16] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the definition of default (DoD) established by the regulations.
For the Corporate Domestic model (Italian corporate counterparties with a turnover of less than 500 million euro), the chart below shows the comparison by individual rating class between PD and default rates (calculated in terms of number of counterparties and exposure). The values were obtained from the production data for all three of the reference dates considered (December 2018, December 2019 and December 2020); the model was authorised by the Regulator in April 2017 and has been used, for regulatory purposes, since June 2017.

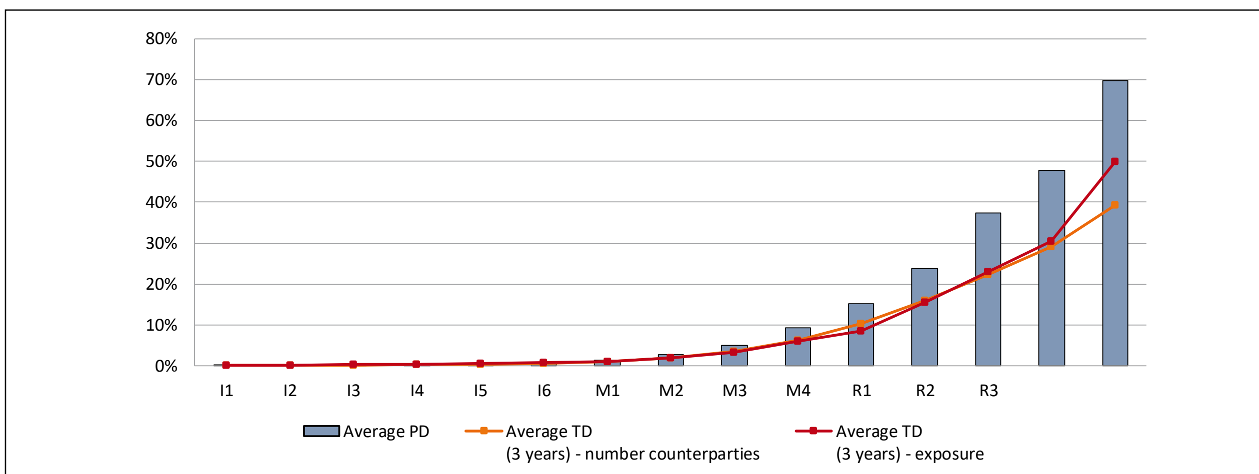
[16] The definition of default, used to populate the chart for the Corporate segment, is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.



The default rate curves, calculated as the simple average of the performing reference dates of December 2018 – 2019 – 2020 (2019, 2020, 2021[17] default windows), shows a substantially monotonic increase as the rating class worsens, however with values that are never higher than the respective PD values for each rating class. With regard to the observation period, the default rates per exposure in the final part of the curve decrease for the worst rating classes, also as a result of the effective risk mitigation strategies implemented by the Group for the higher-risk exposures.
The performance of the model in terms of discriminating power is satisfactory, with an accuracy ratio for the last year of just over 65%.

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

As part of its ongoing validation work, Internal Validation – Retail Credit Risk Internal Systems periodically (on a half-yearly basis) compared the default rates[18] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) as required by the regulations.
Since May 2021, the new Retail SME Banking regulatory model has been authorised for regulatory use and has been calibrated using the latest data with ex-ante reporting in October 2021.
For the assessment of the counterparties belonging to the Retail SME segment, the chart shows the distribution of PDs subject to ex-ante reporting, reconstructed with calculation simulations for the periods 2018, 2019 and 2020 (defaults in the years 2019, 2020 and 2021 respectively).



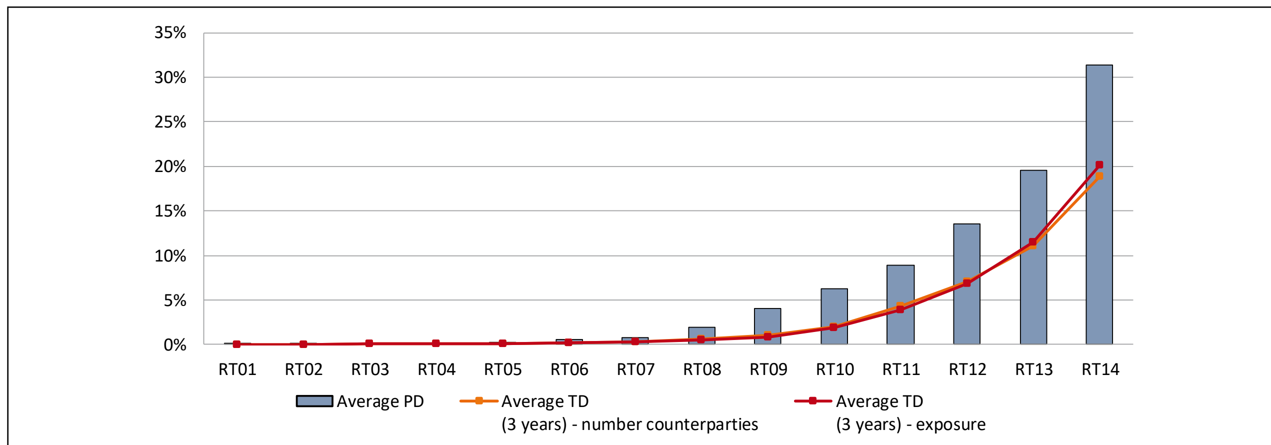
The default rates are lower than the average PDs obtained in the I and M rating macro classes[19], and much lower in the R rating macro class; moreover, they feature a monotonic trend that increases along the rating scale. The default rate curves by number of counterparties and exposure overlap in the I and M macro classes, whereas the default rates per exposure are higher in the R macro-class. The performance of the models in terms of discriminating power is generally good, with an accuracy ratio of 75% to 80% in the 3 years considered in the calculation of the average DRs.

[17] The performing reference date is the date on which the scope is defined for the comparison between PD and DR; the observation window of the default event, by construction, is one year (i.e. January 2021 – December 2021 for the reference date of December 2020).
[18] The definition of default, used to populate the chart for the Retail SME segment, is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.
[19] Rating macro classes I, M and R are defined as the aggregation of rating classes I1 to I6 – M1 to M4 – R1 to R5, respectively.

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

As part of its ongoing validation work, Internal Validation – Retail Credit Risk Internal Systems periodically (on a half-yearly basis) compared the default rates[20] recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) established by the regulations. The current Retail internal rating system, for which authorisation for use was received in Q3-2018, is divided into the Mortgage and Other Retail sub-segments[21], and adopts a per counterparty approach[22].

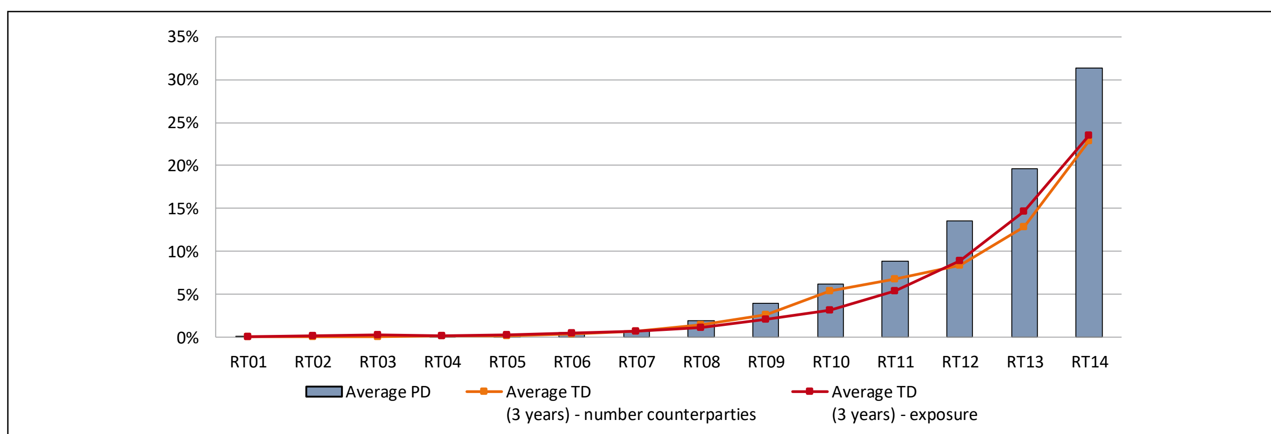
The chart below shows the distribution by rating class for Retail – Mortgages, using the time periods described with performing reference dates of December 2018 – 2019 – 2020 (2019, 2020 and 2021 default windows). The values were obtained using production data for all the dates considered.



There is a monotonic increase in the default rate as the rating class worsens, with similar values among the two default rate curves. The class PDs are higher, for all the classes, than the respective default rates. Specifically, from RT09 to RT14, the PD value is at least three percentage points higher than the two default rate values.
The performance of the model in terms of discriminating power, for Borrower Customers, is satisfactory, with an accuracy ratio for the last year of just over 76%.

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

As part of its ongoing validation work, Internal Validation – Retail Credit Risk Internal Systems periodically (on a half-yearly basis) compared the default rates recorded on the models validated for IRB purposes with the average PDs by individual rating class. Default events, recognised from November 2019, were those identified in accordance with the new definition of default (DoD) established by the regulations.
The chart below shows the comparison between PD and default rates for the Retail – Other scope, using the same time periods as described above: performing reference dates of December 2018 – 2019 – 2020 (2019, 2020 and 2021 default windows). The values were obtained using production data for all the dates considered.



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

[21] For Mortgages this is a model change from the previously authorised model, whereas for Other Retail it is a first adoption.

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

There is a monotonic increase in the default rate as the rating class worsens, with PD values generally in line with the default rates for the first part of the distribution (up to RT07). In the second half of the distribution, the PD is significantly higher than the default rate curves (RT08 to RT14, compared to the default rate by exposure, and RT11 to RT14, compared to the default rate by counterparty).
The performance of the model in terms of discriminating power is satisfactory. In particular, the accuracy ratio for Borrower Customers was 79.64% in the last year.

Comparison of PD and DR figures by exposure class

The table below "IRB approach – Back-testing of PD per exposure class (fixed PD scale)" compares the PD and default rates, breaking down the portfolio by exposure class and PD scale as at the reporting date (31 December 2020).
The exposure classes considered are those already taken into account for the Table EU CR6 above:

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

For this analysis, all the AIRB portfolio models used were considered within each exposure class. The breakdown, in terms of RWAs as at 31 December 2021[23] on the Italian Banks scope, of the various portfolios considered for the subsequent analysis by exposure class, is shown in the table below:

Exposure class	RWA
AIRB - Public entities	3.02%
AIRB - Banks	6.81%
AIRB - Corporates	33.74%
AIRB - Corporate SMEs	13.86%
AIRB - Retail exposures secured by real estate assets	10.88%
AIRB - Other retail	3.01%
AIRB - Retail SMEs	2.61%
Other - Validated portfolios	26.07%

The Corporate exposure classes had the highest impact in terms of RWAs (overall, 47.60%). Although they were numerically the most significant, the Retail SME, Retail – exposures secured by real estate assets and Retail – Other exposure classes only cumulatively accounted for 16.49% of RWAs (2.61% for Retail SME plus 13.88% for the two Retail scopes). For the Supervised Intermediaries, a breakdown is provided between Public Sector Entities (RWA share of 3.02%) and Financial Intermediaries (RWA share of 6.81%).
For the PD scale for the purposes of Table EU CR9, on the other hand, the PD values obtained from the allocation of the counterparties to the specific rating classes of each regulatory segment, have been aggregated into the PD range classes identified in Regulation 2021/637 and already used for Table EU CR6. The PD values considered are those also considered for reporting purposes, including any regulatory floors or add-ons. The non-performing counterparties[24] have all been included in the last range, whereas, for the other PD classes, to be able to make the comparison between PD and DR, obviously only counterparties with an available rating have been considered.

The variables reported in the Table EU CR9, for the various combinations of exposure class/PD ranges, are the following:

- Number of obligors in the end of the previous year (i.e. 31 December 2020);
- Number of obligors in default status in the year (i.e. 2021), namely those entering into non-performing status during the year of observation;
- Average observed default rate, corresponding to the ratio of the previous two variables (counterparties in default in 2021 and total counterparties as at 31 December 2020);
- Exposure-weighted average PD (via EaD), calculated on the scope at the end of the previous year (i.e. 31 December 2020);
- Simple arithmetic average PD (weighted by number of counterparties), calculated on the scope at the end of the previous year (i.e. 31 December 2020);

[23] Figures taken from the reporting source at the reporting date 31.12.2021. The breakdown between AIRB portfolios used, net of intragroup counterparties, was obtained from the reports produced quarterly on the reporting source.
[24] Valued at PD = 100% for the calculation of the capital requirements.

- Historical average annual default rate in terms of number of counterparties, obtained from the average over the last five years (i.e. default observation years 2017, 2018, 2019, 2020 and 2021).

In line with the charts above, the definition of default considered for populating the Table EU CR9 is the regulatory definition including all the expected states of default: bad loans – UTP – 180 days and 90 days past due.
The table has been populated, both for the scope at the end of the previous year 31 December 2020 and for the previous scopes for the definition of the historical average default rate, considering the versions of the models used to obtain the ratings/PDs[25].

It should be noted that for the comparisons in the above charts and the table EU CR9 below, the COVID-19 pandemic did not have any significant impacts on the 2021 default rate and the historical average DR, due to the low levels of risk observed (as a result of the mitigation actions implemented by the Group).

[25] For example, for the Corporate Domestic model, only the CODO4 version as at 31 December 2016 has been used (for the 2017 default rate) and, on a priority basis, the CODO6 version from the subsequent reference date of 31 December 2017 (for the 2018 default rate) onwards (following the validation and entry into production of the CODO6 version). Similarly, for the Retail models, only the RTL01 version as at 31 December 2016 (for the 2017 default rate) and as at 31 December 2017 (for the 2018 default rate) has been used, and, on a priority basis, the MORE2 version from the subsequent reference date of 31 December 2018 (for the 2019 default rate) onwards (following the validation and entry into operation of the MORE2 version).

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

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			"Of which number of obligors which defaulted in the year"				
Exposures to institutions	0,00 to < 0,15	563	-	-	0.06	0.09	0.03
	0,00 to < 0,10	338	-	-	0.05	0.06	-
	0,10 to < 0,15	225	-	-	0.12	0.13	0.09
	0,15 to < 0,25	398	-	-	0.18	0.18	0.34
	0,25 to < 0,50	686	4	0.58	0.32	0.37	0.86
	0,50 to < 0,75	302	4	1.32	0.72	0.70	1.73
	0,75 to < 2,50	594	6	1.01	1.53	1.55	1.78
	0,75 to < 1,75	454	4	0.88	1.39	1.33	1.67
	1,75 to < 2,5	140	2	1.43	2.27	2.26	2.05
	2,50 to < 10,00	315	1	0.32	3.93	4.21	1.05
	2,5 to < 5	219	-	-	2.98	3.28	0.94
	5 to < 10	96	1	1.04	6.91	6.33	1.29
	10,00 to < 100,00	86	-	-	21.81	23.87	3.57
	10 to < 20	55	-	-	16.20	15.32	3.69
	20 to < 30	6	-	-	26.42	26.42	6.25
	30,00 to < 100,00	25	-	-	42.00	42.09	1.85
	100,00 (Default)	137	137	100.00	100.00	100.00	100.00
Exposures to corporates - SME	0,00 to < 0,15	2,635	3	0.11	0.12	0.13	0.09
	0,00 to < 0,10	29	-	-	0.08	0.07	0.02
	0,10 to < 0,15	2,606	3	0.12	0.13	0.13	0.10
	0,15 to < 0,25	5,080	4	0.08	0.20	0.20	0.21
	0,25 to < 0,50	15,254	28	0.18	0.38	0.38	0.31
	0,50 to < 0,75	10,472	23	0.22	0.61	0.61	0.35
	0,75 to < 2,50	23,931	136	0.57	1.47	1.47	0.99
	0,75 to < 1,75	16,681	90	0.54	1.27	1.27	0.78
	1,75 to < 2,5	7,250	46	0.63	1.91	1.91	1.42
	2,50 to < 10,00	15,794	331	2.10	5.13	5.15	3.83
	2,5 to < 5	7,412	86	1.16	3.14	3.13	2.53
	5 to < 10	8,382	245	2.92	6.92	6.93	5.45
	10,00 to < 100,00	4,108	347	8.45	18.46	21.52	13.27
	10 to < 20	2,372	168	7.08	15.12	15.01	13.52
	20 to < 30	567	59	10.41	22.82	22.82	11.77
	30,00 to < 100,00	1,169	120	10.27	32.34	34.10	12.07
	100,00 (Default)	14,624	14,624	100.00	100.00	100.00	100.00
Exposures to corporates - Specialized lendings	0,00 to < 0,15	1	-	-	0.12	0.12	-
	0,00 to < 0,10	-	-	-	-	-	-
	0,10 to < 0,15	1	-	-	0.12	0.12	-
	0,15 to < 0,25	13	-	-	0.23	0.22	-
	0,25 to < 0,50	56	-	-	0.35	0.35	1.26
	0,50 to < 0,75	129	-	-	0.54	0.54	1.40
	0,75 to < 2,50	573	5	0.87	1.26	1.38	1.32
	0,75 to < 1,75	358	2	0.56	1.01	1.07	1.30
	1,75 to < 2,5	215	3	1.40	1.90	1.90	1.34
	2,50 to < 10,00	435	7	1.61	4.58	4.29	4.05
	2,5 to < 5	367	6	1.63	3.69	3.52	3.49
	5 to < 10	68	1	1.47	8.55	8.46	7.02
	10,00 to < 100,00	215	30	13.95	22.72	26.63	13.67
	10 to < 20	100	12	12.00	16.50	16.50	11.77
	20 to < 30	1	-	-	22.82	22.82	8.35
	30,00 to < 100,00	114	18	15.79	35.79	35.55	16.54
	100,00 (Default)	408	408	100.00	100.00	100.00	100.00

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

Exposure class	PD range	Number of obligors at the end of previous year	"Of which number of obligors which defaulted in the year"	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposures to corporates - Other	0,00 to < 0,15	1,023	1	0.10	0.09	0.09	0.07
	0,00 to < 0,10	464	-	-	0.06	0.06	0.06
	0,10 to < 0,15	559	1	0.18	0.12	0.12	0.07
	0,15 to < 0,25	1,291	1	0.08	0.20	0.20	0.15
	0,25 to < 0,50	2,903	2	0.07	0.33	0.36	0.04
	0,50 to < 0,75	1,882	2	0.11	0.52	0.59	0.18
	0,75 to < 2,50	3,708	8	0.22	1.32	1.38	0.67
	0,75 to < 1,75	2,788	5	0.18	1.12	1.20	0.54
	1,75 to < 2,5	920	3	0.33	1.93	1.92	0.99
	2,50 to < 10,00	1,514	30	1.98	4.84	5.00	3.72
	2,5 to < 5	849	7	0.82	3.67	3.35	2.56
	5 to < 10	665	23	3.46	7.20	7.10	5.11
	10,00 to < 100,00	506	22	4.35	19.05	21.84	5.40
	10 to < 20	288	13	4.51	15.21	15.70	6.87
	20 to < 30	46	3	6.52	22.82	22.82	4.44
	30,00 to < 100,00	172	6	3.49	33.49	31.85	4.15
	100,00 (Default)	1,504	1,504	100.00	100.00	100.00	100.00
Exposures to retail - secured by immovable property SME	0,00 to < 0,15	2,866	1	0.03	0.12	0.12	0.06
	0,00 to < 0,10	11	-	-	0.05	0.06	-
	0,10 to < 0,15	2,855	1	0.04	0.12	0.12	0.06
	0,15 to < 0,25	4,493	5	0.11	0.15	0.16	0.15
	0,25 to < 0,50	9,955	29	0.29	0.32	0.32	0.45
	0,50 to < 0,75	3,546	26	0.73	0.68	0.68	1.00
	0,75 to < 2,50	8,554	103	1.20	1.52	1.55	1.85
	0,75 to < 1,75	4,288	49	1.14	1.15	1.17	1.47
	1,75 to < 2,5	4,266	54	1.27	1.89	1.92	2.18
	2,50 to < 10,00	6,175	155	2.51	4.01	4.18	4.20
	2,5 to < 5	3,701	80	2.16	3.11	3.14	3.56
	5 to < 10	2,474	75	3.03	5.50	5.75	5.33
	10,00 to < 100,00	2,978	221	7.42	24.23	26.79	15.34
	10 to < 20	1,823	118	6.47	14.53	14.99	15.40
	20 to < 30	-	-	-	-	-	24.71
	30,00 to < 100,00	1,155	103	8.92	44.09	45.42	15.21
	100,00 (Default)	6,047	6,047	100.00	100.00	100.00	100.00
Exposures to retail - secured by immovable property non SME	0,00 to < 0,15	314,146	92	0.03	0.09	0.09	0.04
	0,00 to < 0,10	93,720	19	0.02	0.05	0.05	0.03
	0,10 to < 0,15	220,426	73	0.03	0.10	0.10	0.05
	0,15 to < 0,25	130,402	73	0.06	0.17	0.17	0.08
	0,25 to < 0,50	155,411	109	0.07	0.28	0.28	0.16
	0,50 to < 0,75	89,214	164	0.18	0.51	0.51	0.19
	0,75 to < 2,50	238,558	866	0.36	1.27	1.29	0.44
	0,75 to < 1,75	132,227	347	0.26	0.78	0.78	0.34
	1,75 to < 2,5	106,331	519	0.49	1.93	1.93	0.66
	2,50 to < 10,00	81,684	1,295	1.59	5.69	5.70	2.49
	2,5 to < 5	37,480	276	0.74	4.01	4.01	0.98
	5 to < 10	44,204	1,019	2.31	7.14	7.13	3.21
	10,00 to < 100,00	23,180	1,638	7.07	19.86	19.60	12.21
	10 to < 20	17,606	986	5.60	15.88	15.86	10.17
	20 to < 30	-	-	-	-	-	13.83
	30,00 to < 100,00	5,574	652	11.70	31.38	31.39	13.99
	100,00 (Default)	28,169	28,169	100.00	100.00	100.00	100.00

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

Exposure class	PD range	Number of obligors at the end of previous year	"Of which number of obligors which defaulted in the year"	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
Exposures to retail - Other SME	0,00 to < 0,15	29,682	30	0.10	0.12	0.12	0.14
	0,00 to < 0,10	66	-	-	0.05	0.06	-
	0,10 to < 0,15	29,616	30	0.10	0.12	0.12	0.14
	0,15 to < 0,25	51,722	89	0.17	0.15	0.16	0.28
	0,25 to < 0,50	96,440	497	0.52	0.32	0.34	0.68
	0,50 to < 0,75	33,849	288	0.85	0.68	0.68	1.35
	0,75 to < 2,50	74,534	1,148	1.54	1.52	1.58	2.48
	0,75 to < 1,75	40,152	500	1.25	1.16	1.24	1.90
	1,75 to < 2,5	34,382	648	1.88	1.89	1.97	3.06
	2,50 to < 10,00	62,288	1,997	3.21	4.01	4.52	5.67
	2,5 to < 5	33,357	918	2.75	3.11	3.16	4.57
	5 to < 10	28,931	1,079	3.73	5.55	6.07	7.41
	10,00 to < 100,00	41,745	3,846	9.21	21.31	30.92	16.94
	10 to < 20	22,353	1,808	8.09	14.21	15.31	17.26
	20 to < 30	7	1	14.29	22.82	22.82	22.47
	30,00 to < 100,00	19,385	2,037	10.51	42.94	48.92	16.40
	100,00 (Default)	85,064	85,064	100.00	100.00	100.00	100.00
Exposures to retail - Other non SME	0,00 to < 0,15	945,459	351	0.04	0.08	0.07	0.05
	0,00 to < 0,10	596,593	170	0.03	0.05	0.05	0.04
	0,10 to < 0,15	348,866	181	0.05	0.10	0.10	0.06
	0,15 to < 0,25	334,189	336	0.10	0.17	0.17	0.12
	0,25 to < 0,50	361,343	609	0.17	0.28	0.28	0.21
	0,50 to < 0,75	245,895	772	0.31	0.51	0.51	0.39
	0,75 to < 2,50	680,269	4,853	0.71	1.31	1.33	0.94
	0,75 to < 1,75	357,130	1,813	0.51	0.78	0.78	0.62
	1,75 to < 2,5	323,139	3,040	0.94	1.93	1.93	1.28
	2,50 to < 10,00	493,815	17,288	3.50	5.88	6.05	4.87
	2,5 to < 5	182,796	2,940	1.61	4.01	4.01	2.42
	5 to < 10	311,019	14,348	4.61	7.30	7.25	6.63
	10,00 to < 100,00	132,752	13,880	10.46	19.29	19.95	12.87
	10 to < 20	100,164	7,311	7.30	15.92	16.23	8.84
	20 to < 30	-	-	-	-	-	14.63
	30,00 to < 100,00	32,588	6,569	20.16	31.38	31.39	23.04
	100,00 (Default)	147,323	147,323	100.00	100.00	100.00	100.00

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

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			"Of which number of obligors which defaulted in the year"				
Exposures to corporates - SME	0,00 to < 0,15	-	-	-	-	-	-
	0,00 to < 0,10	-	-	-	-	-	-
	0,10 to < 0,15	-	-	-	-	-	-
	0,15 to < 0,25	1	-	-	0.19	0.19	0.42
	0,25 to < 0,50	106	-	-	0.32	0.34	1.32
	0,50 to < 0,75	66	-	-	0.67	0.67	0.52
	0,75 to < 2,50	186	1	0.54	1.37	1.56	1.07
	0,75 to < 1,75	129	1	0.78	1.19	1.28	0.99
	1,75 to < 2,5	57	-	-	2.21	2.21	1.28
	2,50 to < 10,00	150	-	-	4.46	4.78	1.60
	2,5 to < 5	116	-	-	3.97	4.08	1.73
	5 to < 10	34	-	-	7.14	7.16	1.34
	10,00 to < 100,00	41	1	2.44	21.18	19.65	7.26
	10 to < 20	19	-	-	11.68	11.74	-
	20 to < 30	14	1	7.14	22.61	23.63	11.74
	30,00 to < 100,00	8	-	-	30.20	31.48	10.00
	100,00 (Default)	47	-	-	100.00	100.00	-
Exposures to corporates - Other	0,00 to < 0,15	5	-	-	0.12	0.10	-
	0,00 to < 0,10	1	-	-	0.04	0.04	-
	0,10 to < 0,15	4	-	-	0.12	0.12	-
	0,15 to < 0,25	4	-	-	0.19	0.19	-
	0,25 to < 0,50	32	-	-	0.39	0.39	-
	0,50 to < 0,75	5	-	-	0.51	0.64	-
	0,75 to < 2,50	44	-	-	1.21	1.30	-
	0,75 to < 1,75	35	-	-	1.05	1.12	-
	1,75 to < 2,5	9	-	-	1.95	2.03	-
	2,50 to < 10,00	11	-	-	6.68	4.35	1.09
	2,5 to < 5	9	-	-	3.42	3.67	1.39
	5 to < 10	2	-	-	7.40	7.40	-
	10,00 to < 100,00	2	-	-	25.32	25.32	12.50
	10 to < 20	-	-	-	-	-	-
	20 to < 30	2	-	-	25.32	25.32	12.50
	30,00 to < 100,00	-	-	-	-	-	-
	100,00 (Default)	10	-	-	100.00	100.00	-

Section 10 - Credit risk mitigation techniques

Qualitative disclosure

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

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

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

Policies and processes for collateral evaluation and management

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

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

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

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

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

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

Main types of guarantor and credit derivative counterparty and their creditworthiness

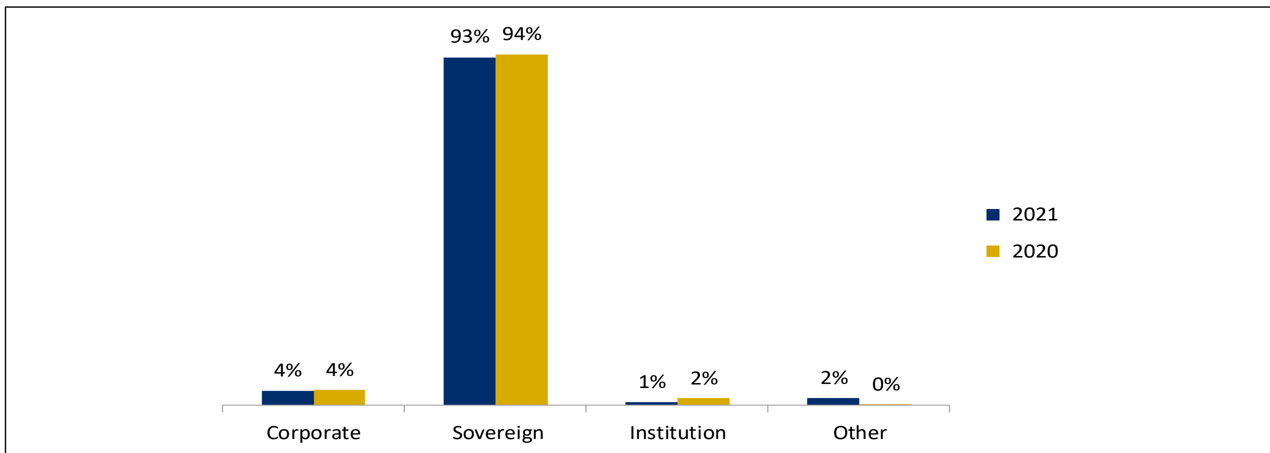
With regard to credit derivatives received as collateral, in December 2021 the single name transaction Leonardo S.p.A. (around 45 million euro) was secured by a guarantee from BNP PARIBAS with a BBB- rating.

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

Personal guarantees

Personal guarantees, as noted in the quantitative disclosure, cover a limited amount of the overall credit exposure. There were no significant changes in types of guarantors compared to the previous period. The share of Sovereign guarantors, mainly represented by the Italian Government, in particular the Italian Treasury and the Ministry of the Economy and Finance, for the assistance provided to businesses as part of the measures to combat the COVID-19 crisis, was 93% of the total (94% in December 2020), while the share for Corporate guarantors came to 5% (4% in December 2020) and the share for Bank/Public Entity guarantors remained marginal at 1% (2% in December 2020).

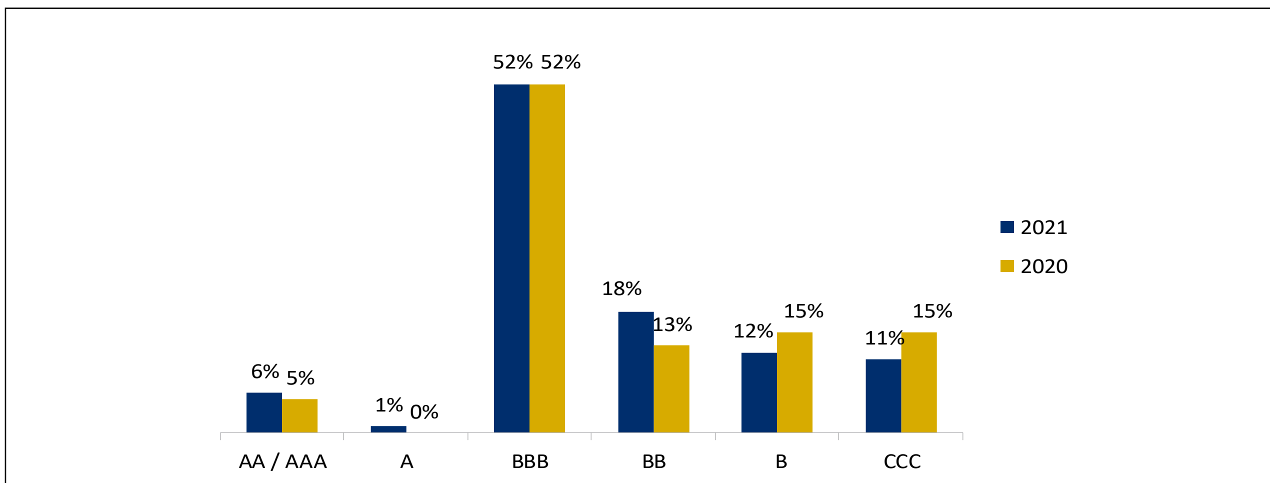
Personal guarantees by type of guarantor



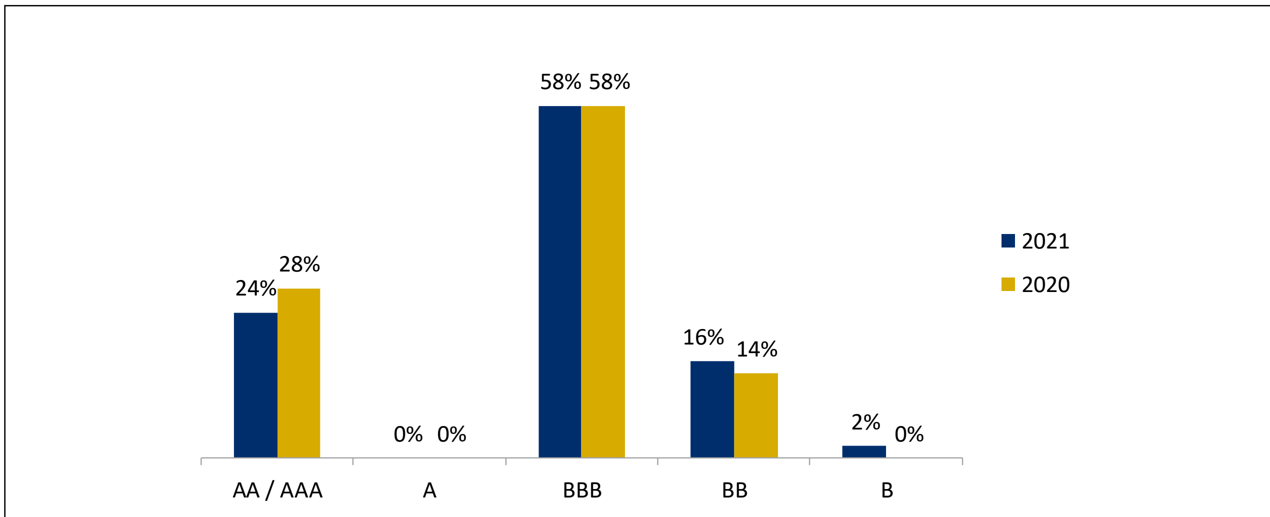
Personal guarantees by guarantor rating classes

By type of personal guarantee, guarantors show a high credit quality, with 98% investment grade.
The breakdown by rating class shows Corporate guarantors classified as investment-grade with a share of 60% (56% in December 2020) and Bank/Public Entity guarantors classified as investment-grade with a share of 82% (86% in December 2020).
With regard to other segment personal guarantees, the breakdown by rating class shows 100% guarantors classified as investment grade, in line with the figures of December 2020.
Corporate and Bank/Public Entity guarantors are assigned ratings from the internal model, while guarantors of other segments are assigned agency ratings.

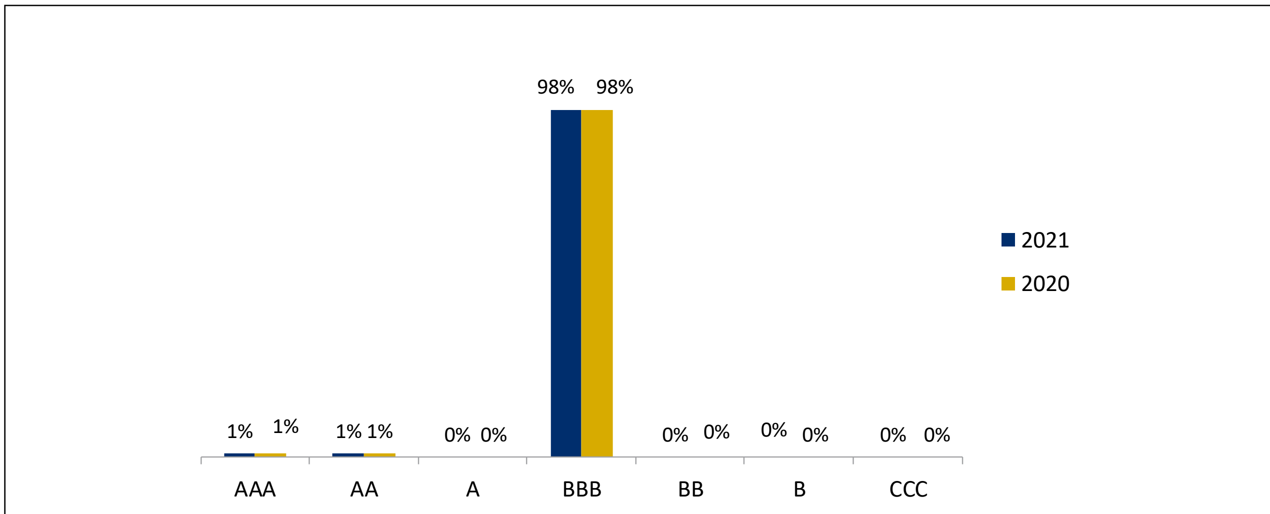
Corporate personal guarantees by guarantor rating classes



Bank/Public Entity personal guarantees by guarantor rating classes



Other segment personal guarantees by guarantor rating classes



Financial collateral

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

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

Other collateral

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

Quantitative disclosure

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

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

This table presents the Loans and Debt Securities distinguishing between "unsecured carrying amounts" and "secured carrying amounts", broken down by type of guarantee: collateral and financial guarantees, with the latter showing the "of which" secured by credit derivatives.
The presentation has been made on the basis of the instructions in the EBA's Mapping Tool, taking into account the carrying amount and, according to those instructions, the "Unsecured carrying amounts" include the unsecured portion of the partially secured exposures.

(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	329,779	303,649	223,124	80,525	*45*
2	Debt securities	111,242	1,694	9	1,685	
3	**Total as at 31 December 2021**	**441,021**	**305,343**	**223,133**	**82,210**	***45***
4	*Of which non-performing exposures*	*1,790*	*5,577*	*4,381*	*1,196*	*-*
EU5	*Of which defaulted*	*1,790*	*5,577*			

For "Loans and advances", the secured carrying amount was 304 billion euro and represented around 48% of the exposure, of which 223 billion euro secured by collateral (representing approximately 73% of the total secured carrying amount). Those percentages are substantially in line with June 2021.
For "Debt securities", the secured carrying amount was 1.7 billion euro, primarily secured by financial guarantees. The percentage of guarantee securities was slightly down on June 2021 (from 2% to 1%).

Breakdown of collateral, personal guarantees or credit derivatives by exposure class

Value of the guarantees subject to the standardised approach

(millions of euro)

Regulatory portfolio	31.12.2021		31.12.2020	
	Collateral	Personal guarantees or credit derivatives	Collateral	Personal guarantees or credit derivatives
Exposures to or secured by governments and central banks	-	58,652	120	49,500
Exposures to or secured by regional or local authorities	-	166	-	209
Exposures to or secured by public sector organisations	7	5	6	17
Exposures to or secured by multilateral development banks	-	345	-	263
Exposures to or secured by international organisations	-	-	-	-
Exposures to or secured by supervised institutions	692	198	4,889	273
Exposures to or secured by corporates and other entities	4,906	826	3,751	294
Retail exposures	4,880	-	3,827	19
Exposures secured by real estate	376	-	1	-
Defaulted exposures	19	-	27	-
High-risk exposures	41	-	18	-
Exposures in the form of covered bonds	-	-	-	-
Short-term exposures to corporates and other entities or supervised institutions	-	-	-	-
Exposures to UCI	-	-	276	-
Other exposures	-	4	-	5
Securitisations	-	-	-	-
Total	**10,921**	**60,196**	**12,915**	**50,580**

Under the current regulations, when the comprehensive method is adopted (as Intesa Sanpaolo does in the majority of cases), collateral (e.g. cash collateral or securities received as pledges) reduces risk exposure, whereas personal guarantees (and the remaining collateral - simplified method) transfer the related risk to the guarantor’s regulatory portfolio; consequently, the representation of personal guarantees included in the table above is the guarantor’s responsibility.
The decrease in the value of collateral compared to 2020 on the “supervised institutions” portfolio (around 4.2 billion euro) is mainly attributable to the sales to BPER realised by UBI Banca in the first quarter of 2021, and second, it is linked to the merger of the latter into Intesa Sanpaolo, resulting in its exposures being subject to internal models (in place of the previous standardised approach). Instead, there were slighter increases on the “Companies” and “Retail” portfolios, linked to an increase in the volumes of exposures referred to as well as new entries into the Group.
In order to optimise capital absorption, a transaction was also maintained with the counterparty SACE to hedge the risk of expropriation of the compulsory and unrestricted reserves of the ISP Group banks operating in Albania, Bosnia, Serbia, Egypt and Moldova.
The increase in personal guarantees, with regard to the Central Government portfolio, mainly reflected the guarantees provided by the Ministry of Finance, as part of the measures adopted to counter the COVID-19 crisis (around 9.1 billion euro).
It is also noted that the column “Personal guarantees or credit derivatives” consists almost exclusively of guarantees received in the form of personal guarantees, as credit derivatives represent an insignificant proportion of the total guarantees of the Intesa Sanpaolo Group within the standardised approach.
With regard to the exposures secured by properties, the value of the mortgage collateral is not shown, because – in accordance with the applicable regulations – these exposures are subject to preferential weighting factors. If there is any other collateral, this is shown in the above table.

With regard to the guarantees subject to the IRB Approach, refer to that set out in Table EU CR7-A in Section 9 of this document.

Section 11 - Counterparty risk

Qualitative disclosure

Counterparty risk, in accordance with the Regulatory provisions, is a specific type of credit risk and represents the risk of a counterparty in a transaction defaulting before the final settlement of the cash flows involved in the transaction. The regulations lay down specific rules for the quantification of the amount of the exposures while referring to those governing credit risk for the determination of risk weightings.
In accordance with these regulations, counterparty risk is calculated for the following categories of transactions:

- over-the-counter (OTC) financial and credit derivatives;
- SFTs – Securities Financial Transactions (repurchase agreements and securities lending);
- transactions with medium to long-term settlement.

The framework provides for the uniform treatment of counterparty risk regardless of the book in which the exposures have been classified (the banking and regulatory trading books are both subject to capital requirements for counterparty risk). For the purposes of reducing the amount of the exposures, recognition of various types of contractual netting arrangements ("Master netting agreements") is permitted, subject to compliance with statutory requirements.
Following the authorisation by the Supervisory Authority, the Parent Company has adopted the Internal Models approach for regulatory reporting purposes for the counterparty requirement for OTC - Over the Counter contracts, ETD - Exchange Traded Derivative contracts and SFTs - Securities Financing Transactions.
The internal model is applied in accordance with the Basel 3 instructions, so that the requirement for counterparty risk is calculated as the sum of the default risk and the CVA - Credit Value Adjustment risk. The risk of default is determined starting from an EAD that is the maximum between the EAD calculated according to the current risk parameters and that calculated according to risk parameters based on a stress period.
The CVA Capital Charge is calculated as the sum between the CVA VaR calculated on the movements in credit spreads of counterparties registered in the last year and that calculated on the movements during a stress period that has currently been identified as the 2011-2012 period.
Potential exposure (estimated with the effective PFE – Potential Future Exposure) has been adopted by the Parent Company for the purposes of managerial measurement of credit lines utilization for substitution risk, for derivatives and SFTs.
For the rest of the Group, the measurement of credit lines utilizaion for transactions in OTC derivatives involves the application of the greater of the mark-to-market and the add-on in order to determine the credit exposure, taking into account existing netting and collateral agreements. Add-ons indicate the maximum potential future exposure (95th percentile), estimated by the Market, Financial and C&IB Risks Coordination Area, by product type and maturity. The granted amount for OTC and SFTs transactions is defined on the same basis used for the on-balance sheet exposures, taking also into account the specific features of the OTC derivative and SFTstransactions (for which the exposure may change over time as the underlying risk factors change). The IMI CIB Risk Management Department calculates and validates, on a daily basis, the managerial measures, which are reported in the credit monitoring systems
For the Entities or instruments out of scope of PFE application, a simplified approach based on Addon is used: the Addon grid is uploaded into the above systems that apply an algorithm in order to quantify the credit exposure for each credit line. The Department produces daily reports showing new excess of credit line utilization and send them to the competent departments of IMI CIB and Treasury Divisions.
The Group makes extensive use of netting and cash collateral agreements to substantially mitigate the exposure to counterparties, particularly towards banks and financial institutions.
In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 3, the Group has adopted an operating model aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time. Particular attention was dedicated to the update of the management regulatory framework with regard to the eligibility of collateral for trading in Security Financing Transactions.
The organisational functions involved, as described in the Bank's internal regulations, are:

- the Market, Financial and C&IB Risks Coordination Area, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
- the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
- the commercial and lending functions that avail of the above measures in the granting process to determine the total amounts granted for credit lines.

For the Parent Company, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits at the portfolio level authorised by the Group Financial Risk Committee for derivatives transactions and SFTs;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivative transactions and SFTs with collateral agreements (CSA);
- backtesting: Basel 3 requires to produce backtesting analyses in order to test the appropriateness of the model. Tests are carried out on risk factors, financial instrument and netting set;
- reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

The backtesting programme, defined based on the Basel III requirements, maintains a time series of projections obtained from the calculation model, and the related realisations on:
- risk factors;
- financial instruments;
- netting set.

Through statistical analysis, supported by qualitative analyses for the forecasting horizons for which it is not possible to accumulate sufficient observations, the predictive ability of the model is measured. An internal policy was defined to enable corrective procedures in case the model shows significant limitations in the representation of the underlying risks or the changed market conditions require and adjustment thereof.
The backtesting results are reported in the quarterly disclosure to the Supervisory Authority.
Intesa Sanpaolo has adopted a programme of stress tests on the counterparty risk with the objective of assessing the effects connected with the occurrence of extreme scenarios relating to market and credit factors that influence counterparty risk exposures for derivatives and SFTs alike.
The stress tests allow the estimate of potential sudden liquidity needs of the Bank with regard to the collateralised exposures, due to extreme movements of the risk factors underlying transactions in OTC derivatives and SFTs.
The stress test programme allows the identification of the market scenarios the Bank is mostly exposed to and represents a risk analysis tool that complements the management and regulatory metrics.
The stress test programme is based on the application of mono-factor and multi-factor scenarios to the "reference set", which is the set of market data used for the pricing of the financial instruments included within the scope of the internal model. Analysed in addition to the stress on the market risk factors is the effect of the deterioration of the creditworthiness of the counterparty through the joint stress on market and credit variables (PD, LGD).
The generic Wrong-Way Risk (WWR) arises when there is positive correlation between the probability of default of a counterparty and the exposure to the same counterparty.
A methodology is followed to identify the generic WWR, which uses the results from the stress tests conducted as part of the stress testing programme for the counterparty risk, focusing on the counterparties whose credit spread is more historically correlated to the risk factors identified by the stress tests.
The reports and the analysis of the results are aimed at highlighting the most significant effects at portfolio level, of segments of counterparties or individual counterparties.
The specific WWR arises in case of positive correlation between the future exposure towards a counterparty and the probability of its default due to the nature of the transactions with this counterparty, or in case of a legal connection between the counterparty and the issuer of the derivative's underlying.
A methodology is followed to identify the specific WWR without legal connection, which is based on the analysis of the relation between the Mark-To-Market forecasts of the portfolio of a counterparty and the credit spread forecasts of the same counterparty, in the various scenarios of the EPE model, at a certain future moment.
As part of the specific WWR with legal connection, an organisation process has been defined in order to identify, report, authorise and monitor in a specific manner the transactions involving such risk, also for the purposes of the worse treatment established by the regulations in terms of capital requirement.
In order to consistently represent and monitor the overall risk profile in terms of counterparty risk generated by transactions in derivative instruments and SFTs, the Group Financial Risk Committee has approved a structure of specific limits, monitored by the Market and Financial Risk Management Head Office Department, for the Parent Company, comprising:
- a regulatory capital limit, calculated with the internal model on the counterparty risk, with the formulas set by the Basel 3 requirements;
- a Default Risk Capital Charge limit that measures the exposure to the default risk of the counterparties of derivative transactions and SFTs, calculated with internal metrics in terms of unexpected loss over a time period of one year;
- a CVA Risk Capital Charge limit that measures the exposure to the risk of deterioration in the creditworthiness of the counterparties of derivative transactions, calculated according to the scope and metrics defined in the regulations;
- a CVA VaR limit that measures the exposure to the risk of deterioration in the creditworthiness of the counterparties of derivative transactions, calculated according to the internal scope and metrics (Pillar 2);
- a warning limit for liquidity outflows in the event of market stress, which measures the possible greater liquidity needed due to a change in value of margined exposures;
- generic and specific wrong-way risk (WWR) thresholds that signal a possible higher risk deriving from the correlation between the exposures to replacement risk and the creditworthiness of the counterparty.

These limits (set according to the Bank's risk appetite in terms of counterparty risk and based on the maximum use calculated in stress conditions) enable synthetic and uniform control of the risk exposure levels for the derivative transactions and SFTs of Intesa Sanpaolo's portfolios. Adopting such indicators also results in the consolidation, through a process of subsequent

aggregations, of the exposure to different types of risk in the individual activity segments (for both collateralised and non-collateralised counterparties) to obtain the measurement of the overall exposure at Legal Entity level.
The internal counterparty risk model allows the estimate of the liquidity requirement deriving from collateralised OTC derivatives and SFTs (in terms of inflow and outflow of collateral), by predicting the expected variation of the Mark-To-Market. These measures are aimed at feeding the system of the Market, Financial and C&IB Risks Coordination Area that measures the liquidity risk (Liquidity Risk System), while guaranteeing the information details needed to develop the various measurement metrics currently set for internal purposes (Liquidity Policy) and for the weekly liquidity report to the Supervisory Authority, and are also the subject of the programme of stress tests on the counterparty risk.
The determination of fair value considers not only market factors and the nature of the contract (maturity, type of contract, etc.), but also own credit quality and that of the counterparty in relation to the current and potential exposure. Compared to the adjustment of the Mark-To-Market through the calculation of the Credit Risk Adjustment (CRA), as required by IFRS 13 this measurement includes the calculation of own credit risk in valuing the Fair Value, to include the non-performance risk inclusive of the issuer's risk in the valuation of OTC derivatives.
In order to comply with the new standard, a new calculation model was developed – the Bilateral Credit Value Adjustment (bCVA) – which, in addition to the effects of changes in the counterparty credit rating (previously subject to the credit risk adjustment (CRA) methodology), also takes fully into account the changes in own credit rating (Debt Value Adjustment - DVA) and identifies a series of refinements to the previous methodology. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA):

- the CVA (negative) takes into account scenarios whereby the Counterparty becomes insolvent before the Bank and the Bank has a positive exposure to the Counterparty. In these scenarios the Bank suffers a loss equal to the cost of replacing the derivative;
- the DVA (positive) takes into account scenarios whereby the Bank becomes insolvent before the Counterparty and has a negative exposure to the Counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

Compared to the calculation of the CRA, the bCVA model identifies a series of refinements of the pre-existing CRA methodology, including the calculation of the risk exposure valued by incorporating the average of the future exposures (positive/negative Expected Positive/Negative Exposure).
The prior Credit Risk Adjustment (CRA) calculation model is still valid for a number of products for which the bCVA model is still under development.

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

Counterparty risk is a particular kind of credit risk arising from OTC derivatives, which refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3, in order to equip the Banking Group with an internal model for measuring this risk both for operational and regulatory purposes. The organisational functions involved, as described in the Bank's internal regulations, are:

- the Chief Risk Officer Governance Area, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
- the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
- the commercial and lending functions that avail of the above measures in the granting process to determine the total amounts granted for credit lines.

The project yielded the following results:

- the Banking Group set up a suitably robust IT, methodological and regulatory infrastructure, in accordance with the use test requirement set out by regulations on internal models;
- the Banking Group integrated the risk measurement system into decision-making processes and the management of company operations;
- cutting-edge methods were adopted for calculating drawdowns on credit lines;
- The Supervisory Authority validated the Parent Company's use of the internal model for calculating the counterparty requirement in the first quarter of 2014. The first report using the internal model (with a view to Basel 3) was made on 31 March 2014, relating to the scope of the OTC derivatives;
- Intesa Sanpaolo obtained authorisation to use the internal model for the capital requirement for SFT instruments with effect from the report as at 31 December 2016.

Potential exposure (estimated with the actual average PFE - Potential Future Exposure) has been adopted by the entire Banking Group for the purposes of operational measurement of uses of credit lines for derivatives. The IMI CIB Risk Management Department produces daily risk measurement estimates for counterparty risk, for the measurement of the uses of credit lines for OTC derivatives for the Parent Company and Fideuram. The other Banks of the Group use the PFE method in a simplified form.
In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:

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

OTC derivative transactions and SFTs with collateral agreements (CSA);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

Policies for hedging and mitigating risk

In order to mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (Securities Financing Transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting arrangements that allow the netting of claims and obligations if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
In addition, the Group has collateral agreements in place, mainly with daily margining, to hedge OTC derivatives transactions (Credit Support Annexes), also due to the margin requirements for non-centrally cleared derivatives, established by the EMIR; for SFTs, the Bank implements daily margining agreements (GMRAs and GMSLAs).
With regard to replacement risk, to mitigate risk exposure to specific counterparties, the Bank acquires protection through single name Credit Default Swaps. Furthermore, the Bank also purchases single name CDS or CDS on indexes to mitigate the credit valuation adjustment (CVA) risk.

Quantitative disclosure

Analysis of CCR exposure by approach as at 31 December 2021 (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)	3	6		1.40	13	13	13	13
EU2	EU - Simplified SA-CCR (for derivatives)	3	2		1.40	8	8	8	5
1	SA-CCR (for derivatives)	111	364		1.40	594	562	562	423
2	IMM (for derivatives and SFTs)			9,840	1.47	14,465	14,465	14,465	4,430
2a	*Of which securities financing transactions netting sets*			*1,428*		*2,099*	*2,099*	*2,099*	*440*
2b	*Of which derivatives and long settlement transactions netting sets*			*8,412*		*12,366*	*12,366*	*12,366*	*3,990*
2c	*Of which from contractual cross-product netting sets*			*-*		*-*	*-*	*-*	*-*
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					3,076	2,999	2,999	488
5	VaR for SFTs					-	-	-	-
6	**TOTAL**					**18,156**	**18,047**	**18,047**	**5,359**

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

As described above, the Parent Company is authorised to use EPE (Expected Positive Exposure) internal models to determine the capital requirement for counterparty risk.
This approach is applicable to almost the entire trading portfolio (as shown in the table, as at 31 December 2021 approximately 96% of the total EAD of financial and credit derivatives is measured using EPE models). At consolidated level, derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2021 accounting for approximately 4% of overall EAD) and refer to:

– residual contracts not measured using the EPE model (in compliance with the materiality thresholds established by the EBA);
– EAD generated by all other banks and companies in the Group which do not report using an internal model.

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. As part of the stress test programme on counterparty risks, it was estimated that a downgrade of Intesa Sanpaolo by the rating agencies would generate additional liquidity outflows (in terms of collateral paid) of 1.56 billion euro for the Parent Company (of which 1.54 billion to vehicles of the Group), linked to contractual clauses that would be activated following this event.
Starting from the reporting as at 31 December 2016, also SFTs were reported with the EPE internal models approach. The existing contracts are almost all supported by margin agreements – GMRA (for repurchase agreements) and GMSLA (for securities lending).

Transactions subject to own funds requirements for CVA risk as at 31 December 2021 (EU CCR2 Reg. 2021/637)

(millions of euro)

		Exposure value	RWEA
1	**Total transactions subject to the Advanced method**	**1,148**	**448**
2	(i) VaR component (including the 3× multiplier)		58
3	(ii) stressed VaR component (including the 3× multiplier)		390
4	**Transactions subject to the Standardised method**	**82**	**15**
EU4	**Transactions subject to the Alternative approach (Based on the Original Exposure Method)**	**-**	**-**
5	**Total transactions subject to own funds requirements for CVA risk**	**1,230**	**463**

The RWEA for credit value adjustment (CVA) risk grew slightly compared to June 2021, due to the increase in the stressed VaR.

Standardised approach – CCR exposures by regulatory exposure class and risk weights as at 31 December 2021 (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	5,274	-	-	-	-	-	-	-	2	-	-	5,276
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	3	-	-	3
4	Multilateral development banks	1,609	-	-	-	-	-	-	-	-	-	-	1,609
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	8,433	9	-	41	28	-	-	118	-	-	8,629
7	Corporates	-	-	-	-	48	414	-	-	411	-	-	873
8	Retail	-	-	-	-	-	-	-	6	-	-	-	6
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	-	-	-	-	-	-	-	-	-	-	-	-
11	**TOTAL EXPOSURE VALUE**	**6,883**	**8,433**	**9**	**-**	**89**	**442**	**-**	**6**	**534**	**-**	**-**	**16,396**

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

This table shows the aggregate of exposures subject to counterparty risk by type of regulatory portfolio and risk weights measured using the standardised approach. It shows a decrease of 9.9% compared to June 2021, which strengthens the trend recorded in the first half, with a value of 16.4 billion euro in December. The net change, equal to -1.8 billion euro, derives: a) from the decrease recorded in exposures to "Institutions" (-1.3 billion euro), with a slight change in the percentage of the class of exposures out of the aggregate (from 55% in June 2021 to 53% in December 2021); b) from the reduction in exposures to "Central governments and central banks", equal to -0.5 billion euro, whose relative percentage remained substantially stable. The breakdown of exposures by weight classes entails a marginal improvement in the profile of total capital absorption due to the slight increase in the percentage of the classes with lower weighting. The changes, attributable to normal fluctuations, were mainly due to the management of the treasury position and financial intermediation.

Standardised approach – CCR exposures by regulatory exposure class and risk weights – Amounts without risk mitigation as at 31 December 2021 (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	4,918	-	-	-	-	-	-	-	1	-	-	4,919
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	3	-	-	3
4	Multilateral development banks	1,609	-	-	-	-	-	-	-	-	-	-	1,609
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	8,433	9	-	60	27	-	-	119	-	-	8,648
7	Corporates	-	-	-	-	48	417	-	-	441	-	-	906
8	Retail	-	-	-	-	-	-	-	11	-	-	-	11
9	Institutions and corporates with a short-term credit rating	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items (*)	-	-	-	-	-	-	-	-	-	30	-	30
11	**TOTAL (without CRM)**	**6,527**	**8,433**	**9**	**-**	**108**	**444**	**-**	**11**	**564**	**30**	**-**	**16,126**

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

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2021 (EU CCR4 Regulation 2021/637) (*Table 1 of 3*)

(millions of euro)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to Institutions								
	0,00 to <0,15	4,203	0.08	95	23.02	1.12	562	13.37%
	0,15 to <0,25	587	0.19	54	25.50	1.23	155	26.43%
	0,25 to <0,50	944	0.40	49	25.65	3.11	561	59.48%
	0,50 to <0,75	143	0.72	20	35.46	1.63	84	59.07%
	0,75 to <2,50	480	1.06	51	21.03	4.39	282	58.82%
	2,50 to <10,00	189	4.68	24	29.91	4.01	226	118.90%
	10,00 to <100,00	22	14.59	6	32.24	2.44	36	165.24%
	100,00 (default)	2	100.00	1	45.50	1.02	1	57.88%
	Subtotal	6,570	0.42	300	23.98	1.76	1,907	29.04%
Exposures to corporates								
- SMEs (small and medium enterprises)								
	0,00 to <0,15	7	0.12	198	51.65	1.94	1	23.98%
	0,15 to <0,25	7	0.20	447	51.74	2.29	3	35.55%
	0,25 to <0,50	36	0.37	2,042	51.80	2.36	19	52.24%
	0,50 to <0,75	25	0.61	1,581	51.79	2.33	16	63.19%
	0,75 to <2,50	96	1.51	4,337	51.63	2.56	85	88.06%
	2,50 to <10,00	91	5.47	2,672	51.69	2.95	113	123.60%
	10,00 to <100,00	27	21.46	545	51.52	2.66	50	186.79%
	100,00 (default)	13	100.00	232	62.00	1.67	2	17.01%
	Subtotal	302	8.40	12,054	52.12	2.58	289	95.51%
- Specialised lending								
	0,00 to <0,15	-	-	-	-	-	-	-
	0,15 to <0,25	-	-	-	-	-	-	-
	0,25 to <0,50	2	0.35	4	15.30	5.00	1	23.42%
	0,50 to <0,75	63	0.54	12	17.90	4.37	22	34.60%
	0,75 to <2,50	158	1.16	86	18.89	3.30	66	41.92%
	2,50 to <10,00	29	3.98	18	21.03	3.15	17	59.56%
	10,00 to <100,00	80	19.00	11	54.15	4.53	247	309.79%
	100,00 (default)	-	100.00	4	58.10	1.00	-	16.25%
	Subtotal	332	5.59	135	27.33	3.79	353	106.14%
- Other corporates								
	0,00 to <0,15	284	0.08	70	36.90	4.04	80	28.11%
	0,15 to <0,25	346	0.20	133	36.90	2.05	121	34.88%
	0,25 to <0,50	577	0.32	462	36.90	2.75	293	50.80%
	0,50 to <0,75	475	0.51	348	36.90	3.55	331	69.66%
	0,75 to <2,50	891	1.38	727	36.86	3.26	835	93.71%
	2,50 to <10,00	230	6.56	262	36.66	2.10	307	133.67%
	10,00 to <100,00	23	21.53	44	36.90	2.41	42	181.88%
	100,00 (default)	12	100.00	38	46.30	1.36	2	19.82%
	Subtotal	2,838	1.75	2,084	36.91	3.02	2,011	70.85%

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2021 (EU CCR4 Regulation 2021/637) (*Table 2 of 3*)

(millions of euro)

A-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Retail exposures: (*)								
- SME other								
	0,00 to <0,15	3	0.08	787	30.31	-	-	5.87%
	0,15 to <0,25	2	0.18	393	30.42	-	-	11.11%
	0,25 to <0,50	3	0.40	551	30.87	-	1	19.29%
	0,50 to <0,75	3	0.74	296	30.32	-	1	25.92%
	0,75 to <2,50	3	1.32	441	30.51	-	1	33.74%
	2,50 to <10,00	3	4.32	560	30.40	-	1	40.33%
	10,00 to <100,00	2	33.45	207	31.31	-	2	64.57%
	100,00 (default)	1	100.00	88	50.70	-	-	39.40%
	Subtotal	20	10.18	3,323	31.65	-	6	29.32%
- Non-SME other								
	0,00 to <0,15	1	0.06	54	26.81	-	-	4.41%
	0,15 to <0,25	1	0.17	33	26.90	-	-	10.34%
	0,25 to <0,50	-	0.28	51	26.70	-	-	14.32%
	0,50 to <0,75	-	0.51	41	27.80	-	-	21.43%
	0,75 to <2,50	1	1.19	99	27.39	-	-	30.21%
	2,50 to <10,00	-	6.51	61	28.01	-	-	45.32%
	10,00 to <100,00	-	22.84	30	28.54	-	-	68.25%
	100,00 (default)	-	100.00	3	47.50	-	-	5.20%
	Subtotal	3	2.29	372	27.29	-	-	20.12%
TOTAL		**10,065**	**1.23**	**18,268**	**28.60**	**2.21**	**4,566**	**45.36%**

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

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

IRB Approach – CCR exposures by exposure class and PD scale as at 31 December 2021 (EU CCR4 Regulation 2021/637) (*Table 3 of 3*)

(millions of euro)

F-IRB	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts (**)
Exposures to corporates:								
- SMEs (small and medium enterprises)								
	0,00 to <0,15	-	0.10	3	45.00	2.50	-	19.21%
	0,15 to <0,25	-	0.23	1	45.00	2.50	-	30.67%
	0,25 to <0,50	-	0.35	5	45.00	2.50	-	43.26%
	0,50 to <0,75	1	0.54	6	45.00	2.50	-	46.25%
	0,75 to <2,50	-	1.49	7	45.00	2.50	-	82.51%
	2,50 to <10,00	1	2.91	5	45.00	2.50	1	82.43%
	10,00 to <100,00	-	-	-	-	-	-	-
	100,00 (default)	-	100.00	1	45.00	2.50	-	-
	Subtotal	2	2.85	28	45.00	2.50	1	55.59%
- Other corporates								
	0,00 to <0,15	-	-	-	-	-	-	-
	0,15 to <0,25	3	0.20	3	45.00	2.50	2	46.53%
	0,25 to <0,50	17	0.32	6	45.00	2.50	10	60.07%
	0,50 to <0,75	1	0.50	1	45.00	2.50	1	73.79%
	0,75 to <2,50	4	1.13	7	45.00	2.50	3	100.87%
	2,50 to <10,00	1	2.90	3	45.00	2.50	1	140.53%
	10,00 to <100,00	-	-	-	-	-	-	-
	100,00 (default)	-	-	-	-	-	-	-
	Subtotal	26	0.51	20	45.00	2.50	17	67.06%
TOTAL		**28**	**0.72**	**48**	**45.00**	**2.50**	**18**	**66.04%**

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

The aggregate exposures subject to counterparty risk, valued using advanced measurement approaches, showed a decrease of 926 million euro in the half year and an equivalent decrease in the capital requirement of around 900 million euro. The change in the exposure is attributable to the "Companies" and "Banks" segments (-525 million euro and -395 million euro respectively) and is mainly related to the physiological fluctuations in trading activities, in relation to the changes in volumes of repurchase agreements. In particular, during the half year, those fluctuations entailed a smaller risk profile due to the improvement in the parameter PD (95 bps compared to 109 bps recorded in June) while the parameter LGD was substantially stable, amounting to 28.64%.

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	-	4,689	10	16,257	-	345	-	2,428
2	Cash – other currencies	-	1,395	-	197	-	78	-	-
3	Domestic sovereign debt	139	663	63	1,486	-	34,095	-	22,157
4	Other sovereign debt	318	336	80	64	-	19,512	-	38,664
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	1	-	269	180	-	1,353	-	3,697
7	Equity securities	-	-	-	-	-	389	-	1,253
8	Other collateral	-	-	-	-	-	878	-	1,464
9	**TOTAL**	**458**	**7,083**	**422**	**18,184**	**-**	**56,650**	**-**	**69,663**

For the SFT component of the portfolio, the collateral exchange at the start of the transactions as well as the subsequent adjustments linked to the margin processes are shown.
With regard to the collateral used in derivative transactions, compared to the previous half year there was a slight increase in collateral received and paid on segregate accounts, due to the increase in transactions in bilateral derivatives covered by an initial margin exchange obligation.

Credit derivatives exposures as at 31 December 2021 (EU CCR6 Reg. 2021/637)

(millions of euro)

		Protection bought	Protection sold
	Notionals		
1	Single-name credit default swap	7,531	8,035
2	Index credit default swap	66,943	62,373
3	Total return swap	-	-
4	Credit option	-	-
5	Other credit derivatives	525	733
6	**Total notionals**	**74,999**	**71,141**
	Fair values		
7	Positive fair value (asset)	339	1,886
8	Negative fair value (liability)	-1,997	-344

The change observed compared to June 2021 (in particular, the increase of around 10 billion euro in notional amounts, both regarding protection purchased and that sold) is attributable to the increase in transactions in credit derivatives, with a positive fair value overall, finalised with central counterparties on the main sector indices, in addition to market movements that contributed to additional increases in the fair value of the outstanding positions.

Exposures to CCPs as at 31 December 2021 (EU CCR8 Reg. 2021/637)

(millions of euro)

		EXPOSURE VALUE	RWEA
1	**Exposures to QCCPs (total)**		**284**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,814	36
3	*i) OTC derivatives*	*381*	*8*
4	*ii) Exchange-traded derivatives*	*78*	*1*
5	*iii) SFTs*	*1,355*	*27*
6	*iv) Netting sets where cross-product netting has been approved*	*-*	*-*
7	Segregated initial margin	-	
8	Non-segregated initial margin	6,628	133
9	Prefunded default fund contributions	1,007	115
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	*i) OTC derivatives*	*-*	*-*
14	*ii) Exchange-traded derivatives*	*-*	*-*
15	*iii) SFTs*	*-*	*-*
16	*iv) Netting sets where cross-product netting has been approved*	*-*	*-*
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

The exposures to CCPs decreased on the previous half year, due to a lesser impact of the component linked to initial margins and default funds. It is important to note the reduction of the initial margins paid in to LCH Ltd (-1.3 billion euro), only partially offset by the increase in Eurex (+700 million euro), within the framework of the transfer of exposures of central counterparties with headquarters in the United Kingdom to those in the European Union.

Section 12 – Securitisations

Qualitative disclosure

Securitisations: objectives and the roles undertaken

Originated securitisations
The originated securitisations of the Intesa Sanpaolo Group may be differentiated into:
- standard securitisations, structured with the objective of achieving economic benefits from the optimisation of the loan portfolio, the diversification of funding sources and the reduction of their cost ("standard originated securitisations" and "Asset Backed Commercial Paper programmes") or in order to provide services to customers ("securitisations in which the Group acts as sponsor").
- securitisations that, through the conversion of the loans sold into refinanceable securities, form part of the overall general policy of strengthening of the Group's liquidity position and are not standard securitisations as they do not transfer the risk outside the Group (self-securitisations).

The Group conducts these transactions using Special Purpose Entities (SPEs), namely vehicles that enable an entity to raise resources through the securitisation of part of its assets. Generally, a package of equity assets (usually loans) are separated out from the financial statements of one party and subsequently transferred by that party to a vehicle which issues notes to finance the purchase, which are then placed on the market or through private placement. Funds raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash flows generated by the loans sold.

Standard originated securitisations
The securitisations in this category are as follows:

Securitisations carried out during the period

- ***GARC Securitisations***
  Within the "GARC" transactions, Intesa Sanpaolo completed four new synthetic securitisations during the year: GARC SME-10, GARC Residential Mortgages-2, GARC High Potential-1 and GARC Corp-4. Specifically:
  i) For the GARC SME-10 transaction, the mezzanine risk relating to a portfolio of around 1.4 billion euro in loans to around 4,500 businesses in the Corporate and Corporate SME regulatory segments, valued using internal models (Advanced IRB), was transferred to the European Investment Fund (EIF). The initiative, realised in cooperation with the European Investment Bank (EIB), aims to provide new loans totalling 300 million euro to SMEs and Midcaps;
  ii) For the GARC Residential Mortgages-2 transaction, the upper junior and mezzanine risk relating to a portfolio of 1.3 billion euro of mortgage loans to around 13,500 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;
  iii) For the GARC High Potential-1 transaction, the mezzanine risk relating to a total portfolio of 0.5 billion euro in loans to around 1,300 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
  iv) For the GARC CORP-4 transaction, the junior risk relating to a total portfolio of around 3.1 billion euro in loans to around 550 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

  For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

  The portfolios of the transactions mainly consist of customers operating in Northern Italy.

- ***Tranched Cover Fondo di Garanzia per le PMI Securitisation***
  During 2021, as part of the operations with the Guarantee Fund for SMEs, the ramp-up was completed for the tranched cover transaction on the junior risk of a portfolio of newly issued loans of around 37.4 million euro to around 230 businesses.
  For that synthetic securitisation, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

- ***"Tranched Cover Confcommercio" Securitisation***
  During the year the ramp-up was completed of a portfolio of around 8.8 million euro of loans to around 100 businesses relating to the "Tranched Cover Confcommercio" synthetic securitisation dedicated to member companies of Confcommercio and local Credit Guarantee Consortia to facilitate access to new credit and provide financial resources in support of trade, tourism and services through investments aimed at growth, technological

upgrading and business innovation. Under the transaction, the mezzanine risk was transferred to Fin.Promo.Ter. and the junior risk is covered by the Guarantee Fund for SMEs.
For this transaction, Intesa Sanpaolo holds 100% of the senior tranche and 20% of the junior and mezzanine tranches in compliance with the retention rule laid down by the supervisory regulations.

– ***Kerdos Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18/12/2020, on 15/11/2021 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as unlikely to pay (UTP) by Intesa Sanpaolo to Kerdos SPV S.r.l. (SPV). The portfolio sold on 30 April 2021 (cut-off date) had a Gross Book Value (GBV) of around 2 billion euro (accounting GBV before PPA) and the sale price was around 0.7 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.
The sale was completed in the following steps:

(i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;
(ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;
(iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;
(iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The securitised assets were broken down as follows by geographical area:

- 40.7% North-West;
- 31.1% Centre;
- 14.7% South and Islands;
- 13.5% North-East.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

- "Households" at 20.3%;
- "Construction companies" at 18.9%;
- "Real estate business" at 14.6%;
- "Manufacturing" at 13.3%;
- "Motor vehicle trading and repair" at 10.5%;
- and a residual amount in other economic sectors (Professional Services, Transport and Accommodation).

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:

- senior notes of 534.7 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes totalling 171.9 million euro, divided into 76.4 million euro of class B1 notes, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and 95.5 million euro of class B2 notes, of which 4.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of 57.3 million euro, of which 2.9 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

Taking into account the subscription of 100% of the senior notes and 5% of the junior and mezzanine notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:

- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Portland Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18/12/2020, on 29/11/2021 the transaction was completed for the sale through a securitisation of a portfolio of bad loans mainly related to leases by Intesa Sanpaolo Provis and UBI Leasing to Portland SPV S.r.l. (SPV). The portfolio sold consisted of lease-related bad loans mainly from the Corporate SME segment with a Gross Book Value (GBV) of around 1 billion euro (accounting GBV before PPA) as at 31 December 2020 (cut off date) and sold at a price of around 0.2 billion euro, substantially in line with the portfolio's Net Book Value (NBV).
Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The sale was completed in the following steps:
(i) the transfer of the loans to the SPV;
(ii) the transfer of the legal relationships arising from the leases pertaining to the loans sold, as well as the ownership of the movable and immovable property subject of those leases to a LeaseCo named Portland LeaseCo S.r.l..

The securitised assets were broken down as follows by geographical area:
- 40.6% North-West;
- 14.4% North-East;
- 30.8% Centre;
- 14.1% South and Islands;
- 0.1% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the Production Companies sector at 84%, while the remaining 16% was split across the other economic sectors.

The SPV financed the acquisition of the portfolio by issuing 3 classes of notes. The senior, mezzanine and junior tranches were subscribed 95% by third parties and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:
- senior notes of 143.2 million euro, of which 7.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
- mezzanine notes of 75.3 million euro, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
- junior notes of 4.6 million euro, of which 0.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

Taking into account the retention of 5% of the senior, mezzanine and junior notes, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Grogu Securitisation***

Following the acquisition of the UBI Group, Intesa Sanpaolo transferred a business line to BPER, which included a portfolio of bad loans. Intesa Sanpaolo and BPER then jointly initiated a sale involving the deconsolidation of a portfolio of bad loans, mainly in the "Corporate SME" and "Retail" segments, through a multi-originator and multi-servicer securitisation to a securitisation vehicle (below "Grogu SPV s.r.l." or the "SPV") and with a subsequent application for the issuance of a "GACS" government guarantee for the holders of the senior notes issued under transaction, once those senior notes had obtained an investment grade rating of no less than BBB or equivalent, as envisaged by Italian Law no. 49/2016.

The portfolio owned by Intesa Sanpaolo had a GBV (Gross Book Value) of around 1.4 billion euro (accounting GBV before PPA) as at 31 May 2021 (cut-off date).
Within the transaction, Intrum Italy S.p.A. and Prelios Credit Servicing S.p.A. act as special servicers.

The securitised assets were broken down as follows by geographical area:
- 38.1% North-West;
- 36.9% Centre;
- 16.5% South and Islands;
- 8.5% North-East.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Construction companies" at 28.4%;

- “Households” at 24.8%;
- "Real estate business" at 14.0%;
- “Manufacturing" at 12.1%;
- “Motor vehicle trading and repair” at 9.2%;
- and a residual amount in other business sectors (Professional Services, Transport and Accommodation).

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- senior notes of 460 million euro, held 100% by Intesa Sanpaolo and BPER;
- mezzanine notes of 37 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor;
- junior notes of 3 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor.

The subscription percentages comply with the retention rule laid down in supervisory regulations as a percentage of the transferred portfolio. Taking into account the retention, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

On 20 December 2021, following the sale of 95% of the mezzanine and junior notes to third party investors, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the above-mentioned portfolio.
On 24 December 2021, the request was made for the issuance of the “GACS” government guarantee.
The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan and specifically in the 2021 de-risking plan approved by the Board of Directors on 18 December 2020.

Securitisations structured in previous periods

- ***Savoy Securitisation***

With a view to the reduction of the Group’s risk profile envisaged in the Business Plan, in 2018, a traditional securitisation was structured through the sale to the vehicle company Penelope SPV S.r.l. of a loan portfolio originated by Intesa Sanpaolo and by several Banks of the Banca dei Territori Division subsequently merged into Intesa Sanpaolo. The underlying consisted of loans classified as bad loans for a gross total value, at the cut-off date of 1 January 2018, of 10.8 billion euro (gross of adjustments). The securitised assets are mainly attributable to loans to businesses (including SMEs) with the following geographical distribution: 30% North West, 26% North East, 23% Centre and 21% South and Islands. The operation made it possible for the originators to derecognise the loans.
Within the transaction, Intrum Italy S.p.A. acts as special servicer.

The SPV financed the acquisition of the portfolio by issuing 3 classes of unrated notes. At the closing of the transaction, 3 December 2018, the notes had been issued and subscribed as follows:
- Senior tranche of 1,635.4 million euro, of which 364.5 million euro (22.3%) was subscribed by Banca IMI (now Intesa Sanpaolo) and the remainder by third parties;
- Mezzanine Tranche of 490.6 million euro, of which 240.4 million euro (49%) was subscribed by Intesa Sanpaolo and 51% by third-party investors;
- Junior tranche of 599.6 million euro, of which 293.8 million euro was subscribed by Intesa Sanpaolo (49%) and 51% by third-party investors.

In 2021, a refinancing transaction was carried out, acquiring an investment grade rating (higher than BBB) on its senior notes and a request for the “GACS” government guarantee. Specifically, on 29 December 2021 the refinancing of Savoy was carried out, which reduced the risk profile of Intesa Sanpaolo which, following the refinancing, exited the subordinate component of the securitisation, retaining only the regulatory minimum to fulfil the requirements set out under the retention rule. Following the refinancing transaction, the situation of the notes changed as follows:
- Senior Tranche of 983.6 million euro, of which 159 million euro (16.2%) held by Intesa Sanpaolo and the remainder by third parties;
- Mezzanine Tranche of 143.6 million euro, of which 7.2 million euro (5%) held by Intesa Sanpaolo and the remainder by third-party investors;
- Junior Tranche of 599.6 million euro, of which 30.0 million euro (5%) held by Intesa Sanpaolo and the remainder by third-party investors.

- ***Kerma Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, on 15 November 2019 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as unlikely to pay (UTP) by Intesa Sanpaolo to the securitisation vehicle Kerma SPV S.r.l. (SPV). The portfolio sold on 31 March 2019 (cut-off date) had a Gross Book Value (GBV) of around 3 billion euro and the sale price was around 2 billion euro, substantially in line with the portfolio’s Net Book Value (NBV).
Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.

The sale was completed through the following steps:

(i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;

(ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;

(iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;

(iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:

- Senior notes of around 1,258 million euro, subscribed by Intesa Sanpaolo;
- Mezzanine notes of around 405 million euro, divided into around 270 million euro of class B1 notes, of which around 13 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and around 135 million euro of class B2 notes, of which around 7 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- Junior notes of around 135 million euro, of which around 7 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.
Taking into account the retention of 100% of the senior notes and 5% of the junior and mezzanine notes, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:

- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

In 2020, the sale of the lease portfolio was also carried out in two tranches, more precisely in March and November, for a GBV (Gross Book Value) of around 180 million euro on the sale dates at a price of around 116 million euro, substantially in line with the portfolio’s NBV (Net Book Value).

- ***Yoda Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, in December 2020, Intesa Sanpaolo finalised the sale of a portfolio of bad loans through a securitisation backed by a “GACS” guarantee to a securitisation vehicle (“Yoda SPV S.r.l.” or the “SPV”).
The portfolio had a GBV (Gross Book Value) of around 4.5 billion euro as at 30 June 2020 (cut-off date).

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

- "Construction companies" at 30.9%;
- “Manufacturing" at 18.5%;
- “Distribution" at 16.6%;
- "Real estate business" at 13.6%;
- and a residual amount in other business sectors (Services, Transport, Agriculture, Fashion Industry, Finance and Insurance, Utilities, and others).

The securitised assets were broken down as follows by geographical area:

- 31.2% North-West;
- 23.9% North-East;
- 23.7% Centre;
- 20.8% South and Islands;
- 0.4% Outside Italy.

The transaction was structured in two main phases:

- “self-securitisation”: in that phase, the sale of the portfolio to the SPV was completed, with ISP fully subscribing the Senior, Mezzanine and Junior notes issued by the SPV to finance the purchase price of the portfolio. Moreover, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for the SPV. In this phase of the transaction, as the risks and rewards of the assets sold have not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. Concurrent with the issue of the securitisation notes, Moody’s, DBRS and Scope issued ratings for the Senior class of notes (i.e. BBB for DBRS Morningstar and Scope, Baa2 for Moody’s);
- “placement of the subordinated securities and deconsolidation of the portfolio”: in that phase, the sale of 95% of the Mezzanine and Junior notes was finalised to a third party investor selected through syndication on the

market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 23 March 2021.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:
- Senior notes of 1,010 million euro, 100% subscribed by Intesa Sanpaolo;
- Mezzanine notes of around 210 million euro, 5% subscribed by Intesa Sanpaolo;
- Junior notes of around 20 million euro, 5% subscribed by Intesa Sanpaolo.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

- ***Towers Securitisation***

In 2016, Intesa Sanpaolo completed a securitisation via the sale without recourse of two portfolios of performing consumer loans for around 2.6 billion euro, through Accedo, a wholly-owned consumer credit company dedicated to consumer credit distribution channels outside the Group. The two portfolios – one relating to salary-backed loans and the other to car and special-purpose loans – were sold to two specially created vehicle companies (Towers CQ S.r.l. and Towers Consumer S.r.l.), independent of the Intesa Sanpaolo Group and managed by a third-party servicer, which funded the purchase price by issuing asset-backed securities. The senior and mezzanine securities of the portfolio consisting of salary-backed loans have a Moody's rating of Aa2 and A2 respectively. At the start of the securitisation:
- the junior tranches were subscribed by the leading investment company Christofferson Robb & Company;
- the senior and mezzanine tranches were subscribed by a pool of international banks, led by Banca IMI (now Intesa Sanpaolo) and also made up of Citigroup, Goldman Sachs International and JP Morgan;
- Accedo (now Intesa Sanpaolo) subscribed 5% of each of the tranches issued, in compliance with the retention rule laid down by the supervisory regulations.

For the Towers CQ securitisation, in 2018 a first refinancing carried out on instruction from the holder of the class C (junior) notes resulted in those notes being split into two classes, a M (mezzanine) class and a J (junior) class, on which Intesa Sanpaolo maintained its retention through a vertical slice.
Following the redemption of the tranche A (senior) in the first half of 2020, the majority junior investor (Precise Credit Solution) requested a new refinancing by means of publication on the Luxembourg stock exchange, which consisted of the full repayment of the class B (mezzanine) and M (mezzanine) notes against the issue of a new A1 (senior) class, and the partial repayment of the J (junior) class.

- ***Securitisations of the former Banca Popolare di Vicenza***

As at 31 December 2017, there were nine multi-originator securitisations outstanding that had been carried out in accordance with Law 130/1999 (involving Banca Nuova and the former Banca Popolare di Vicenza) named Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS, Berica ABS 2, Berica ABS 3, and Berica ABS 4.
For all of these securitisations, the conditions for derecognition envisaged by the accounting standards did not apply and, therefore, these loans were recognised in the financial statements. The underlying assets of these securitisations all consist of mortgage loans on residential properties.
During 2018, the transactions named Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS and Berica ABS 2 were terminated.
As at 31 December 2021, the securitisations Berica ABS 3 and Berica ABS 4 remained outstanding.

- ***Securitisations former Veneto Banca***

As at 31 December 2017, there were ten securitisations outstanding that had been carried out in accordance with Law 130/1999 (involving the former Veneto Banca and Banca Apulia) named Claris ABS 2011, Claris Finance 2005, Claris Finance 2007, Claris Finance 2008, Claris RMBS 2011, Claris RMBS 2014, Claris Sme 2015, Claris SME 2016 and Apulia Finance n.4, First and Second issue.
For all of these securitisations, the conditions for derecognition envisaged by the accounting standards did not apply and, therefore, these loans were recognised in the financial statements. The underlying assets of these securitisations all consist of mortgage loans on residential properties.
The securitisation Claris Finance 2007 is not derecognised for financial statement purposes, but it is derecognised for prudential purposes.
During 2018, the transactions named:
- Claris ABS 2011 and Claris RMBS 2011 were terminated;
- Claris Finance 2008 and Claris Sme 2015, classed as self-securitisations, because their remaining securities are fully subscribed by the sellers.

During 2019, the transactions named:
- Claris Finance 2007 and Claris SME 2016 were terminated;
- Claris RMBS 2014, classed as a self-securitisation, because its remaining securities are fully subscribed by the originators.

In 2020, the Claris Finance 2005 transaction was closed and Apulia Finance n.4 was classed as a self-securitisation, because its remaining securities are fully subscribed by the sellers.

– ***K-Equity Securitisation***

From 2015 to 2017, the Intesa Sanpaolo Group sold non-performing exposures to several borrower companies through two different securitisations. Other Italian banks also participated in the securitisations.
The securitisations consisted of the transfer of their credit exposures with several industrial companies to specifically established third-party entities, in order to enable their value enhancement through financial and industrial restructuring.
That transfer specifically fulfils the purpose of ensuring the management of said exposures by entities established and managed by specialised third parties to optimise the recovery of the overall exposure by using the know-how and experience of the parties involved in the financial and industrial restructuring processes and, possibly, the granting of new financing to benefit the transferred debtors.
Among other things, the transaction involved the use of securitisation companies established pursuant to Law 130/99 (Pillarstone Italy SPV S.r.l and Norma SPV S.r.l), which purchase and securitise the credit exposures and, where necessary, provide new lending to the transferred borrowers.
The Group holds no investments in the abovementioned company, which is therefore a third party that is independent from Intesa Sanpaolo.
The SPVs contributed to the execution of the securitisations by issuing senior, mezzanine and junior notes, fully subscribed by each bank. Therefore, each securitisation regards the loans due to the selling banks from a single debtor.
The exposures sold have not currently been derecognised either from the financial statements or for prudential purposes. Against said sales, in addition to the notes mentioned above, Super Senior notes subscribed by third parties were also issued. All the securities issued lacked external ratings.
The following events took place in 2020:

- closure of a transaction relating to receivables in the graphic paper sector, following a refinancing involving Intesa Sanpaolo, which resulted in the termination of the agreements with the Pillarstone platform;
- transfer of loans object of a transaction in a newly created Alternative Investment Fund, called RSCT Fund, as part of the derisking envisaged in the 2018-2021 Business Plan. For more details, see Part E – D. Sales of the Consolidated Financial Statements as at 31 December 2020;
- following the approval of the Bankruptcy Arrangement for a major shipowning group, in the first quarter of 2020, Norma SPV S.r.l., through Norma Reoco, acquired ownership of five vessels, resulting in the discharge of the shipowning group's debt towards the SPV. As a result, in accordance with IFRS 9, Intesa Sanpaolo derecognised these loans from its balance sheet and recognised the notes subscribed in the securitisation at fair value.

There were no substantial changes in those transactions in 2021.

– ***Securitisations of the former UBI Group***

As at 31 December 2021, the following six securitisation transactions were outstanding, deriving from the acquisition of the former UBI Group by the Intesa Sanpaolo Group:

– ***UBI2017 - SME FEI Securitisation***

The "UBI2017 - SME FEI" synthetic securitisation, carried out at the end of 2017, consists of a portfolio of medium/long-term loans to performing counterparties represented by SMEs (over 80%) and Small Mid Cap companies, mainly located in Southern Italy.
Three tranches have been issued within this transaction: a senior tranche subscribed by UBI Banca, and a mezzanine tranche and junior tranche subscribed by the EIF.
For this transaction, UBI Banca (now Intesa Sanpaolo) holds 50% of the securitised portfolio to comply with the retention rule laid down by the supervisory regulations.

– ***UBI2018 – RegCap-2 Securitisation***

The "UBI2018 - RegCap-2" synthetic securitisation, carried out at the end of 2018, is the second market transaction carried out by the former UBI Banca Group (the first one, UBI2017-RegCap1, was closed in July 2020).
The underlying portfolio consists of medium/long-term loans granted to performing Corporate, Corporate SME and Retail SME counterparties, mainly located in Northern Italy.
Two tranches have been issued within this transaction: a senior tranche subscribed by UBI Banca, and a junior tranche subscribed by a market counterparty.
This is a funded transaction and involves the deposit of the entire amount of the guarantee by the subscriber of the junior tranche.
For this transaction, UBI Banca (now Intesa Sanpaolo) holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

– ***UBI2019 – RegCap-3 Securitisation***

The synthetic securitisation "UBI2019 - RegCap-3", carried out at the end of 2019, is the third market transaction carried out by the former UBI Banca Group.
The underlying portfolio consists of medium/long-term loans granted to performing Corporate and Corporate SME counterparties, mainly located in Northern Italy.
Two tranches have been issued within this transaction: a senior tranche, subscribed by UBI Banca, and a junior tranche subscribed pro rata by two market counterparties.
In line with the previous market securitisations, this is also a funded transaction and involves the deposit of the entire amount of the guarantee by the two subscribers of the junior tranche.
For this transaction, UBI Banca (now Intesa Sanpaolo) holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

– ***Maior and Iseo Securitisations***

In 2018 and 2019, the former UBI Banca Group carried out two traditional securitisations with a "GACS" government guarantee (Law Decree 18 of 14 February 2016 - "GACS") aimed at deconsolidating loans classified as bad loans.

Against the sale of the loans, the SPV issued three sets of asset-backed securities: senior (rated), mezzanine and junior. UBI Banca initially subscribed the entire issue and then sold 95% of the mezzanine and junior tranches, while retaining the entire senior note backed by the GACS government guarantee, in addition to 5% of the remaining tranches in compliance with the retention requirement laid down by the applicable regulations.

– ***Sirio Securitisation***

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan, in December 2020, UBI Banca (now merged into Intesa Sanpaolo) finalised the sale of a portfolio of bad loans through a securitisation backed by a "GACS" guarantee to a securitisation vehicle ("Sirio SPV S.r.l." or the "SPV").

The portfolio had a GBV (Gross Book Value) of around 1 billion euro as at 31 December 2019 (cut-off date).

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

- Non-financial companies - around 77%;
- Financial companies - around 1%;
- Other - around 22%.

The securitised assets were broken down as follows by geographical area:

- North - around 52.5%;
- Centre - around 29%;
- South and Islands - around 18%;
- Outside Italy - around 0.5%.

The transaction was structured in two main phases:

- "self-securitisation": in that phase, the sale of the portfolio to the SPV was completed, with UBI Banca fully subscribing the Senior, Mezzanine and Junior notes issued by the SPV to finance the purchase price of the portfolio. Moreover, UBI Banca disbursed a loan with limited recourse as a liquidity facility for the SPV. In this phase of the transaction, as the risks and rewards of the assets sold have not yet been transferred, the portfolio continued to be consolidated in the UBI Banca financial statements. Concurrent with the issue of the securitisation notes, DBRS Morningstar and Scope issued investment grade ratings for the Senior class of notes;
- "placement of the subordinated securities and deconsolidation of the portfolio": in that phase, the sale of 95% of the Mezzanine and Junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 2 April 2021.

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:

- Senior notes of around 290 million euro, 100% subscribed by UBI Banca;
- Mezzanine notes of around 35 million euro, 5% subscribed by UBI Banca;
- Junior notes of around 10 million euro, 5% subscribed by UBI Banca.

In that regard, the notes subscribed by UBI Banca, due to the business model used and the look-through test carried out, also in line with the approach adopted by Intesa Sanpaolo, have been classified as follows:

- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

– ***GARC Securitisations***

In 2014, Intesa Sanpaolo launched the "GARC" (Active Credit Risk Management) project to create a platform to monitor credit risk in performing portfolios. The initiative involves the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending to customers. This type of transactions provides synthetic hedging of default risk (failure-to-pay, bankruptcy and restructuring) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation no. 575/2013, as amended).

Within this operation, the following synthetic securitisations were carried out – and still outstanding in 2021 – through the sale to specialist investors of the junior risk relating to:

- in 2015, a total (initial) portfolio of 1.1 billion euro in loans to approximately 2,500 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-3 transaction[26]);
- in 2016, a total (initial) portfolio of 3.7 billion euro in loans to approximately 8,200 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-4 and GARC SME-5 transactions)[27];
- in 2017, an (initial) portfolio of around 2.5 billion euro in loans to approximately 5,300 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-6 transaction[28]);
- during 2018:
  - a portfolio of around 4 billion euro in loans to approximately 8,400 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-7 transaction);
  - a portfolio of around 4 billion euro in loans to approximately 215 businesses in the Corporate regulatory segment (GARC CORP-1 transaction).

  For those transactions, Intesa Sanpaolo holds 100% of the senior tranches and 5% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.
- during 2019:
  - a portfolio of around 4.3 billion euro in loans to approximately 9,600 businesses in the Corporate and Corporate SME regulatory segments (GARC SME-8 transaction);
  - a portfolio of around 4 billion euro in loans to approximately 190 businesses in the Corporate regulatory segment (GARC CORP-2 transaction);
  - a portfolio of around 900 million euro of mortgage loans issued by Barclays to around 10,800 retail customers and purchased by Intesa Sanpaolo during 2019 (GARC Residential Mortgages-1).

  For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.
- during 2020:
  - around 1.5 billion euro in finance leases to approximately 2,500 businesses in the Corporate regulatory segment (GARC Leasing-1 transaction). For that transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - around 3.1 billion euro in loans to approximately 500 businesses in the Corporate regulatory segment (GARC CORP-3 transaction). For that transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations;
  - around 1.3 billion euro in loans and leases relating to 42 projects on renewable energy, mainly located in Italy (GARC Energy Renewables-1 transaction). For that transaction, Intesa Sanpaolo holds 10% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

  Also during 2020, as part of the GARC SME-9 operation, the mezzanine risk relating to a portfolio of approximately 1.8 billion euro in loans to approximately 4,000 businesses in the Corporate and Corporate SME regulatory segments was transferred to the European Investment Fund (EIF). The initiative, realised in cooperation with the European Investment Bank (EIB), aims to provide new loans totalling 450 million euro to SMEs and midcaps damaged by the emergency caused by the COVID-19 epidemic. For this latter transaction, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

For a description of the 2021 transactions, related to the “GARC” Project, see the section “Securitisations carried out during the period”.

- ***Tranched Cover Piemonte Securitisation***

A tranched cover synthetic securitisation was initiated in 2016 – also under the “GARC” Project – on newly-issued portfolios promoted by the Piedmont Regional Authority under the 2007/2013 Regional Operational Programme funded by the European Regional Development Fund, for the objective “Regional competitiveness and employment” – Axis 1 – Activity I.4.1 Measure to support access to credit for SMEs in Piedmont through the establishment of the Tranched Cover Piemonte Fund. The transaction provided for the granting of a total (initial) portfolio of new loans of 60 million euro to around 350 enterprises in Piedmont.
For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

- ***SME Initiative Italy Securitisation***

In 2017, the synthetic securitisation “SME Initiative Italy” (SMEI), part of the “GARC” Project, was completed on a portfolio of performing loans granted by Banco di Napoli to SMEs and Small Mid-Caps located in Southern Italy. This initiative was jointly financed by the Ministry of Economic Development and the European Commission and the EIB Group - European Investment Bank and European Investment Fund. The transaction involves the issue of a personal guarantee by the European Investment Fund on the investments in the Junior, Lower Mezzanine, Middle Mezzanine and Upper Mezzanine tranches, which covers the credit risk relating to a portfolio of around 500 million euro of loans to around 1,400 businesses in the Corporate and Corporate SME regulatory segments. In exchange for that guarantee, the Bank undertook to provide new funds to support lending to SMEs in Southern Italy.
For this transaction, Intesa Sanpaolo holds 100% of the senior tranche, 5% of the mezzanine tranches and 50% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

[26] In 2021, the transaction was subject to early termination in accordance with the contractual provisions.
[27] In 2021, the transactions were subject to early termination in accordance with the contractual provisions.
[28] In 2021, the transaction was subject to early termination in accordance with the contractual provisions.

- ***Central Guarantee Fund Tranched Cover Securitisation***

  In 2018, a tranched cover synthetic securitisation, supported by the Central Guarantee Fund, was initiated, which allows businesses to access the benefits provided for by Law no. 662/96, aimed at facilitating access to new credit for Italian SMEs. This initiative is financed by the Ministry of Economic Development and provides for the issue of a personal guarantee by the Central Guarantee Fund through which the risk of first losses is covered in relation to four portfolios of newly disbursed loans, each amounting to around 300 million euro, whose disbursements were started in 2018 and were completed by the second half of 2019.

  For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

- ***“Tranched Cover Piemonte 2017” Securitisation - Lines B and A***

  In 2019 – again as part of the “GARC” Project – a “Line B” portfolio was completed relating to a tranched cover synthetic securitisation on newly-issued portfolios promoted by the Piedmont Regional Authority under the 2014-2020 Regional Operational Programme of the European Regional Development Fund – Axis III “Competitiveness of production systems” – Thematic Objective III.3 “Promoting competitiveness of SMEs” – “Measure to support access to credit for piedmontese SMEs through the establishment of the 2017 Tranched Cover Piemonte Fund”. This transaction involves the issue of collateral on the junior tranche by Finpiemonte S.p.A. and on the mezzanine tranche by Ascomfidi Nord-Ovest Società Cooperativa, to cover the credit risk relating to a portfolio of around 7.5 million euro of loans to around 150 companies in Piedmont, for which the disbursements were completed in 2019. For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the mezzanine and junior tranches in compliance with the retention rule laid down by the supervisory regulations.

  In 2020, the “Line A” portfolio was finalised, which involves the issue of collateral on the junior tranche by Finpiemonte S.p.A. to cover the credit risk relating to a portfolio of around 109 million euro of loans to around 500 companies in Piedmont. For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the junior tranches in compliance with the retention rule laid down by the supervisory regulations.

- ***Tranched Cover Fondo di Garanzia per le PMI Securitisation***

  During 2020, as part of operations with the Guarantee Fund for SMEs, a tranched cover transaction was finalised on a newly issued portfolio dedicated to new entrepreneurship in the Veneto Region. In particular, the guarantee from the Fund, increased also using the resources provided by the Veneto Region Special Section, covers the junior risk of a portfolio of loans amounting to approximately 15 million euro to around 90 businesses in the Veneto Region.

  For these transactions, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

  During the year, four new portfolios were admitted to the guarantee of the Fund, for a total amount of around 1.3 billion euro, activated to support businesses damaged by the COVID-19 emergency. The ramp-up of those portfolios will be completed from the second half of 2021 to the initial months of 2022.

Securitisations for which the Group acts a sponsor

- ***Muttley and Setafia Securitisations***

  In 2015, Banca IMI sponsored two securitisations of trade receivables, respectively in the furniture and furnishing sector for 55 million euro (later reduced to 48 million euro) and in the pharmaceutical sector for 80 million euro (later reduced to 40 million euro). Receivables generated by primary customers of the Group were purchased by special purpose vehicles established pursuant to Law 130/99 (Muttley and Setafia respectively) which proceeded to securitise the risk by issuing securities. The vehicles Muttley S.r.l., Setafia SPV S.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc were used for these transactions. All the securities issued are unrated.

  In 2020, there were no significant changes for the Setafia transaction, whereas the Muttley transaction was restructured, as a result of which the Intesa Sanpaolo Group ceased to be a sponsor and the amount of the programme was reduced to 42 million euro.

  During 2021, there were no significant changes for Setafia transaction.

- ***Bayon Securitisation***

  In 2018, Banca IMI (now merged into Intesa Sanpaolo) and the Parent Company sponsored a securitisation of trade receivables in the telephony sector for 200 million euro. Receivables generated by primary customers of the Group were purchased by a special purpose vehicle established pursuant to Law 130/99 (Bayon S.r.l.) which proceeded to securitise the risk by issuing various classes of notes subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc and Luxembourg-registered vehicles. All the securities issued are unrated.

  In 2019, the Telefonia 3 transaction was restructured and fully transferred to the Bayon programme, whose securitised portfolio increased to 663 million euro. In 2020, the transaction was increased to a total of 800 million euro, while in 2021 there were no significant changes.

- ***Food & Beverages Securitisation***

The transaction was initially carried out in several tranches starting from 2012, on portfolios of trade receivables in the food & beverages sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group. The risk of the portfolio was subsequently securitised. In relation to the receivables, limited recourse loans were disbursed with different levels of subordination. At the end of 2017, the nominal value of the securitised loans was 626 million euro. For these transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2018, this transaction was restructured so that the Intesa Sanpaolo Group could act as sponsor. The new structure involves: i) the sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from the sellers to Intesa Sanpaolo and the sale of the loans by Intesa Sanpaolo to a vehicle company pursuant to Law 130/99 (Massi S.r.l) or ii) the sale without recourse pursuant to Law 130/99 (securitisation law), which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicles.
At the end of 2021, the platform had reached a total amount of 561 million euro, slightly down on the previous year, due to an originator that left the platform.

- ***Electricity Securitisation***

This transaction was conducted in 2011 on a portfolio of trade receivables in the electricity sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group.
The risks of the portfolio of receivables were subsequently securitised. In relation to these receivables, limited recourse loans were disbursed and/or tranches of securities without ratings were issued with different levels of subordination.
In March 2018, the programme was increased from 900 million euro to around 1,500 million euro. To close the transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2019, this transaction was restructured so that the Intesa Sanpaolo Group could act as sponsor and was further increased to 1,620 million euro. In the second half of 2019, the seller of the Fuel 2 transaction, which operates in the gas sector, both for retail and large customers, was added, increasing the amount of the transaction to 1,640 million euro at the end of 2021.
The new structure involves the sale without recourse pursuant to Law 52/91 on factoring of loan portfolios from the sellers to Intesa Sanpaolo, which in turn sells the loans to a vehicle company pursuant to Law 130/99 (Mawala S.r.l.), which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicle companies.

- ***Automotive, Electronics and Mechanics Securitisation***

The transaction has been carried out in several tranches starting from 2012, on portfolios of trade receivables in the automotive, electronics & mechanics sector originated by primary customers and purchased without recourse by the Intesa Sanpaolo Group. The risk of the portfolio was subsequently securitised. In relation to the sale of the receivables, recourse loans were disbursed with different levels of subordination. At the end of 2018, the nominal value of the securitised loans was 457 million euro. For these transactions, the Group used the vehicles Trade Receivables Investment Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc.
In 2019, this transaction was restructured so that Banca IMI (now Intesa Sanpaolo) could act as sponsor and comply with the minimum requirements of the retention rule laid down by the supervisory regulations. The new structure involves: i) the sale without recourse pursuant to Law 52/91 (factoring law) of loan portfolios from the originators to Intesa Sanpaolo, which in turn sells the loans to a vehicle company pursuant to Law 130/99 (Manno SPV S.r.l.), or ii) the sale without recourse pursuant to Law 130/99 (securitisation law) of loan portfolios from the originators to the vehicle company Manno SPV S.r.l., which is financed through the issue of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo and Luxembourg-registered vehicle companies. At the end of 2021, the platform had reached a total amount of 758 million euro, due to the addition of other originators.

- ***Steel Securitisation***

In 2019, a new transaction was structured for the revolving disposal of trade receivables from Italian industrial customers and arising from the transformation of steel into processed products, for a maximum amount of the programme of 100 million euro. The seller for the transaction is a company belonging to a leading group in the steel sector in Italy. The structure involves the sale without recourse of receivables to a securitisation vehicle established pursuant to Law 130/99 (Massi S.r.l.). In relation to these receivables, tranches of securities without ratings were issued with different levels of subordination subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo as sponsor and Luxembourg-registered vehicle companies. During 2021, the amount of the programme was increased to 200 million euro.

- ***Electricity 2 Securitisation:***

In 2019, a new transaction was structured for the revolving disposal of trade receivables from leading Italian companies in the distribution of electricity in Italy.
The receivables are of two types: receivables deriving from the transport of electricity billed monthly to several selected debtors and receivables that the originator accrues annually following investments made to improve the distribution grid.
The structure of the transaction involves the sale of trade receivables pursuant to Law 52/91 (factoring law) to Intesa Sanpaolo, which simultaneously sells those receivables to a vehicle company set up pursuant to Law 130/99

(Mawala S.r.l.), which finances the purchase of the receivables through the issue of tranches of asset-backed securities subscribed by Lana Trade Receivables S.a.r.l., Duomo Funding Plc, Intesa Sanpaolo as sponsor and Luxembourg-registered vehicle companies.
In 2021, the transaction was increased to 780 million euro.

- ***Sole Debtor Securitisation***
  In 2020, a transaction was carried out involving the securitisation of trade receivables originating from sundry sellers operating in the tertiary and services sector due from entities of the Intesa Sanpaolo Group up to a maximum financed amount of 192 million euro.
  The structure of the transaction involves the sale of the receivables to a vehicle company set up pursuant to the Securitisation Law 130/99 (Massi S.r.l.), which finances the purchase of the receivables through the issue of tranches of asset-backed securities subscribed by Duomo Funding Plc, Intesa Sanpaolo (as sponsor, which also complies with the minimum requirements of the retention rule laid down by the supervisory regulations) and Luxembourg-registered vehicle companies. In 2021, there were no significant changes.

Asset-Backed Commercial Paper (ABCP) programmes

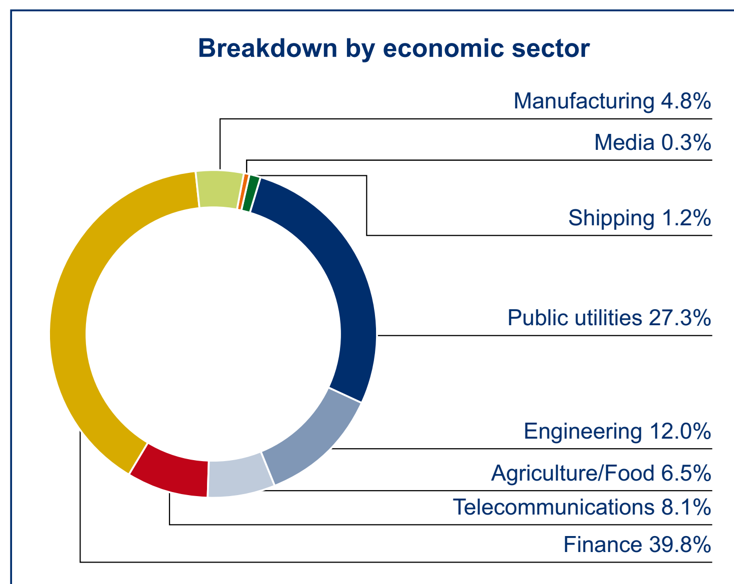
Intesa Sanpaolo controls and consolidates the following line-by-line, pursuant to the IAS/IFRSs:

- ***Romulus Funding Corporation***
  a company based in the USA with the mission of purchasing financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and financing purchases by issuing Asset-Backed Commercial Papers;

- ***Duomo Funding PLC***
  an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

Romulus Funding Corporation and Duomo Funding Plc are asset-backed commercial paper conduits of the Intesa Sanpaolo Group, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international asset-backed commercial paper market. The assets originated by European customers are purchased by Duomo, whereas Romulus is responsible for U.S. assets and fund-raising on the U.S. market through the issuance of asset-backed commercial paper. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, U.S. investors gradually divested without the vehicle being able to find new third-party investors with which to place the asset-backed commercial papers.
As at 31 December 2021, approximately 5.7 billion euro of the securities issued by Romulus, amounting to 5.9 billion euro, had been subscribed by the Parent Company Intesa Sanpaolo.
The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
Companies are not generally permitted to take foreign-exchange positions.
As at 31 December 2021, the assets of Romulus included 5.9 billion euro in loans to the vehicle Duomo.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 5.9 billion euro, almost all of which has been subscribed by the Parent Company, Intesa Sanpaolo.
With regard to the portfolio of the vehicle Duomo, at the end of 2021 this portfolio mainly consisted of loans to customers of 7.4 billion euro.
The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up approximately 1% of the total consolidated assets.
The portfolio risk of the two vehicles is approximately 49.3% accounted for by trade receivables and the remainder by consumer loans (23.1%), loans deriving from lease contracts (5.6%), factoring contracts (3.3%), mortgage loans (0.3%), loans to SMEs (9.9%), loans/lease contracts to pharmaceutical companies (7.6%) and VAT credits (0.1%). The eligible assets held by the vehicles are mainly expressed in euro (96.8% of the total portfolio). The remainder is broken down into British pounds (1.7%), US dollars (1.2%), Australian dollars (0.1%) and Mexican pesos (0.2%).

The following information is provided concerning the portfolio of eligible assets.



With regard to the rating breakdown of the loan portfolio, 97% does not have a rating and the remaining 3% is rated above "A".
With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 94% of the debtors are located in Italy.

Self-securitisations
A summary of the securitisations originated by the Intesa Sanpaolo Group outstanding as at 31 December 2021 is shown below, in which the Group subscribed all the securities issued by the related vehicle (self-securitisations).

- ***Adriano Lease SEC S.r.l.***
  This is a securitisation that was carried out in December 2017, which took the form of the sale by Mediocredito Italiano S.p.A. of a loan portfolio selected on the basis of pre-defined criteria and arising from performing property, equipment and car lease contracts to Adriano Lease Sec S.r.l. for a total amount of approximately 4.2 billion euro. The purpose of the transaction is to expand the liquidity reserve that can be used by the bank for refinancing operations on the Eurosystem.
  The vehicle Adriano Lease Sec S.r.l. originally issued two series of notes:
  - a senior tranche (Class A), with a nominal amount of 2.9 billion euro, listed and assigned an A1 rating by Moody's and an A rating by DBRS Morningstar;
  - a junior tranche (Class B), with a nominal amount of 1.4 billion euro, unlisted and unrated.

  Following the merger by incorporation, the securities originally purchased by Mediocredito Italiano S.p.A. were included in Intesa Sanpaolo. As at 31 December 2021, the senior securities came to 686 million euro and junior securities to 1,351 million euro.
  The senior securities are eligible for use in the Eurosystem.

- ***Brera Sec S.r.l.***
  In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018 and Cassa di Risparmio in Bologna, incorporated in the first half of 2019). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group's first Multi-Originator Residential Mortgage Backed Security ("RMBS") securitisation.
  The transaction involved the issuance by the vehicle company of two tranches of securities:
  - a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar);
  - and an unlisted junior tranche without rating.

  Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio.
  The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
  Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.
The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been subscribed by Intesa Sanpaolo.
A retrocession of 67 million euro was finalised in January 2021.
As at 31 December 2021, the value of the outstanding subscribed securities was 3,342 million euro for the senior securities and 1,067 million euro for the junior securities.

– ***Brera Sec S.r.l. (SME)***
In October 2018, a self-securitisation was structured, implemented through the sale of three loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and three of the Group banks subsequently incorporated by Intesa Sanpaolo (Banco di Napoli, incorporated in the second half of 2018 and Cassa di Risparmio di Bologna and Cassa di Risparmio di Firenze, incorporated in the first half of 2019). The underlying is made up of mortgage loans and other loans to small and medium enterprises and corporates (the latter only if the group turnover is less than 100 million euro).
This is a Group multi-Originator Asset Backed Security ("ABS") securitisation and the first with an underlying of SME loans. The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating. Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio.
The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
On origination, the total sale consideration was 5.3 billion euro. The sale price of each portfolio was settled through the issuance of securities on 14 December 2018 for a total of 5.3 billion euro.
The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been subscribed by Intesa Sanpaolo.
A retrocession of 23 million euro was finalised in January 2021.
As at 31 December 2021, the value of the outstanding securities was 447 million euro for the senior securities and 1,530 million euro for the junior securities.

– ***Brera Sec S.r.l. (SEC 2)***
In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance on 27 November 2019 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.
The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been fully subscribed by Intesa Sanpaolo.
A retrocession of 52 million euro was finalised in January 2021.
As at 31 December 2021, the value of the outstanding securities was 5,034 million euro for the senior securities and 860 million euro for the junior securities.

– ***Brera Sec S.r.l. (SEC 3)***
In October 2021, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance on 1 December 2021 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo, so that the loans could remain in the balance sheet of Intesa Sanpaolo without derecognition.
The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.

The senior securities, which are listed with an A1 Moody's and an A (High) DBRS Morningstar rating, have been fully subscribed by Intesa Sanpaolo.
As at 31 December 2021, the value of the outstanding securities subscribed by Intesa Sanpaolo remained unchanged at 6,940 million euro for senior securities and 725 million euro for junior securities.

– ***Clara Sec S.r.l.***
In 2020, a revolving self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households, a transaction subject to periodic repurchase of the loans.
The transaction took place with the sale, in two tranches (April and May), of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l. and is the Group's second Asset Backed Security ("ABS") securitisation.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities on 23 June 2020: a listed senior tranche with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without a rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.
The senior securities are listed with an A1 Moody's and an A DBRS Morningstar rating.
A retrocession of 61 million euro was finalised in January 2021, followed by a sale of 620 million euro in May.
As at 31 December 2021, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

– ***Giada Sec S.r.l.***
In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.. This is the Group's third Asset Backed Security ("ABS") securitisation and the second with an underlying of SME loans.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The total sale consideration was 10.1 billion euro.
The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The listed senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
A retrocession of 81 million euro was finalised in January 2021, followed by a sale of 1,439 million euro in June and a sale of 891 million euro in November.
As at 31 December 2021, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

– ***UBI SPV Lease 2016***
The UBI SPV Lease 2016 self-securitisation derives from the business combination of the former UBI Banca Group into the Intesa Sanpaolo Group in the third quarter of 2020. The self-securitisations was carried out on portfolios of UBI Leasing in 2016, for the purpose of generating eligible assets for refinancing operations with the European Central Bank.
For the transaction, a special purpose vehicle was established, UBI SPV Lease 2016 S.r.l., to which performing loans were transferred along with the related leases for 3,065 million euro (in terms of principal). The assignment was finalised on 23 June 2016, with accounting and economic effectiveness on the previous 31 May.
The transaction involved the issuance by the vehicle company of two tranches of securities on 28 July 2016:
  - Class A securities (senior tranches): nominal value of 2,100 million euro, floating rate, maturity in 2050, assigned an A1 rating by Moody's (A2 as at 31 December 2021) and an A (low) by DBRS Morningstar (A as at 31 December 2021);

- Class B securities (junior tranches): nominal value of 1,001 million euro, maturity in 2050, unrated, with yield equal to the additional return of the operation.

The subscription of the junior notes also enabled the creation of a Cash Reserve within the operation of 31.5 million euro, still fully available at the reference date of this Disclosure.
The amortisation of the Class A notes began in 2021.
As at 31 December 2021, the securitised portfolio, which continued to be posted under the originator's assets, amounted to 2,181 million euro of residual capital debt.

Lastly, the Apulia Finance 4 S.r.l. self-securitsation was extinguished in 2021.

List of securitisation vehicles based on the provisions of Art. 449 (d) of the CRR

SPECIAL PURPOSE VEHICLE	ROLE AT GROUP LEVEL	REGISTERED OFFICE	INCLUDED IN THE REGULATORY SCOPE OF CONSOLIDATION	TYPE OF EXPOSURE
Adriano Lease Sec S.r.l. (a)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities
Augusto S.r.l.	Originator	Milano	NO	Equity investments
Berica ABS 3 S.r.l. (b)	Originator	Vicenza	NO	Equity investments Debt securities Loans Derivatives contracts
Berica ABS 4 S.r.l. (b)	Originator	Milano	NO	Debt securities Loans Derivatives contracts
Brera Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Clara Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Diocleziano S.r.l.	Originator	Milano	NO	Equity investments
Giada Sec S.r.l. (a) (b)	Originator	Conegliano Veneto (TV)	NO	Equity investments Debt securities Loans
Grogu SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
Iseo SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Kerdos SPV S.r.l.	Originator	Milano	NO	Debt securities
Kerma SPV S.r.l.	Originator	Milano	NO	Debt securities Derivatives contracts
Maior SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Norma SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities
Penelope SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Pillarstone Italy SPV S.r.l.	Originator	Milano	NO	Debt securities
Portland SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities
Sirio SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans
Towers Consumer S.r.l.	Originator	Milano	NO	Debt securities
Towers CQ S.r.l.	Originator	Milano	NO	Debt securities
UBI SPV Lease 2016 S.r.l. (a) (b)	Originator	Milano	NO	Equity investments Debt securities
Yoda SPV S.r.l.	Originator	Conegliano Veneto (TV)	NO	Debt securities Loans Derivatives contracts
Duomo Funding PLC	Sponsor	Dublin	NO	Liquidity facility
Lana Trade Receivables S.a.r.l.	Sponsor	Luxembourg	NO	Debt securities
Manno S.r.l.	Sponsor	Milano	NO	Debt securities
Massi S.r.l.	Sponsor	Milano	NO	Debt securities
Mawala I S.r.l.	Sponsor	Milano	NO	Debt securities
Romulus Funding Corporation	Sponsor	New York	NO	ABCP Debt securities

(a) Self-securitisation vehicle

(b) Vehicle for which the Intesa Sanpaolo Group acts as servicer

With regard to the disclosure required pursuant to point (e) of Article 449 of the CRR, it is specified that the Intesa Sanpaolo Group did not provide, in Sponsor or Originated securitisations, any implicit support as defined in Article 250 of the CRR.
Based on the requirements of point (f) of Article 449 of the CRR, it is noted that the only relevant case for the Intesa Sanpaolo Group is the securitisation named Portland, whose underlying receivables originated by the subsidiaries Provis S.p.A. and UBI Leasing S.p.A. were securitised and the notes issued by the vehicle were partly subscribed by the Parent Company Intesa Sanpaolo.

"Third-party" securitisations
The Intesa Sanpaolo Group also operates in the market of traditional and STS securitisations as an investor, although the volume of the existing investments, in both banking and trading books, represents a very small part of the assets. These operations relate, on the one hand, to the diversification of the risk profile of the managed portfolio and the maximisation of the risk-return target, and on the other hand to the activities involving securities representing public loans, carried out by Group structures specialised in Public Finance.

Nature of the risks relating to the securitised assets

Securitisations are exposed to the risks generally inherent in bonds, such as credit, interest rate, exchange rate and liquidity risk, appropriately broken down according to the specific characteristics of this asset class.
The nature and scope of the different risks vary based on the type of transaction executed. Generally, the interest rate and exchange rate risks of the primitive assets are low and are subject to hedging transactions by the SPV.
All securitised assets are also subject to different degrees of operational risk associated with the documentation and the collection of cash flows. In the securitisations that meet the STS requirements, operational risks are mitigated and the analysis and collection of information flows are simplified.
With regard to the valuation for accounting purposes, interest, exchange rate and liquidity risks are factored in pursuant to the methodology described in the Group Fair Value Policy. Usually, higher seniority of the tranche being valued is associated with better credit quality and improved liquidability, when the note is traded on the secondary market. An STS compliant securitisation is usually better received by market players, due to the specific characteristics that this classification represents, without prejudice to all other aspects.

With regard to regulatory market risk, the ABS risk factor is not included in the Internal Model, as the product is securitised; therefore, neither the regulatory VaR nor the IRC are included. Instead, as regards monitoring of the management market risk, the ABS risk factor, as the interest rate and exchange rate risk, is fully included in the ordinary process laid down by the Market Risk Charter (an internal Group document that outlines the set of principles, instruments and purposes applied to measure, control and manage market and counterparty risks).
In particular, for the positions in ABS securities issued by third parties belonging to the trading book and the HTCS book, the Market and Financial Risk Management Head Office Department carries out the calculation of the managerial VaR to monitor the market risks with the "illiquid parameters" method, given the specific characteristics of the risk factor considered, and monitors their absorption according to the set VaR limits. In addition, the exposure to ABS is within the monitoring scope of the issuer risk (credit ceiling and concentration limits), as well as in other possible second level limits.

With regard to credit risk, in synthetic securitisations, the assets underlying the securitisation cease to contribute to the determination of the risk-weighted assets and the related capital requirements. This may also be achieved through traditional (or cash) securitisations, which may also enable the accounting deconsolidation of the securitised assets.
According to regulatory provisions (Article 405 of Regulation (EU) no. 575/2013 of the European Parliament and Council), the originator, sponsor or original lender is required to retain, on an ongoing basis and at consolidated level, at least 5% of the material net economic interest generated by the securitisation.
Where, in synthetic securitisations, the protection purchased on the tranches subject to hedging and issued by providers eligible for credit protection pursuant to Article 249, paragraph 3, the bank takes account of the related credit exposure in calculating capital absorption.
The bank also retains the full risk on securitisation positions kept in the financial statements. In the case where a level of default and losses on the portfolio arise that are higher than expected, the risk of the transaction increases, which induces a corresponding increase in the capital requirement. The payoff of the tranches is always impacted in relation to the respective level of subordination (the Junior tranche first, then the Mezzanine tranche and, lastly, the Senior tranche) reflected in the waterfall mechanism.
For the purposes of risk mitigation, Intesa Sanpaolo benefits from the presence of government-backed guarantees (GACS) on the exposures of the Senior tranches of the Yoda and Sirio traditional securitisations, in accordance with the requirements of Law 49/2016, where it is verified that the assets sold are exposures in bad loan status and the securities have been assigned an investment grade rating by specialist agencies.
Given the stricter requirements defined by Regulation EU 2402/2017 regarding STS securitisations, credit risk is mitigated in these transactions compared to non-STS securitisations.
Lastly, the representation for the purposes of liquidity risk of third party securitisations considers the classifications and assessments made based on the fair value policy (see Section on Market risks), as well as their eligibility as high-quality liquid assets (HQLA) in accordance with the rules established by the Delegated Regulation 2015/61 and their eligibility for refinancing with Central Banks and liquidability, in the absence of which the securities are classified by residual maturity, based on their repayment plans and weighted average life.

The representation for the purposes of liquidity risk of own securitisations takes account of their characteristics of eligibility for refinancing with Central Banks and of liquidability. Accordingly, the restrictions on the underlying assets are suitably assessed for the purposes of structural liquidity and asset encumbrance measures.
Also with regard to own securitisations, stress tests considered the possible presence of downgrade trigger clauses with possible additional outflows on the Group's liquidity position if they are activated.

Exposures to originated and third-party re-securitisations: type of risk

The Group's re-securitisations portfolio shows, in general, immaterial amounts in terms of value of the exposures (See Quantitative Disclosure of this Section).

Risk hedging policies for exposures to securitisations and re-securitisations

Protection purchase strategies are not currently active. In the past, for hedging strategies, listed indices (such as LCDX) or Credit Default Swaps were used.

External rating agencies used

The external rating agencies (ECAI) used by the Intesa Sanpaolo Group for the purpose of calculating the risk-weighted exposures of securitisation positions (as reported in Section 8 of this document) are the following (with reference both to positions with short-term ratings and positions with ratings other than short-term):

- Moody's Investors Service;
- Standard & Poor's Rating Services;
- Fitch Ratings.

Securitisations: methods for calculating the risk-weighted exposures

Based on Regulation (EU) 2401/2017, from 1 January 2020 Intesa Sanpaolo applies the SEC-IRBA (Securitization – Internal Rating Based Approach), the SEC-SA (Securitization – Standard Approach) and the SEC-ERBA (Securitization – External Rating Based Approach) to calculate the capital requirements for purchased or originated securitisations.
With the entry into force of the above regulation, a new risk-weight floor for securitisation positions is applied: 15% for all securitisation positions and 10% for STS securitisations.
The regulation requires that the risk-weight for all positions relating to the same securitisation cannot exceed the risk weight that those positions would have had if they had not been securitised (Cap test). If the cap is exceeded, the capital requirement will be equal to this maximum value, equivalent to the calculation of the unsecuritised underlyings.
With the entry into force of Regulation (EU) 558/2021, the regulatory framework on securitisations was adjusted in order to support the economic recovery from the COVID-19 pandemic. Specifically, the measures regarding the treatment of securitisations of NPLs raise the risk-weight floor on tranches of securitisations to 100%, except in case of the application of the SEC-ERBA.
The above-mentioned Regulation also introduces a distinction between qualifying traditional NPE securitisations and non-qualifying securitisations: a securitisation is qualifying when the non-refundable purchase price discount (NRPPD) is equal to at least 50% of the amount of the underlying exposures at the time they are transferred to the securitisation vehicle. With specific regard to the less subordinate tranches (senior) of qualifying traditional securitisations of non-performing exposures, the regulation in question requires the application of a fixed risk weight of 100%, except where the SEC-ERBA is used. In derogation from the attribution of that fixed risk-weight to tranches of senior qualifying traditional securitisations, if the ratio of risk-weighted assets to underlying exposures is less than 100%, that new ratio shall be applied to the senior tranche, with a risk-weight floor of 50%.
Lastly, based on the disclosure required in point (i) of Article 449 of the CRR, it is specified that the Intesa Sanpaolo Group does not use the Internal Assessment Approach to calculate the risk-weighted exposure amounts for unrated positions in ABCP programmes or ABCP transactions (in accordance with Article 266 of the CRR – "Calculation of risk-weighted exposure amounts under the Internal Assessment Approach" – where the conditions set out in Article 265 (2) of the CRR are met).

Securitisations: accounting policies

The securitisation transactions, whose accounting treatment is governed by IFRS 9 (in particular in the paragraphs relating to derecognition), are divided into two types depending on whether the underlying assets must be derecognised from the seller's financial statements or not.

In the event of derecognition

When all the risks and benefits from the ownership of the securitised asset are effectively transferred, the originator shall derecognise those assets from its financial statements and record offsetting entries for the consideration received and any profit or loss from the sale.
If the consideration received is not made up entirely of an amount of cash, but consists partly of financial assets, these are initially recognised at fair value and that fair value is also used to calculate the profit or loss from the sale.
If the transferred asset is part of a "greater" financial asset (for example, if only part of the cash flows that derive from a receivable is subject to disposal) and the transferred part meets the requirements for derecognition, the book value of the "greater" financial asset must be divided between the part that continues to be recognised and the part subject to derecognition based on the corresponding fair values at the transfer date.
Moreover, in case of derecognition, any arrangement costs incurred by the originator are recorded in the income statement when incurred as they are not attributable to any financial assets appearing in the financial statements.
Therefore, in light of the above, the assets sold are derecognised from the balance sheet, and the consideration from the sale, as well as the connected profit or loss, are normally recorded in the financial statements at the date of completion of the sale. More generally, the entry date for the transfer in the financial statements depends on the contractual clauses. For example, if the cash flows from the assets sold are transferred after the execution of the agreement, the assets are derecognised and the proceeds of the sale are recognised at the time of the transfer of the cash flows. Instead, in the case a sale is subject to conditions precedent, the assets are derecognised and the profit or loss from the sale is recognised when the condition precedent clause ceases.

The profit or loss, recognised in the income statement, is classified, in principle and net of any other components, as the difference between the consideration received and the book value of the assets sold.

In the event of no derecognition
If a transfer does not require derecognition because the seller essentially maintains all the risks and benefits associated with the ownership of the transferred assets, the seller continues to recognise in its financial statements the assets transferred in total and recognises a financial liability against the consideration received.
A common example of sale that does not require derecognition is when the originator sells a loan portfolio to a special purpose vehicle, but fully subscribes the junior class of notes issued by the SPV (therefore retaining the majority of the risks and benefits of the underlying assets) and/or provides collateral for the transaction.
Thus, in the event of no derecognition, the securitised loans continue to be recorded in the originator's financial statements. Following the sale, the originator must also recognise any income from the asset transferred and any charges incurred on the liability recorded without offsetting any of the costs and revenues.
The transferred loan portfolio continues to be classified in the loan category that it originally formed part of and, consequently, if it meets the adequate requirements, it continues to be measured at amortised cost and valued (individually or on a collective basis) as if the transaction had never taken place.
In this case too, considering the provisions of IFRS 9 on the matter, the arrangement costs directly incurred by the originator are recorded in the income statement when they are incurred.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, related to estimated possible disbursements connected to credit risk relative to guarantees and commitments, possibly included in the securitisation transactions, determined applying the same criteria set out with respect to other types of loans and receivables, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Assessment of exposures to securitisations - banking book
For securitisations, the need to recognise impairment is assessed if the fair value is lower than the carrying amount by a percentage set a priori (30%), or if there is potential evidence of impairment. That process has not changed in relation to the previous year.
If one of these conditions is in place, the securitisation is analysed to verify whether the reduction in fair value is due to a generic increase in the spread on the secondary market or impairment of the collateral. In the former case the conditions are not met to recognise the impairment; instead, in the latter the analysis focuses on the performance of the underlying elements, which constitute the vehicle's assets, and the methods with which such performance is reflected on payment waterfall for the securities analysed.
Specifically, the procedure involves the following steps:
- monitoring the parameters/triggers/covenants envisaged at issue, which is the basis of the regulation of the payment waterfall or, as an extreme measure, the advance termination of the deal. That analysis is based on the information set composed of the periodic reports from the vehicle administrators and rating agencies, along with the issue documents (prospectus, master receivables agreement, etc.);
- specifically for securitisations originated by Intesa Sanpaolo, which have reliable business plans, the analysis is conducted on available cash flows. For non-performing products, reference is made to adjustments to the underlying loans, the recovery plans set up and updated by the servicer and the features of the payment waterfall.

If, as a result of said analysis, there is no evidence of breaches which could compromise payments of principal and interest, it is not necessary to record impairment of the security in the portfolio. Otherwise, if there is the possibility of (full or partial) non-payment of the principal or interest, due to a change in the payment priority and/or impairment of the collateral, the security must necessarily be written down.
Impairment is assessed:
- by comparing the residual market value of the collateral and the outstanding amounts of the notes based on the attachment and detachment points, in the event of credit events that result in advance termination of the transaction;
- in the event that triggers or covenants are activated, the fair value is recalculated based on the new rules and the new available cash flows are allocated to the tranches in the portfolio, according to the new payment priorities.

In summary, for all the securitisations classified in the banking book, the impairment analysis is carried out based on the valuation of the collateral to determine the overall flows deriving from the primitive assets. These flows are allocated to the tranches of the securitisation based on all the structuring and performance characteristics of the collateral (waterfall, trigger, CDR, CPR, etc.). The Intex and Bloomberg software is used for the allocation of the cash flows to the individual tranches, except for a small number of private securitisations only, where cash flow models are used. They are developed internally during the structuring of the deal and duly updated with the performance of the collateral.

Assessment of exposures to securitisations - trading book
Exposures included in the trading book are measured at fair value. For an illustration of the valuation techniques used to determine fair value, see the relevant chapter (see Section 13 - Market risk).

Synthetic securitisations
The Group actively manages risk-weighted assets (RWAs) in line with international best practice. Therefore, it activates initiatives to align the overall risk of the loan portfolio to aspects and scopes in line with the Group's objectives and in compliance with the Risk Appetite Framework. The synthetic securitisations' GARC (Active Credit Risk Management) project falls within this context. It has the purpose of monitoring credit risk in performing portfolios and the objective to optimise regulatory and economic capital absorption, as well as support business activities on newly disbursed loans. The initiative involves the systematic acquisition of both personal guarantees and collateral for the synthetic hedging of default risk on the loan portfolios, achieving "significant risk transfer" pursuant to the current Supervisory regulations on the matter (Regulation EU 575/2013, as amended). In that context, though the securitised exposures continue to be recorded under the assets of the

bank that retains their full ownership, they are excluded from the calculation of capital absorption, while securitisation positions retained by the bank are included in the calculation of risk-weighted assets.
The premium paid by the bank to the protection seller for the purchase of the protection contract is recorded under commission expense in the income statement, where the premiums relating to the guarantees received are recorded. The financial guarantee received from the protection seller also contributes to the determination of the adjustments made to the loans subject to the guarantee (overall and, where applicable, specific).
Any deposit liabilities received by the bank, also as a result of the issue of notes by securitisation vehicles, are recorded under payables in the balance sheet liabilities.

Securitisations: recognition criteria for prudential purposes

Prudential regulations on securitisations are governed by the CRR, as amended by Regulation (EU) 2017/2401, which mainly replaced Chapter 5 - Securitisations, in Part Three - Title II.
The regulatory framework is completed by the following additional provisions:

- Regulation (EU) 2017/2402, which lays down a general framework for securitisation and creates a specific framework for simple, transparent and standardised securitisations (STS);
- Regulation (EU) 2021/558 of 31 March 2021 amending Regulation (EU) 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis, specifically regulating the prudential treatment to be reserved for securitisations of non-performing exposures;
- Regulation (UE) 2021/557 of 31 March 2021 amending Regulation (EU) 2017/2402 to help the recovery from the COVID-19 crisis and to extend, with suitable adaptation, the framework of simple, transparent and standardised securitisations also to synthetic securitisations in the financial statements;
- Commission Delegated Regulation (EU) 2019/885 of 5 February 2019 supplementing the above-mentioned Regulation (EU) 2017/2402 with regard to the regulatory technical standards specifying information to be provided to a competent authority in an application for authorisation of a third party assessing STS compliance;
- Commission Delegated Regulation (EU) 2019/1851 of 28 May 2019 supplementing Regulation (EU) 2017/2402 with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation;
- Delegated Regulation 625/2014 of 13 March 2014 which concerns the regulatory technical standards specifying the requirements for investor, sponsor, original lender and originator institutions relating to exposures to transferred credit risk, of which only several specific provisions are in force for securitisations whose notes were issued before 1 January 2019;
- Implementing regulation (EU) 602/2014 of 4 June 2014 laying down implementing technical standards for facilitating the convergence of supervisory practices with regard to the implementation of additional risk weights relating to securitisation transactions.
- Implementing regulation (EU) 2016/1801 of 11 October 2016 on laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with the CRR;
- EBA Guidelines on implicit support for securitisation transactions (GL/2016/08) aimed at providing guidelines on arm's length conditions and when a transaction is not structured to provide implicit support, according to Article 250 of Regulation 2017/2401 (former Article 248 of the CRR); a subject that is also referred to in the ECB's letter of July 2017, which provides guidance on the additional requirements relating to the notification and the documentation referred to in that article;
- EBA Guidelines on significant risk transfer (SRT) for securitisation transactions (GL/2014/05) pursuant to Articles 244 and 245 of Regulation 2017/2401 (former Articles 243 and 244 of the CRR); a subject that is also referred to in the ECB's letter of 24 March 2016, which provides additional guidance to the industry regarding the recognition of the significant credit risk transfer.

Although the prudential regulations indicated clearly have similarities with the IAS/IFRS measurement criteria, the accounting treatment of securitisations is not relevant for the purposes of recognition for prudential purposes. As a result, the accounting and prudential treatment applied by intermediaries may differ.

Exposures to originated and third-party re-securitisations – exposures covered by credit risk mitigation techniques

It is specified that the exposures referring to re-securitisations did not benefit from credit risk mitigation techniques.

Total amount of assets awaiting securitisation

In 2011, Mediocredito Italiano (MCI) entered into two agreements with the Ministry of Economic Development, which provide subsidies in the form of cash collateral provided as pledge to the bank for two portfolios of credit exposures to be disbursed to SMEs for purposes envisaged by the Italian National Innovation Fund (FNI).
For each of the agreements signed, the loan portfolio was divided into two separate tranches: a junior tranche, exposed to initial losses, and a senior tranche, with a rating equivalent to A-. As a guarantee for the two portfolios, the Bank has received a total cash collateral amount of 16.4 million euro, into an interest-bearing deposit account, provisionally calculated based on the estimate of available portfolios.
The construction of portfolios regarding the first and second agreement was developed starting from 2011 and from 2012 and it was completed, as contractually agreed, on 31 October 2014.
Given the specific investment objectives indicated by the aforementioned agreements, applications for special-purpose loans were limited and a limited number of transactions could be carried out (overall, a total of 23 transactions were finalised – including 14 redeemed in advance or matured and 2 in default and 1 sold – with a total residual value at 31 December 2021 of 961 thousand euro.
This cash collateral, due to the pledge agreements entered into on 18 April 2016 between the Ministry of Economic Development and MCI and to ministerial decrees no. 3555 and 3556 of 16 June 2016, was decreased in 2016 and 2017, to be replaced by two pledges guaranteeing the residual portfolios, originally totalling 1.6 million euro.

Quantitative disclosure

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

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

(millions of euro)

		INSTITUTION ACTS AS ORIGINATOR						
		Traditional				Synthetic		SUB-TOTAL
		STS (*)		Non-STS (**)				
			of which SRT		*of which SRT*		*of which SRT*	
1	**Total exposures**	**-**	**-**	**41,053**	***2,153***	**17,911**	***17,911***	**58,964**
2	**Retail (total)**	**-**	**-**	**24,052**	***19***	**1,738**	***1,738***	**25,790**
3	Residential mortgage	-	-	18,456	*7*	1,738	*1,738*	20,194
4	Credit card	-	-	-	-	-	-	-
5	Other retail exposures	-	-	5,596	*12*	-	-	5,596
6	Re-securitisation	-	-	-	-	-	-	-
7	**Wholesale (total)**	**-**	**-**	**17,001**	***2,134***	**16,173**	***16,173***	**33,174**
8	Loans to corporates	-	-	12,767	*2,123*	15,241	*15,241*	28,008
9	Commercial mortgage	-	-	-	-	-	-	-
10	Lease and receivables	-	-	4,234	*11*	932	*932*	5,166
11	Other wholesale	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-

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

(**) For traditional securitisation transactions for which the Significant Risk Transfer (SRT) conditions have not been met, the table shows the loans underlying the securitisation.

In the table above, traditional securitisation transactions for which the Significant Risk Transfer (SRT) conditions have not been met essentially relate to self-securitisations with an amount of underlying loans of around 38.2 billion euro (33.6 billion euro in June 2021). Compared to June 2021, a new self-securitisations was structured - Brera SEC 3 - for an amount of 7.7 billion euro, offset by the redemptions carried out on other transactions of the same type.

As part of own traditional non-STS securitisations with SRT, during the half-year, the following transactions were finalised:

- Kerdos, a transaction regarding the sale of a portfolio of unlikely-to-pay loans (UTP) of the former UBI for a nominal amount of 2 billion euro and RWAs of 598 million euro. On sale of the assets, the tranches of the securitisation were subscribed for a total value of around 541 million euro, equal to RWAs of 520 million euro;
- Portland, a transaction regarding the sale of a portfolio of bad loans deriving from lease transactions, mainly recorded in the accounting books of Provis, for a total nominal amount of 0.9 billion euro, equal to RWAs of 211 million euro. On sale of the assets, which also included the loans originated by UBI Leasing (around 175 million euro in GBV), 5% of the nominal value of the tranches issued was subscribed for a total value of around 11 million euro, equal to RWAs of 7 million euro. Note that the transaction is valued using the SEC-SA, as the shares of assets pertaining to Provis and UBI Leasing could not be valued using the advanced approach, as the two companies are not included in the authorised perimeter for that approach;
- Grogu, a multi-originator transaction in which Intesa Sanpaolo and BPER participated, regarding the sale of a portfolio of own bad loans for a nominal amount of 1.4 billion euro, equal to RWAs of 407 million euro. On sale of the assets, the tranches of the securitisation were subscribed for a total value of around 285 million euro, with the same value of RWAs. The transaction was valued using the SEC-SA, as more than 95% of the underlying portfolio is valued using the standardised approach.

Lastly, we note the restructuring of the Savoy transaction originated in 2018. The transaction kept the underlying portfolio unchanged, entailing the issue of new securitisation notes subscribed by the Parent Company for a total value of 208 million euro, equal to RWAs of 193 million euro. The reduction in absorption in terms of RWAs, equal to around circa 242 million euro compared to June 2021, is mainly attributable to the absorption of the exposure to the vehicle (from 538 million euro to 208 million euro subscribed), and the deduction of the Mezzanine and Junior tranches from CET 1.

As part of the active credit risk management (GARC) programme, during the half-year, the following own synthetic non-STS transactions with SRT were structured:

- GARC Residential Mortgages-2, a transaction realised on a portfolio of performing residential mortgages originated from retail customers, for a nominal amount of 1.3 billion euro. Intesa Sanpaolo subscribed the Senior tranche and the Lower

Junior tranche, while the Mezzanine and Upper Junior tranches were fully backed by financial guarantees. The securitisation exposure amounts to 1.1 billion euro, equal to total RWAs of 169 million euro;

- GARC High Potential-1, a transaction realised on a portfolio of performing medium/long-term loans originated from customers in the Corporate and SME Corporate regulatory segments, for a value of 0.5 billion euro. The Senior and Junior tranches were fully subscribed by Intesa Sanpaolo, while the Mezzanine tranche is fully covered by collateral. The securitisation exposure amounts to 373 million euro, equal to RWAs of 56 million euro.
- GARC CORP-4, a transaction realised on a portfolio of performing medium/long-term loans and mini-bonds originated by Intesa Sanpaolo to support Corporate and Large Corporate customers, for a value of 3.1 billion euro. The Junior tranche is fully covered by collateral, while the Senior tranche is subscribed by Intesa Sanpaolo. The securitisation exposure amounts to 2.6 billion euro, equal to RWAs of 391 million euro.

The increase in exposure is offset by the early termination of the GARC SME-3 transaction, as well as the usual amortisation of the loans underlying the transactions still outstanding.

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**	**54**	**7,464**	**-**	**7,518**
2	**Retail (total)**	**-**	**1,647**	**-**	**1,647**
3	Residential mortgage	-	20	-	20
4	Credit card	-	-	-	-
5	Other retail exposures	-	1,627	-	1,627
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**54**	**5,817**	**-**	**5,871**
8	Loans to corporates	31	655	-	686
9	Commercial mortgage	-	-	-	-
10	Lease and receivables	-	4,980	-	4,980
11	Other wholesale	23	182	-	205
12	Re-securitisation	-	-	-	-

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

With regard to the traditional securitisations in which the bank acts as sponsor, the Intesa Sanpaolo Group uses the special purpose entities Duomo Funding Plc and Romulus Funding Corporation as the Group's asset-backed commercial paper conduits. Compared to June 2021, there was an increase in volumes in terms of EAD, for around 1.1 billion euro, mainly attributable to transactions with trade receivables and consumer loans as underlyings.

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

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**462**	**2,447**	**-**	**2,909**
2	**Retail (total)**	**425**	**879**	**-**	**1,304**
3	Residential mortgage	249	505	-	754
4	Credit card	-	-	-	-
5	Other retail exposures	176	374	-	550
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**37**	**1,568**	**-**	**1,605**
8	Loans to corporates	29	1,131	-	1,160
9	Commercial mortgage	-	35	-	35
10	Lease and receivables	8	-	-	8
11	Other wholesale	-	402	-	402
12	Re-securitisation	-	-	-	-

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

The volumes of the securitisations in the banking book for which the Intesa Sanpaolo Group acts as an investor decreased by around 86 million euro, substantially in line with June 2021.

Securitisation exposures in the trading book (EU SEC2 Reg. 2021/637)

(millions of euro)

		INSTITUTION ACTS AS INVESTOR			
		Traditional		Synthetic	SUB-TOTAL
		STS (*)	Non-STS		
1	**Total exposures**	**216**	**830**	**-**	**1,046**
2	**Retail (total)**	**132**	**290**	**-**	**422**
3	Residential mortgage	81	245	-	326
4	Credit card	-	-	-	-
5	Other retail exposures	51	45	-	96
6	Re-securitisation	-	-	-	-
7	**Wholesale (total)**	**84**	**540**	**-**	**624**
8	Loans to corporates	3	441	-	444
9	Commercial mortgage	-	77	-	77
10	Lease and receivables	24	13	-	37
11	Other wholesale	57	9	-	66
12	Re-securitisation	-	-	-	-

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

Table EU SEC2 above does not show the part relating to securitisations in the trading book where the institution acts as an originator or sponsor because the Intesa Sanpaolo Group did not have any securitisations of this kind as at 31 December 2021.
Additional information on market risks of the trading book, including the capital requirement in relation to the securitisations included in that book, is set out in the Section of this document on market risks, which also presents separately the requirements relating to exposures to securitisations in the trading book.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (EU SEC3 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		≤ 20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	**Total exposures**	**19,268**	**4,330**	**1,419**	**2,477**	**88**	**17,621**	**-**	**9,873**	**88**
2	**Traditional transactions**	**5,626**	**982**	**538**	**2,475**	**50**	**1,828**	**-**	**7,793**	**50**
3	Securitisation	5,626	982	538	2,475	50	1,828	-	7,793	50
4	Retail	1,648	-	-	1	17	-	-	1,649	17
5	of which STS	-	-	-	-	-	-	-	-	-
6	Wholesale	3,978	982	538	2,474	33	1,828	-	6,144	33
7	of which STS	54	-	-	-	-	-	-	54	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	**13,642**	**3,348**	**881**	**2**	**38**	**15,793**	**-**	**2,080**	**38**
10	Securitisation	13,642	3,348	881	2	38	15,793	-	2,080	38
11	Retail underlying	1,723	-	-	-	15	1,125	-	598	15
12	Wholesale	11,919	3,348	881	2	23	14,668	-	1,482	23
13	Re-securitisation	-	-	-	-	-	-	-	-	-

(*) Starting from 2016 the exposures towards securitisations that meet the requirements for the application of the weighting factor at 1250% are deducted from own funds. For details see Section Own Funds.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (EU SEC3 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		RWEA (by regulatory approach) before application of cap				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	**Total exposures**	**4,687**	**-**	**3,850**	**-**	**373**	**-**	**232**	**-**
2	**Traditional transactions**	**1,959**	**-**	**3,027**	**-**	**155**	**-**	**166**	**-**
3	Securitisation	1,959	-	3,027	-	155	-	166	-
4	Retail	-	-	250	-	-	-	20	-
5	of which STS	-	-	-	-	-	-	-	-
6	Wholesale	1,959	-	2,777	-	155	-	146	-
7	of which STS	-	-	5	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	**2,728**	**-**	**823**	**-**	**218**	**-**	**66**	**-**
10	Securitisation	2,728	-	823	-	218	-	66	-
11	Retail underlying	169	-	116	-	13	-	9	-
12	Wholesale	2,559	-	707	-	205	-	57	-
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.

Table EU SEC3 shows the aggregate as at 31 December 2021 of securitisation exposures in the non-trading book and associated regulatory capital requirements for which the institution acts as originator or as sponsor.
The volumes expressed in terms of EAD increased by around 2.6 billion euro and the capital requirements by around 56 million euro (around 700 million euro in RWA equivalent), resulting from the increase in exposures calculated using the SEC-IRBA of around 30 million euro (around 375 million euro in RWA equivalent) and the SEC-SA of around 26 million euro (around 325 million euro in RWA equivalent).
For more details on the evolution of the aggregate of securitisation exposures, refer to that described in Table EU SEC1.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (EU SEC4 Reg. 2021/637) *(Table 1 of 2)*

(millions of euro)

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		≤ 20% RW	>20 % to 50 % RW	>50 % to 100 % RW	>100 % to 1250 % RW	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	**Total exposures**	**2,098**	**13**	**43**	**691**	**64**	**255**	**145**	**2,445**	**64**
2	**Traditional securitisation**	**2,098**	**13**	**43**	**691**	**64**	**255**	**145**	**2,445**	**64**
3	Securitisation	2,098	13	43	691	64	255	145	2,445	64
4	Retail underlying	928	5	10	299	62	255	58	929	62
5	of which STS	425	-	-	-	-	-	-	425	-
6	Wholesale	1,170	8	33	392	2	-	87	1,516	2
7	of which STS	29	8	-	-	-	-	8	29	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-
9	**Synthetic securitisation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Securitisation	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-

(*) Starting from 2016 the exposures towards securitisations that meet the requirements for the application of the weighting factor at 1250% are deducted from own funds. For details see Section Own Funds.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (EU SEC4 Reg. 2021/637) *(Table 2 of 2)*

(millions of euro)

		RWEA (by regulatory approach) before application of cap				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions (*)
1	**Total exposures**	**755**	**198**	**2,522**	**-**	**60**	**12**	**51**	**-**
2	**Traditional securitisation**	**755**	**198**	**2,522**	**-**	**60**	**12**	**51**	**-**
3	Securitisation	755	198	2,522	-	60	12	51	-
4	Retail underlying	755	107	122	-	60	5	9	-
5	of which STS	-	-	43	-	-	-	3	-
6	Wholesale	-	91	2,400	-	-	7	42	-
7	of which STS	-	2	3	-	-	-	-	-
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.

The securitisations in the banking book for which the Intesa Sanpaolo Group acts as an investor remained substantially in line with June 2021: the volumes expressed in terms of EAD decreased by around 86 million euro and the capital requirements by around 11 million euro (around 138 million euro in RWA equivalent). The changes are mainly concentrated in the SEC-SA.

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

(millions of euro)

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period (*)
			Of which exposures in default	
1	**Total exposures**	**94,898**	***24,802***	**7**
2	**Retail (total)**	**31,927**	***2,886***	**7**
3	Residential mortgage	21,374	*863*	20
4	Credit card	-	-	-
5	Other retail exposures	10,553	*2,023*	-13
6	Re-securitisation	-	-	-
7	**Wholesale (total)**	**62,971**	***21,916***	**-**
8	Loans to corporates	49,320	*20,650*	3
9	Commercial mortgage	-	-	-
10	Lease and receivables	13,334	*1,265*	-3
11	Other wholesale	317	*1*	-
12	Re-securitisation	-	-	-

(*) This column reports the adjustments and recoveries for securitisation where the loans are still on the balance sheet, i.e. self-securitisations and synthetic securitisations. The adjustments are reported as a positive figure, while the recoveries are reported as a negative figure.

Table EU SEC5 above includes:

- loans originated by the Intesa Sanpaolo Group and not derecognised, mainly relating to self-securitisations and synthetic securitisations totalling 58.9 billion euro, of which 0.6 billion euro in default; Compared to June 2021 the self-securitisation of residential mortgage loans named Brera SEC 3 was structured for a total amount of 7.7 billion euro, in addition to the synthetic securitisations GARC Residential Mortgages-2 (residential mortgage loans of 1.3 billion euro), GARC High Potential-1 (loans to SMEs of 0.4 billion euro) and GARC CORP-4 (loans to corporates of 2.8 billion euro);
- loans originated by the Intesa Sanpaolo Group and derecognised relating to traditional securitisations totalling 21.9 billion euro, of which 21.6 billion euro in default, with the latter consisting of securitisations of portfolios of non-performing exposures – including around 7.7 billion euro relating to securitisations backed by government guarantee (GACS), around 7.7 billion euro relating to the Savoy securitisation subject to refinancing, around 2 billion euro relating to the Kerma securitisation and a total of 4.2 billion euro relating to the new securitisations Kerdos, Portland and Grogu, structured in the second half of 2021 – carried out in implementation of the derisking strategy set out in the business plan. Overall, against the above-mentioned securitisations of non-performing exposures, the Intesa Sanpaolo Group recognised assets for 3.8 billion euro of senior notes (of which 1.7 billion euro are fully backed by government guarantee through GACS), and total 0.1 billion euro of mezzanine and junior notes;
- loans originated by third parties totalling 14.1 billion euro, of which 2.6 billion euro in default. Of the latter, 2.5 billion euro related to a securitisation in which Intesa Sanpaolo holds only senior notes for an amount of 19 million euro deriving from the original issue aimed at financing the purchase price paid by the special purpose entity used in the securitisation.

Section 13 - Market risk

MARKET RISK/TRADING BOOK

Risk management strategies and processes

The allocation of capital for trading activities and, more generally, for all captions measured at fair value, is set by the Parent Company's Board of Directors, through the attribution of operating limits in terms of VaR at the level of the Group, Legal Entities, Divisions and/or Governance Areas.
In particular, the overall limits of the Group and of Intesa Sanpaolo and the IMI C&IB Division are included in the Group's Risk Appetite Framework. At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal.
The Group Financial Risk Committee monitors the risks of all the Group companies on a monthly basis, with specific reference to the absorption of VaR limits, and indicates any corrective measures. The situation is also regularly examined by the Board of Directors and the Steering Committee in order to propose any changes to the strategies for trading activities to the Management Bodies.

Structure and organisation of the associated risk management function

The Chief Risk Officer is responsible, at Group level, for setting out the system of operating limits, the capital allocation system, and the system of binding policies and procedures. In particular, coordination is carried out through the Group Financial Risk Committee, which discusses the guidelines for managing market risks.
As part of its functions, the Market and Financial Risk Management Head Office Department is responsible for:
- calculation, development and definition of the operational risk indicators: Value at Risk, sensitivity and greeks, level measures, stress tests and scenario analyses;
- monitoring of operating limits;
- monitoring of regulatory risks;
- comparison of the P&L with the risk indicators and in particular with the VaR (so-called backtesting);
- establishment of the parameters and rules for the valuation of assets subject to mark-to-market and fair value at Group level, as well as their direct valuation when this cannot be obtained from instruments available to the business units.

The structure of the Market and Financial Risk Management Head Office Department is based on the following guidelines:
- structuring of the responsibilities according to the main risk-taking centres and to "Risk Type";
- focusing and specialisation of the resources on the "Risk Owners";
- compliance with the instructions and proposals of the Supervisory Authorities;
- sustainability of the operating processes, including:
  - the methodological development;
  - the collection, processing and production of data;
  - the maintenance and refinement of the instruments and application models;
  - the general consistency of the data produced.

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

The quantification of trading risks and, more generally, all captions measured at fair value (managerial calculation scope) is based on daily and periodic analysis of the vulnerability of the trading book of Intesa Sanpaolo (including the IMI C&IB Division), which represents the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

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

The regulatory requirements for the trading book are established in Regulation EU 575/2013 (CRR - Part Three, Title I, Chapter 3, in Articles 102, 103, and 104 respectively). The combined provisions of those articles lay down the set of minimum requirements for the identification of the trading strategies and the measurement and control of the associated risks. This set of requirements consists of the need to:

- define, formalise and monitor the trading strategies, both quantitatively and qualitatively;
- ensure a clear reporting line along which powers, responsibilities and information are correctly transferred;
- ensure an effective system of control and limitation of the risks connected with the holding of the trading book;
- ensure that the positions meet the minimum requirements for recognition in the trading book.

Based on the requirements of the applicable regulations, Intesa Sanpaolo has established a policy (in the document "Rules on the identification and management of the prudential trading book"), which identifies the trading book based on the following elements:

- measurement at fair value through profit or loss of the instruments held for trading;
- the strategies defined
- the risk-taking centres identified
- the monitoring, limitation and management of the risks defined in accordance with the internal regulations on market risk.

In particular, the assets classified in the regulatory trading book coincide – apart from some specific exceptions – with the financial assets held for trading (Bank of Italy Circular 262). This association derives from the set of strategies, powers, limits and controls that feed and guarantee the adjacency and consistency between the accounting and prudential portfolios.
A metric of verification of consistency of the inclusion in the trading book has also been established, consisting of the indicator of average vintage, which is subject to a monitoring and escalation process, provided for in the above-mentioned internal policy.
The risk indicators used for the trading risks may be divided into six main types:

- Value at Risk (VaR), which represents the backbone of the whole risk management system due to its characteristics of uniformity, consistency and transparency in relation to both economic capital and the Group Finance operations;
- sensitivity and greeks, which are the essential accompaniment to the VaR indicators due to their ability to capture the sensitivity and the direction of the existing financial trading positions in relation to the various individual risk factors;
- level measures (such as notional and Mark-to-Market), which are a useful aid to the above indicators as an immediately applicable solution;
- stress tests and scenario analyses that enable the completion of the analysis of the overall risk profile, capturing changes in predetermined assumptions relating to the evolution of the underlying risk factors, also simulating anomalous market conditions (opening of the basis risks, worst case);
- Incremental Risk Charge (IRC), an additional measure to VaR (contributing to determining capital absorption) that enables the correct representation of the specific risk on debt securities and credit derivatives because it also captures event and default risk, in addition to idiosyncratic risk;
- Stressed VaR (from 31 December 2011 it contributes to the determination of capital absorption), which represents the VaR associated with a market stress period, identified on the basis of the indications presented in the Basel document "Revision to the Basel II market risk framework".

The reporting system is continuously updated in order to take into account the evolution of the operations, the organisational structures and the analytical methods and tools available.

The reporting system is continuously updated in order to take into account the evolution of the operations, the organisational structures and the analytical methods and tools available.

Policies for hedging and mitigating risk

In Intesa Sanpaolo, weekly risk meetings are held during which the main risk factors of the portfolios are discussed. The monitoring and discussions take place on the basis of a series of reports by the Market, Financial and C&IB Risk Coordination Area based on standard quantitative indicators (VaR, greeks, and issuer risk) and stress indicators (what if analysis, stress tests on particular macroeconomic scenarios/risk factors, and marginal VaR).
That information set constitutes an effective method for deciding on any policies for hedging and mitigating risk, as it makes it possible to provide detailed indications to the offices on the books risk profiles, as well as to identify any idiosyncratic risks and concentrations and suggest hedging methods for exposures considered as a potential source of future impairment in the value of the portfolios.

Strategies and processes for continuous verification of their effectiveness

At operational level, in addition to the daily reporting (VaR, sensitivities, level measures, control of assigned limits), information is exchanged between the heads of the Business Departments during the abovementioned Risk Meetings called by the heads of the Departments.
More specifically, during the Risk Meetings the risk profile is examined in detail, with the aim of ensuring that operations are conducted in an environment of controlled risk, and the appropriate use of the capital available.

MARKET RISKS/BANKING BOOK

Risk management strategies and processes

Market risk originated by the banking book arises primarily in the Parent Company and in the main other subsidiaries that carry out retail and corporate banking.
Specifically, in managing interest rate risk in the banking book (illustrated below), the Intesa Sanpaolo Group seeks to maximise profitability, by adopting operating methods consistent with the general stability of the financial results over the long term. To that end, positions are adopted in line with the strategic views processed in the periodic meetings of the Group Financial Risks Committee, which is also in charge of verifying the overall financial risk profile of the Group and its main operating units.
"Foreign exchange risk" is defined as the potential adverse effect resulting from changes in the exchange rate between currencies that could have a negative impact on the valuation of the assets and liabilities in the financial statements and on earnings and capital ratios.
Two types of Foreign Exchange Risk are identified: *Structural* and *Transaction risk.*

Structural Foreign Exchange Risk is defined as the potential loss resulting from changes in the exchange rate that could have a negative impact on the foreign exchange reserves that are part of the Group's consolidated shareholders' equity.
The Intesa Sanpaolo Group's management of the Structural Foreign Exchange Risk assigns the Parent Company the related management and coordination powers in order to achieve a consistent Group strategy.
This choice, which is consistent with the Parent Company's role as the liaison with the Supervisory Authority, allows the activities to be performed based on the specific responsibilities set out in the prudential supervision regulations, in addition to suitably mitigating and/or managing this type of risk.

Transaction Foreign Exchange Risk is defined as the potential loss resulting from changes in the currencies exchange rate that may have negative impacts both on the valuation of the assets and liabilities in the financial statements when converted into the reporting currency and on the earnings from funding, lending and investment/disinvestment transactions in currencies other than the euro. The main sources of this foreign exchange risk consist of: non-euro loans and deposits held by corporate and/or retail customers; conversion into domestic currency of assets, liabilities and income of the international branches; trading of foreign currencies; collection and/or payment of interest, commissions, dividends and administrative expenses in foreign currencies; purchase and sale of securities and financial instruments for the purpose of resale in the short term; etc. Transaction foreign exchange risk also includes the risk of transactions related to operations that generate the type of structural foreign exchange risk represented, for example, by dividends approved by international subsidiaries and that relating to the management of foreign exchange risk tied to the management of equity investments, also including the gains/losses of international branches (Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk).

Structure and organisation of the associated risk management function

Within the Market and Financial Risk Management Head Office Department, the market risks of the banking book and the liquidity risk (discussed in specific sections) are overseen by the Banking Book Financial Risks Function, which is responsible for:

- setting out the criteria and methods for the measurement and management of the financial risks of the banking book (interest rate, foreign exchange, minority equity investments) and liquidity risk of the Group;
- proposing the system of operational limits and the guidelines for the management of financial risks for the operational units of the Group involving the operations of the banking book;
- measuring the financial risks of the banking book assumed by the Parent Company and the other Group companies, both directly, through specific outsourcing agreements, and indirectly, by consolidating the information deriving from the local control units, and verifying compliance by the Group companies with the limits set by the corporate bodies, reporting on their evolution to the top management and operating structures of the Parent Company;
- analysing the overall financial risk profile of the Group's banking book, proposing any corrective measures, within the more general context of the guidelines set out at strategic planning level or by the Corporate Bodies;
- managing the assessment and measurement, for the Parent Company and all the other Group Companies governed by outsourcing contracts, of the effectiveness of the hedging relationships (hedge accounting) required by the IAS/IFRS regulations (for the main Group companies the structures of the Parent Company centralise these activities in order to achieve operational efficiencies and the most effective governance of the process. For the other subsidiaries, it provides direction and guidance);
- supporting the structure Strategic Asset & Liability Management in relation to strategic ALM.

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

The following metrics are used to measure the interest rate risk generated by the banking book:

1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (ΔNII);
3. Credit Spread 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 FTP (internal fund transfer price) or risk-free rate and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the bank does not expect to recover on a given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the "cash flow adjustment" ("CFA") method.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the shift sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income must be estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions must also be made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy, as well as the evolution of the portfolio (run-off, constant or dynamic balance sheet).
Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.).
The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.
The GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for shift sensitivity.

The **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 or by the expected credit risk/jump-to-default risk. In line with the EBA Guidelines, which limit the reference area to assets only (i.e. excluding derivatives and liabilities), specific monitoring is envisaged for the HTCS securities portfolio, whose changes in value have an immediate impact on the Group's capital.

Value at Risk (VaR) is a probability-based metric that expresses the maximum potential loss of portfolio value that could be incurred within a specific time horizon, at a pre-defined confidence level. VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, also taking into account the benefits of diversification and the correlation between various risk factors and different currencies. This measure is calculated and monitored, for the entire scope, by the Financial and Market Risks Head Office Department;
In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at least annually and are subject to periodic backtesting, appropriately documented in the specific model change document to ensure that the operating situation adheres to the assumptions made and incorporate any legislative and/or behavioural changes.
For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.

Policies for hedging and mitigating risk

In addition, within the framework of the dynamic simulation of net interest income, an additional behavioural model is adopted to simulate the effects of potential renegotiations of the contractual conditions of medium-/long-term assets. In terms of risks, renegotiations modify the duration of the portfolio of medium-/long-term loans and entail a decline in net interest income due to the revision of the contractual rates/spreads to include conditions more advantageous to customers. Specific models have been estimated to ensure a proper representation of the renegotiations phenomenon in terms of the percentages of mortgage loans renegotiated and their financial characteristics.
Interest rate risk hedging is undertaken with the aim of protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales of debt securities and options on interest rates concluded with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, in order to preserve the economic value of a portion of the HTCS portfolio, by protecting the price of the securities against adverse market movements, the Group negotiates forward sales of the debt securities held in portfolio on a fair value hedging basis. Finally, on the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of variable-rate loans and on a portion of fixed-rate loans. For this last type, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics. Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable-rate funding, to the extent that the latter finances fixed-rate investments, and on variable-rate investments to cover fixed-rate funding (macro cash flow hedges).
The Market and Financial Risk Management Head Office Department of the Parent Company is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.

Qualitative and quantitative disclosure regarding the trading book

The quantification of trading risks (managerial calculation scope) is based on daily and periodic vulnerability of the trading books of Intesa Sanpaolo, which represent the main portion of the Group's market risks, to adverse market movements of the risk factors already listed above.
Some other Group subsidiaries hold smaller trading books with a marginal risk (approximately less than 1% of the Group's overall management risk): in particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.
Conversely, the table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which managerial VaR is the main risk measurement metrics and those for which the risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

(millions of euro)

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS		
		VaR	Other	Risk factors measured using metrics included under Other
Assets subject to market risk	**802,216**	**113,705**	**688,510**	
Financial assets held for trading	47,196	46,647	549	Interest rate risk, credit spread, equity
Financial assets designated at fair value	4	1	3	Interest rate risk, credit spread
Other financial assets mandatorily measured at fair value	6,139	2,447	3,691	Interest rate risk, credit spread
Financial assets measured at fair value through other comprehensive income (ifrs 7 par. 8 lett. h))	67,595	64,236	3,359	Interest rate risk, equity
Due from banks	163,940	-	163,940	Interest rate risk
Loans to customers	505,766	-	505,766	Interest rate risk
Hedging derivatives	1,732	374	1,358	Interest rate risk
Investments in associates and companies subject to joint control	9,844	-	9,844	Equity risk
Liabilities subject to market risk	**777,512**	**60,122**	**717,390**	
Due to banks	164,980	-	164,980	Interest rate risk
Due to customers	459,540	-	459,540	Interest rate risk
Securities issued	88,062	-	88,062	Interest rate risk
Financial liabilities held for trading	56,388	56,310	78	Interest rate risk
Financial liabilities designated at fair value (ifrs 7 par. 8 lett. e))	3,674	3,674	-	-
Hedging derivatives	4,868	138	4,730	Interest rate risk

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the capital requirement for the market risk of the legal entity Intesa Sanpaolo.
With regard to market risk, the risk profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products and the hedge fund portfolios using a look through approach; (iii) position risk on dividend derivatives and (iv) commodity risk.
The VaR and the Stressed VaR used to determine the capital requirement use the same calculation engine and the same pricing libraries for the full evaluation of the managerial measures. With regard to the latter, however, there is no 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 books 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)	209
2	Equity risk (general and specific)	197
3	Foreign exchange risk	56
4	Commodity risk	5
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation (specific risk)**	**1,137**
9	**Total**	**1,604**

The market requirements under the standardised approach are in line with the previous half year. Securitisations, foreign exchange risk and exposure to debt securities and equities not included in the internal model, whose changes on the end of June offset each other, all contributed to this caption.
The RWEAs of the trading book securitisations, calculated using the standardised approach (CRR 2017) were 1,137 million euro, up on 1,069 million euro at the end of June 2021.
Compared to the end of June 2021, the total exposure of the trading book increased slightly (1,046 million euro in EAD compared to 1,003 million euro), with a prevalence of the Mezzanine class with AA rating. Specifically, Auto Loan and CMBS exposures increased by around 75 million euro in relation to a decrease of around 80 million euro in CLO.

Market risk under the Internal Model Approach (IMA)[29] (EU MR2-A Reg. 2021/637)

(millions of euro)

			RWEAs	Own funds requirements
1		**VaR (higher of values a and b)**	**1,778**	**142**
	a)	Previous day's VaR (VaRt-1)		40
	b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		142
2		**SVaR (higher of values a and b)**	**7,263**	**581**
	a)	Latest available SVaR (SVaRt-1)		205
	b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		581
3		**IRC (higher of values a and b)**	**2,147**	**172**
	a)	Most recent IRC measure		100
	b)	12 weeks average IRC measure		172
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**	**11,188**	**895**

The volatility of the credit spreads, the movements in the exposure to sovereign debt and the positioning on credit indices (mainly protection purchases), have driven the most recent movements in the market RWEAs. The reduction in capital absorption at the end of December compared to the previous half year is due to lower total exposure on credit indices and smaller concentration of sovereign securities in the trading book.

[29] The VaR figure in the table includes the Risk Not In Model requirement.

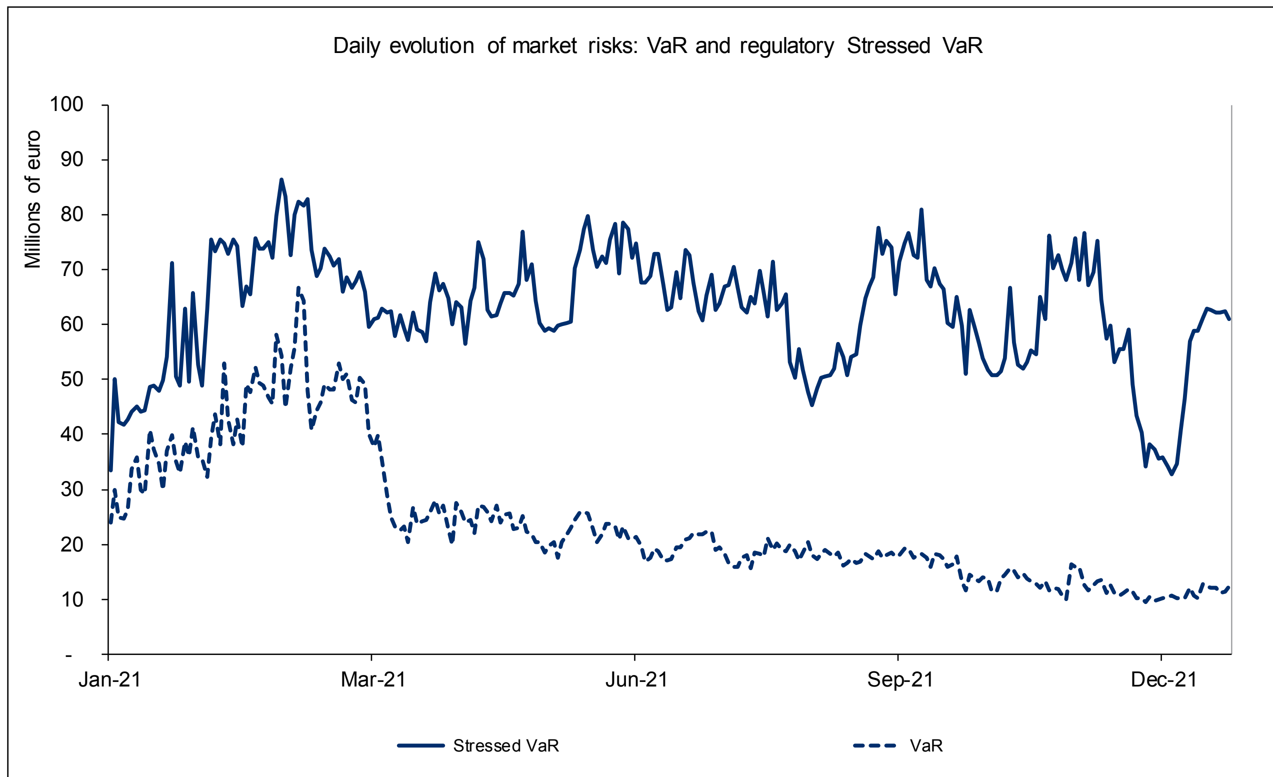
Stressed VaR

Definition: the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.
Method: this period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":

- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the 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 this document, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.
For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

The graph below shows the trend of the regulatory measures.



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

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

(millions of euro)

VaR (10 day 99%)		
1	Maximum value	71
2	Average value	49
3	Minimum value	30
4	Period end	40
SVaR (10 day 99%)		
5	Maximum value	256
6	Average value	191
7	Minimum value	104
8	Period end	205
IRC (99.9%)		
9	Maximum value	420
10	Average value	239
11	Minimum value	100
12	Period end	100
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

The level of the capital requirements reflected the market volatility, the movements in the exposure to sovereign debt and the positioning on credit indices.

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

Sensitivity and greeks

Definition: sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of risk factors connected thereto. It therefore summarises:
- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

Method: the sensitivity indicator can be constructed using the following techniques:
- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures

Definition: level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.
The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.
Method: nominal (or equivalent) position is determined by identifying:

- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.
At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests

Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.
Method: stress tests for management purposes are applied periodically to market risk exposures, typically adopting:

- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group's Stress Testing Programme:

- Multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity.
- *Regulatory multi-risk exercise*, ordered and coordinated by the supervisor/regulator which defines its general assumptions and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas.
- *Situational exercise*, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective.
- *A single or specific risk exercise,* to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Daily managerial VaR evolution

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

Daily managerial VaR of the trading book

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	19.9	16.9	25.8	20.4	25.8	41.3
of which: Group Treasury and Finance Department	*2.7*	*2.3*	*3.2*	*2.6*	*2.8*	*3.2*
of which: IMI C&IB Division	*19.1*	*16.0*	*25.7*	*20.5*	*25.9*	*38.1*

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

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

During the fourth quarter of 2021, as shown in both the tables and the graph below, there was a substantial stability in the overall trading risks compared to the averages for the third quarter of 2021 (19.9 million euro in the fourth quarter 2021 and 20.4 million euro in the third quarter 2021) and, more generally, a reduction compared to the averages of the first and second quarter 2021, but also compared to the average values for the full year 2020. These reductions are mainly attributable to the scenario "rolling effect" due to the lower market volatility following the exceptional market shocks related to the spread of the COVID-19 pandemic.

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

Daily managerial VaR of the trading book - Comparison 2021 – 2020

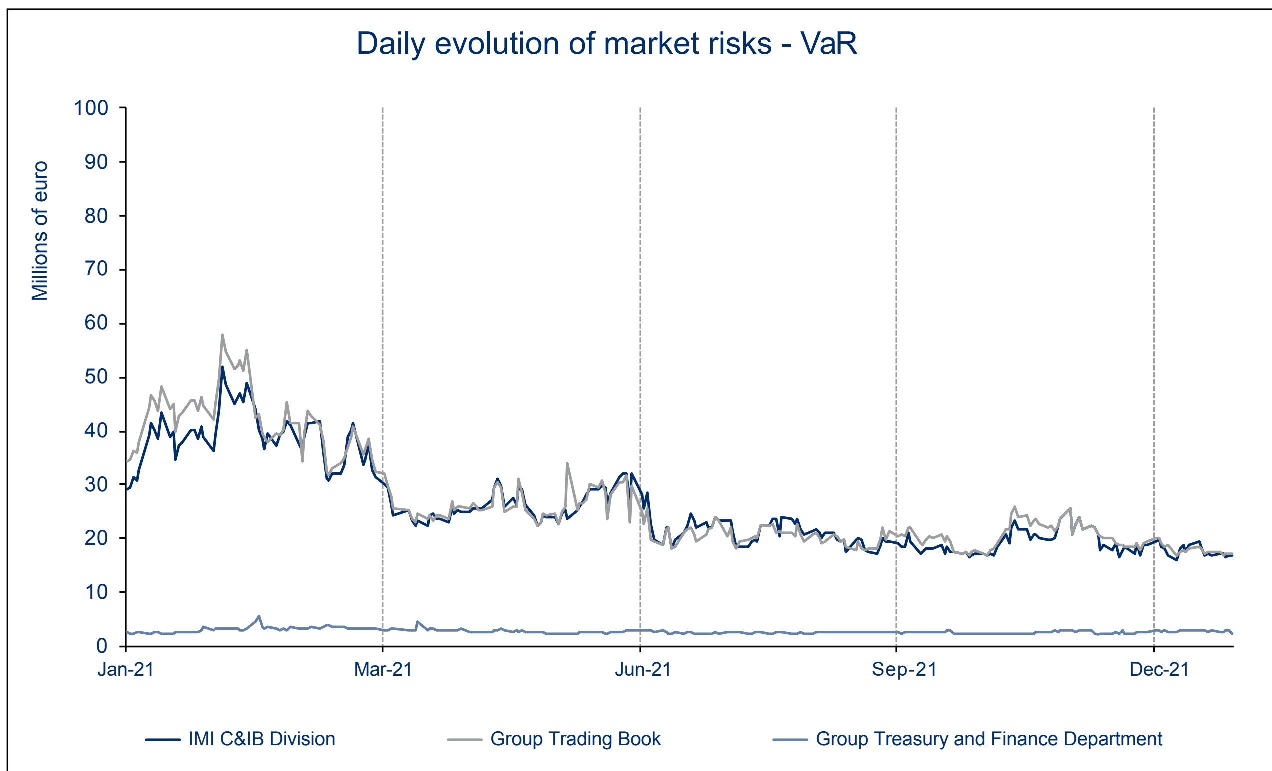
(millions of euro)

	2021				2020		
	average	minimum	maximum	last day	average	minimum	maximum
Total GroupTrading Book (a)	26.7	16.9	57.8	17.2	65.3	31.4	98.6
of which: Group Treasury and Finance Department	*2.8*	*2.3*	*5.6*	*2.5*	*16.5*	*2.3*	*42.6*
of which: IMI C&IB Division	*25.7*	*16.0*	*51.9*	*17.0*	*46.6*	*20.7*	*72.1*

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

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

With regard to the trend in the trading VaR during the fourth quarter of 2021, the change was mainly due to the IMI C&IB Division: in particular, at the beginning of the quarter there was a slight increased due to the entry of new volatility scenarios in the tail of the distribution and, starting from November, a gradual realignment of the measure with the levels at the beginning of the period due to the effect of the reduction of Italy risk. The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the fourth quarter of 2021 shows a prevalence of credit spread risk and interest rate risk, accounting for 34% and 23%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of interest rate risk and exchange rate risk for the Group Treasury and Finance Department (39% and 45%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (36% and 22%, respectively).

Contribution of risk factors to total managerial VaR

4th quarter 2021	Shares	Rates	Credit spread	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	7%	39%	9%	45%	0%	0%
IMI C&IB Division	11%	22%	36%	5%	20%	6%
Total	**10%**	**23%**	**34%**	**9%**	**18%**	**6%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the fourth quarter of 2021, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

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

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total Trading Book	109	-	9	-16	-15	16	15	2	-1	4

In particular:
- for stock market positions, there would be no potential losses in the event of a sudden rise in equity prices and a concurrent sharp reduction in volatility;
- for positions in interest rates, there would be potential losses of 16 million euro in the event of a fall in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 bps would result in an overall loss of 15 million euro;
- for positions in exchange rates, there would be potential gains both in the event of appreciation and depreciation of the Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 1 million euro in the event of a fall in prices of commodities other than precious metals.

With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the fourth quarter from 144 million euro (average managerial VaR third quarter 2021) to 139 million euro (average managerial VaR fourth quarter 2021).

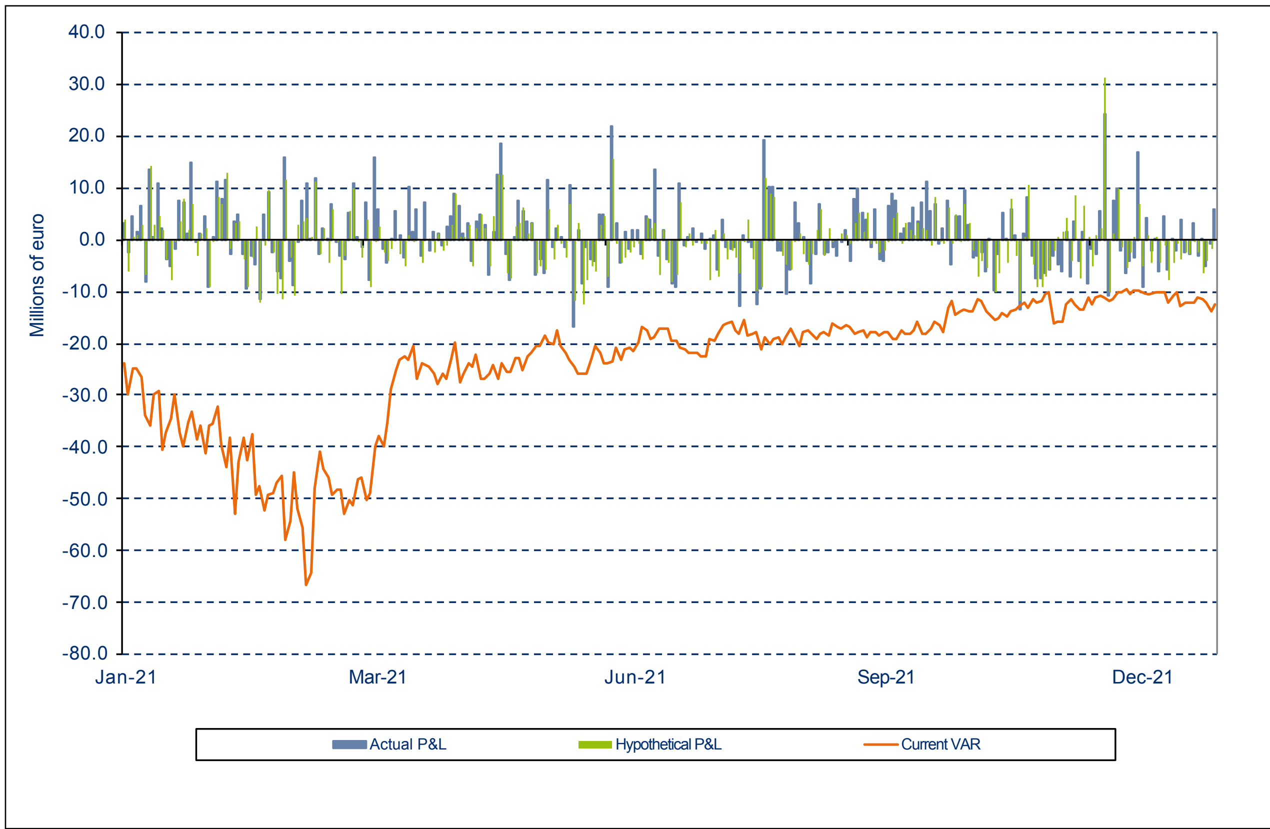
Backtesting

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)

A single backtesting exception was recorded during the fourth quarter, on 28 October 2021. The current VaR measure is sufficiently conservative; the only exception recorded does not entail add-ons to regulatory requirements.



Issuer risk

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

Breakdown of exposures by type of issuer

	Total	Of which					
		Corporate	Financial	Emerging	Covered	Government	Securitis.
Group Treasury and Finance Department	0%	0%	0%	0%	0%	0%	0%
IMI C&IB Division	100%	11%	29%	4%	3%	35%	18%
Total	**100%**	**11%**	**29%**	**4%**	**3%**	**35%**	**18%**

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

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

Operating limits

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

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

Some of these limits may be covered by the RAF rules. See also the paragraph "The internal control system" for a more in-depth representation of the risk framework.

Incremental Risk Charge – Summary of 2021 performance

(millions of euro)

	average 4th quarter	4th quarter last one	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	171.8	100.0	100.0	312.7	308.4	183.1	401.6

Impacts from the COVID-19 pandemic

Within the framework of the impacts of the COVID-19 pandemic on market risk dynamics, in 2021 there was a progressive return to orderly functioning of the main financial markets, as witnessed by the return of the main market parameters to within the average values observed over the twelve months prior to the crisis. These dynamics enabled orderly management of the Group's HTCS and trading portfolios not only in terms of turnover, but also of risk management, as further highlighted by the dynamics of the main market risk metrics.
In the current market environment, characterised by low volatility, the managerial VaR measures showed, as described in the previous sections, a slight decrease in the average VaR calculated at Group level for all the financial assets under the Trading and HTCS business models (average managerial VaR of around 139 million euro in the fourth quarter compared to an average of 144 million euro in the third quarter); only the Trading component was stable at around 20 million euro (compared to an average of 20.4 million euro in the third quarter and an average of 19.9 million euro in the fourth quarter).
With regard to capital requirements (market risk), as the effects of the outbreak of the COVID-19 pandemic on financial markets diminished, there was a marked reduction in the volatility levels of the main risk factors in 2021. Together with a lesser overall exposure of the trading book, this entailed a reduction in RWAs, compared to December 2020, from 17 billion to 11 billion euro.

FAIR VALUE, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUE OF FINANCIAL INSTRUMENTS

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

General fair value principles

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group Guidelines and Rules for Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies.

The “Guidelines for Valuation of Financial Instruments at Fair Value”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks 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, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.
The bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:

a. in the principal active market for the asset or liability;
b. in the absence of a major market, in the most advantageous active market for the asset or liability.

The bank is not required to conduct an exhaustive study of all possible markets to identify the major market or, in the absence of the major market, the most advantageous market, but must take into account all the reasonably available information. If there is no evidence to the contrary, the market that the entity normally operates in to sell the asset or transfer the liability is assumed to be the major market or the most advantageous market, if there is no major market. The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Intesa Sanpaolo Group generally operates.

In accordance with IFRS 13, the Group considers an active market to be a market where transactions in an asset or liability occur with sufficient frequency and volume to provide useful information for determining price on an ongoing basis. More specifically, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In specific cases, governed by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value, and despite being quoted on regulated markets, relevant research is carried out to verify the significance of the official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices must be carried out. A reduction in the volume or the level of activity alone may not indicate that the price of a transaction or the quoted price does not represent fair value or that the transaction in that market is not ordinary. If an entity determines that a transaction price or quoted price does not represent fair value (e.g., non-ordinary transactions) an adjustment to the transaction prices or listed prices is required if the entity uses those prices as the basis for fair value measurement and that adjustment may be significant with respect to the fair value as a whole.

General Independent Price Verification principles

The Intesa Sanpaolo Group governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.
The “Guidelines on Independent Price Verification”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The level I and II “Rules on Independent Price Verification” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Intesa Sanpaolo Group governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.
The Intesa Sanpaolo Group has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.
Within the IPV, the level I, II and III control functions have the following main responsibilities:

- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations and consistency between the IPV controls, accounting valuations and additional valuation adjustments (AVA) (carried out, respectively, on the basis of the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value) and supervises the level I controls and performs the level II controls;
- the level III control function carries out internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. In particular:

- the level I controls are aimed at ensuring the validation of the market data entered into the systems and are based on an in-depth analysis of the data obtained from external providers. If the level I controls detect that certain thresholds have been exceeded for the data contained in the systems, or the data is not considered correct by the level I control functions, a comparison process (challenge) is activated with the involvement of the business function and the level II control functions, in line with the degree of complexity of the report;
- the level II controls are characterized by sequentiality and complementarity in execution with the level I controls and are designed to ensure alignment between management and accounting valuations, based on an in-depth analysis of consensus or counterparty data and, where these are not available, through the application of pricing models associated with the respective instruments.

The results of the IPV process are analysed, assessed and coordinated by the Financial Measurements Working Group, a technical body set up specifically for this purpose, with the aim of facilitating integration and comparison between the business functions and the control functions.

The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm’s length exchange motivated by normal business considerations.
The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

Inputs of the valuation techniques

The inputs are defined as the assumptions that market operators would have used to determine the price of the asset or the liability, including assumptions regarding risk, such as, for example, the risk relating to a particular valuation technique used to measure fair value or the risk relating to the inputs of the valuation technique. The inputs may be observable or unobservable.
Observable inputs are those produced using market data, such as publicly available information on operations or actual events, which reflect the assumptions that market operators would use in determining the price of the asset or the liability.
Unobservable inputs are those for which no market information is available and that are produced using the best available information regarding the assumptions that market operators would use to determine the price of the asset or the liability.

Fair value hierarchy

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

- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs;
- fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.

The attachment “Fair Value Hierarchy Rules” to the “Rules for Valuation of Financial Instruments at Fair Value” defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.

For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

The following are considered as level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), contributed UCITS funds (covered by EU directives), spot exchange rates, derivatives for which prices are available on an active market (for example, exchange traded futures and options) and hedge funds whose Net Asset Value (NAV) is available, according to the frequency established in the subscription contract, and in which assets classified as level 1 predominate among the assets invested in by the fund, as a percentage of the NAV, provided the level 3 instruments do not exceed a set threshold.

Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.

In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.

The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives (including securitised derivatives) measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;
- hedge funds in which Level 2 assets predominate, as a percentage of the NAV, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured using this method:

- some transactions in derivatives, bonds, or complex structured credit instruments measured using level 3 inputs;
- hedge funds in which the level 3 assets are above a set limit;

- private equity funds, private debt funds, real estate funds and closed-end funds resulting from sales of non-performing loans valued at NAV, with possible discounts;
- shareholdings and other equities measured using models based on discounted cash flows or using equity methods;
- loans whose fair value is determined through the use of a credit spread that does not meet the criteria to be considered level 2;
- loans with underlying equity risk, whose fair value is calculated based on the discounting of expected contractual flows.

The transfer of fair value levels of financial assets and financial liabilities measured at fair value on a recurring basis occurs, as established by IFRS 13, as follows: the transfer between levels 2 and 3 occurs upon a change in the observability or significance of an input to the measurements; and the transfer between levels 1 and 2 or 3 occurs upon a change in the availability of prices in an active market.
For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of observability and significance of the parameters used to determine the risk-free component. The calculation of the counterparty/issuer default risk component may result in a transfer to level 3 when the current exposure is positive for the bank and the counterparty is in non-performing loan status, or when the determination of default risk requires unobservable inputs and the bilateral credit value adjustment (bCVA) component is significant when compared to the overall fair value of the netting set, or when the counterparty's sensitivity to downgrading is significant when compared to the overall fair value of the netting set.
For non-contributed equity instruments, the change of the level occurs:

- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Intesa Sanpaolo Group reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Intesa Sanpaolo Group uses valuation techniques that use unobservable inputs.

Valuation of financial instruments

The valuation of financial instruments entails the following phases:

- identification of the sources for valuation: for each asset class, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used;
- validation and processing of input data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of the measurement methods: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the measurement models used and at determining any adjustments necessary for measurement;
- monitoring and revision of the measurement methods: the monitoring consists of the ongoing checking of the adherence to the market of the valuation model and enables the timely discovery of any gaps, in order to initiate the necessary checks and measures.

Identification, certification and processing of the input data for the measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of measurement techniques, highlight the need to establish univocal principles in the determination of market parameters. To this end, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes needed to identify the market parameters, the contribution sources considered appropriate and how the data must be received (cut-offs) and used for the measurement of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. The same sources are used in measurements carried out for third parties under Service Level Agreements, entered into in advance. The adequacy of the input data for the measurements is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, measuring the contribution bid-ask, and lastly, for OTC products, verifying the comparability of the contribution sources.
The use of all market parameters in Intesa Sanpaolo is subordinated to their certification by the IMI CIB Risk Management Head Office Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Certification of measurement methods

The measurement methods used by the Intesa Sanpaolo Group are certified by the IMI CIB Risk Management Head Office Department, with the involvement of all relevant structures. The purpose of the certification is to verify the consistency of the methods with current market practice, to highlight any problems or limitations, and to determine any fair value adjustments, in accordance with the applicable regulations. The certification process considers all aspects of the measurement method (basic assumptions, mathematical derivation, any approximations, numerical algorithms used, inputs and outputs) but also all contextual elements that are relevant to the management, including the characteristics of the associated products (payoffs, early termination clauses, etc.), any ancillary agreements (e.g. netting or collateral agreements), the market where the products are traded, and how they are used by end users (e.g. precision vs. performance, calculation of risk measures, etc.). These aspects are subject to qualitative and quantitative analysis and are duly reported in the internal documentation.
The possibility of independent validation issued by high standing financial service companies is also envisaged in highly-complex cases and/or in presence of market turbulence (market dislocation).
At the end of the certification process, the measurement method is recorded in the Rules for Valuation of Financial Instruments at Fair Value.

Monitoring and review of measurement methods

As required by the applicable regulations, the measurement methods used are subject to ongoing monitoring of their performance with respect to the evolution of financial instruments, markets and methodological innovations developed by the scientific community, in order to ensure their continuous alignment to the market, promptly highlight any inadequacies and initiate the necessary checks and actions. The Rules for Valuation of Financial Instruments at Fair Value detail all elements considered for the periodic monitoring and revision of the measurement methods. The functions involved in the monitoring process are the same as those involved in the process of certification of the measurement methods mentioned above and in the IPV process governed by the Guidelines and Rules on Independent Price Verification.

Valuation risk: fair value adjustments

The Intesa Sanpaolo Group defines valuation risk as the risk of losses arising from the valuation uncertainty for the fair value exit price of financial instruments, due to any limitations of the measurement techniques used or particular market conditions.
The main measure of the valuation risk associated with a financial instrument are the fair value adjustments, which are designed to take into account the valuation uncertainty or the difficulty in the disposal of specific financial positions, and may relate to a single financial instrument or to the net position for a particular risk factor. The adjustments may be calculated as add-ons to the valuation or included directly in the valuation. They are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in measurement methods chosen and their implementation.
In particular, the Intesa Sanpaolo Group envisages fair value adjustments for the following categories of measurement uncertainty:

- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.) generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the “Rules for the Valuation of Unlisted Equity Investments” with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective, consistent and systematic manner possible by the IMI CIB Risk Management Head Office Department and the Group M&A and Equity Investments Head Office Department. The introduction and release of the fair value adjustments depend on the factors described above. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.
For new products, the decision to apply the adjustments is taken during the new product approval process, upon the proposal of the IMI CIB Risk Management Head Office Department.
The application of the adjustments is subject to an authorisation procedure that, above a certain warning threshold defined for specific cases, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company’s financial reports.

Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds, and loans), on the valuation models used.

I. Valuation of non-contributed debt securities

The fair value of non-contributed bonds is measured using the income approach, i.e. by calculating the present value of expected future cash flows using an appropriate risk premium represented by the credit spread, identified on the basis of

contributed and liquid financial instruments with similar characteristics. The sources used for this measurement are the following:
- contributed and liquid debt securities of the same issuer;
- credit default swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case, the different seniority of the security to be priced is considered with regard to the issuer's debt structure.
In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.
When applying the spread for the pricing of the non-contributed instrument, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.
Finally, if the instrument includes an optional component, a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and any illiquidity of the underlying assets. This component is calculated based on the type of option, using the corresponding valuation models for derivatives mentioned below.

Similarly, Intesa Sanpaolo's credit spread for the Banking Group's financial liabilities designated at fair value is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market prices and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level. Similarly, the issued certificates are measured at fair value by breaking them down into the following two components: an issued bond, measured as described above, and an option component, measured using the corresponding derivative pricing models described below.

Finally, measurement of the financial liabilities designated at fair value of the Insurance Companies (mainly liabilities associated with unit-linked investment contracts that do not present significant insurance risk) reflects the market value of the underlying assets, which are determined in application of the various methods described herein.

II. Valuation of loans

Loans are measured at fair value through contributions from info providers when available or by calculating the present value of expected future cash flows using an appropriate credit spread, identified starting from the following sources:
- contributed loans on the market;
- sector/rating-specific loan market curves;
- contributed securities of the same issuer;
- credit default swaps on the same reference entity.

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.
When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.
Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.
In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.
Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.
In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital instruments that may be acquired following the introduction of an equity conversion clause for the position.

III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification monitoring illustrated above.
The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk:
a. for CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows;
b. for transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base)

value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black-Scholes, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.

IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).

In this case, the cash flows are obtained from infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.

After this valuation, credit analyses on underlying assets are fine-tuned to incorporate possible further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

V. Valuation of non-contributed equities

Level 2 equities include:

- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions;
- equities measured using relative methods, based on multipliers: implied multiples in transactions in comparable listed or unlisted companies, within a time frame deemed sufficiently short with respect to the time of measurement and under constant market conditions (M&A multiples) or implicit multiples in the stock market prices of a sample of comparable companies (stock market multiples).

Level 3 equities for which the “relative” models described above are not applicable in significant terms, and, therefore, “absolute” valuation models are used, include:
- equities for which analytical models based on flows are used, which determine the value through estimates of the cash or income flows that the company is expected to generate over time, discounted using an appropriate rate based on the level of risk of the instrument;
- equities measured based on net worth criteria such as NAV or Adjusted Net Asset Value (ANAV), which estimates the fair value of the various components of the assets of the investee.

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.
The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.
This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

VI. The valuation of hedge funds

The determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to investments in funds made through the direct purchase of units and to funds managed through a Managed Account Platform (MAP), which ensures daily transparency of the instruments underlying the funds.
For the funds not managed via a MAP, the fair value corresponds to the Net Asset Value (NAV) provided by the fund administrator, to which an adjustment can be applied, deriving from a measurement process aimed at capturing the main risk factors that the management of the funds is subject to, which consist of the following two types:
- counterparty (broker) risk, i.e. the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, subject to the risk of default;
- illiquidity risk, i.e. the risk that the assets of the fund are illiquid due to the limited prices available or due to a lack of information on the assessment policies used by the fund.

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.
For the funds managed via a MAP, the Fair Value corresponds to the NAV provided by the fund administrator. For this type of fund, no adjustment is applied because it is considered that the infrastructure that guarantees the daily transparency enables sufficient control and monitoring of the underlying instruments to mitigate counterparty and illiquidity risk.
For both types of investment, the fair value hierarchy level is assigned based on prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

VII. The valuation of private debt funds

For Private Debt AIFs (Alternative Investment Funds), the investment authorisation process involves an initial due diligence to verify the consistency between each fund's asset valuation policy and the Guidelines and Rules for Valuation of Financial Instruments at Fair Value. The fund is subsequently valued at NAV.

VIII. Valuation of closed-end private equity funds, real estate funds and closed-end funds resulting from sales of non-performing loans

Closed-end private equity funds are usually valued using the latest Net Asset Value approved by the asset management company (published half yearly or quarterly), adjusted solely to take into account events that have not yet occurred at the reference date of the NAV, such as:
- a material transaction on a portfolio company;
- the bankruptcy or liquidation of a portfolio company;
- the alignment of any listed assets to current prices;
- draw downs and distributions by the fund.

Closed-end real estate funds are valued using the last available Net Asset Value, adjusted for any subsequent call ups or distributions and, where considered necessary, applying a discount calculated using an internal model. Specifically, this model enables the calculation of a discount on the Net Asset Value based on five different factors: (i) the size of the asset management company that manages the fund; (ii) the number of subscribers; (iii) the fund’s historical return; (iv) the fund’s return for the period; and (v) the level of debt. These factors are calibrated differently based on the business model and the fund’s resulting risk profile, distinguishing between core, value added and opportunistic funds.
For the valuation of closed-end funds resulting from sales of non-performing loans, the NAV reported by the asset management company is taken as the fair value only following a successful joint check of the following conditions: i) the asset management company of the fund determines the NAV in accordance with the EVCA or IPEV guidelines or other criteria in line with the definition of fair value pursuant to IFRS 13; ii) the fund has an updated business plan and is not underperforming on its business plan; and iii) the IRR implicit in the NAV is higher than a threshold rate identified as the WACC of a sample of listed companies that invest in non-performing loans. If the check is unsuccessful, the NAV reported by the asset management company is decreased by applying a discount determined in accordance with market practice.

Valuation of financial assets and liabilities not measured at fair value on a recurring basis

Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:
- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;
- for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-2	2	%	1,639	-3,540
Structured securities and loans	JD model	JD parameters	-38	5	%	257	-51
Structured securities and loans	Two-factor model	Correlation	-29	35	%	5,761	-4,807
ABSs	Discounting Cash Flows	Credit Spread	-3	4	%	1,093	-1,500
CLOs Cash	Discounting Cash Flows	Credit Spread	-3	3	%	646	-650
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	0	100	%	1,840	-1,303
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	BBB	Internal rating	251	-403
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-10.93	25.84	%	526	-664
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.15	76.17	%	760	-3,225
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	-4.03	57.36	%	238	-132
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-30.25	96.53	%	259	-203

General prudent value principles

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value, which involves the calculation of additional valuation adjustments for prudential purposes, without impacts on the fair value calculated for accounting purposes in accordance with the IFRS.
The Intesa Sanpaolo Group governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.
The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.
In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.
The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:
- market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level;
- close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level;
- model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued;
- unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions;
- investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework;
- concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated;
- future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions;

- early termination: it considers the potential losses arising from non-contractual early terminations of customer trades;
- operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.

The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.
The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.
The “Rules for Prudent Valuation of Financial Instruments” outline, for each AVA, the definition and interpretation, the scope of application, the input data and the detailed calculation method for each class of financial instrument.

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

Prudent valuation adjustments (PVA) (EU PV1 Regulation 2021/637)

The new table required by Regulation (EU) 2021/637 on additional prudent valuation adjustments is provided below.

(millions of euro)

	Category level AVA	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	8	33	2	80	1	4	-	81	31	50
2	Not applicable						-	-			
3	Close-out cost	24	79	4	36	1	20	19	92	81	11
4	Concentrated positions	1	-	-	12	-	-	-	13	3	10
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	16	1	-	15	-	31	21	42	30	12
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	Not applicable										
9	Not applicable										
10	Future administrative costs	-	3	-	4	-	-	-	7	5	2
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								**235**	**150**	**85**

The table shows the value of the Additional Valuation Adjustment (AVA) that, applying the Capital Requirements Regulation (CRR) to the prudent valuation of assets and liabilities at fair value, represents the amount of necessary additional value adjustments to be deducted from Common Equity Tier 1 for capital requirements purposes.
The total value of the AVA came to 235 million euro as at 31 December 2021 (234 million euro as at 31 December 2020).
The table also provides the opening of the category level AVA.

Section 14 – Operational risk

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[30].

General operational risk management aspects

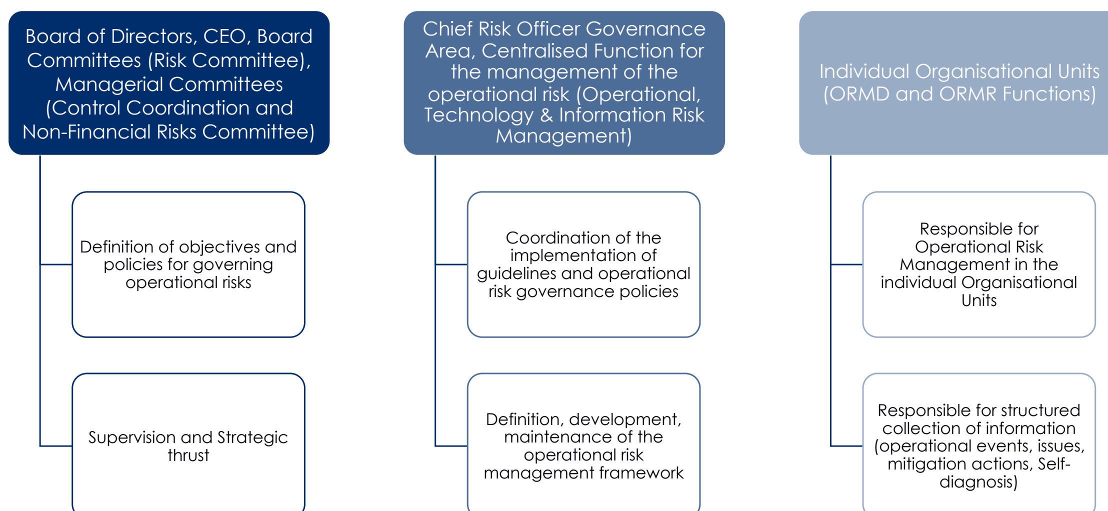
The Intesa Sanpaolo Group adopts an undertaking and management strategy of operational risk based on prudent management principles and aimed at guaranteeing long-term solidity and continuity for the company. In addition, the Group pays particular attention to achieving an optimal balance between growth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

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

Governance Model

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

- optimising and maximising organisational safeguards, interrelations and information flows between the existing organisational units and integration of the operational risk management approach with other company models developed for specific risks (business continuity, IT security, etc.);
- guaranteeing transparency and spread of the models, methods and criteria of analysis, assessment and measurement criteria used to facilitate the process of cultural diffusion and comprehension of the logic underlying the choices made.



The Group has a centralised function within the Enterprise Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual organisational units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these organisational units to be responsible for Operational Risk Management (structured collection of information relative to operational events, detection of issues and related mitigation actions, scenario analyses and evaluation of the business environment and internal control factors).
In order to support the operational risk management process on a continuous basis, a structured training programme was implemented for employees actively involved in this process.

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

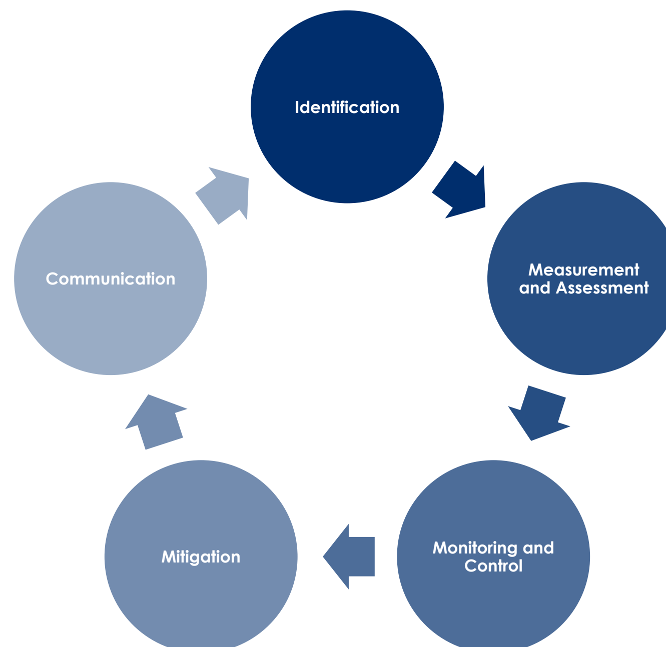
ICT risk

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

- cyber risk (including IT security risk): the risk of sustaining economic loss, reputational damage or loss of market shares due to:
  - any unauthorised access or attempt to access the IT system of the Group or the data or digital information it contains;
  - any event (intentional or unintentional), favoured or caused by the use of technology or related to it that has or could have a negative impact on the integrity, availability, confidentiality and/or authenticity of company data and information, or on the continuity of business processes;
  - the improper use and/or dissemination of data and digital information also not directly produced and managed by the ISP Group;
- IT or technology risk: the risk of sustaining economic loss, reputational damage or loss of market shares in relation to the use of the corporate IT systems and related to malfunctioning hardware, software and networks.

Group Operational Risk Management Process

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



Identification

The identification phase includes the collection and classification of qualitative and quantitative information that allows to identify and describe the Group's potential areas of operational risk. In particular, it involves:

- the collection and updating of data on operational events (Loss Data Collection), decentralised to the Organisational Units;
- identification of the company processes and components of the IT system at highest potential risk;
- determination of the applicability and relevance of the operational risk factors defined;
- identification of projects that will involve relevant changes to the IT system or changes to critical components of the IT system;
- identification of significant risk scenarios, also based on the external context (e.g., external loss data, regulatory development, emerging trends, strategic and threat intelligence);
- identification and analysis of issues affecting the Group's areas of operation.

Measurement and assessment
The measurement and assessment phase includes the process of qualitative and quantitative determination of the Group's exposure to operational risks.
It includes:
- at least annual performance of the process of self-assessment of exposure to operational and ICT risk (Self-diagnosis);
- performance of preventive analyses of operational and ICT risks deriving from agreements with third parties (e.g., outsourcing of activities), business operations or project initiatives, introduction or revision of new products and services, launch of new activities and entry into new markets;
- the definition of the relevance of identified issues;
- transformation of the evaluations collected (e.g., internal and external operational loss data, management levels of risk factors, probability and impact in the event of occurrence of risk scenarios) into synthetic risk measures;
- determination of economic and regulatory capital for operational risk, through the internal model and the simplified methods defined by the regulations.

Monitoring and control
The purpose of the monitoring phase is to analyse and monitor on an ongoing basis the development of the exposure to operational risks on the basis of the structured organisation of the results of the identification, assessment and measurement processes and the observation of indicators that represent a valid proxy of the exposure to operational risks (e.g., limits, early warnings and indicators established within the RAF).

Mitigation
The mitigation phase includes activities aimed at containing the exposure to operational risks, defined on the basis of the results of the identification, measurement, assessment and monitoring phases. It includes:
- identification, definition and implementation of the corrective measures (mitigation actions) necessary to solve the identified gaps or to bring back the relevance of the identified issues within the defined risk tolerance;
- promotion of initiatives designed to spread a culture of operational risk within the Group;
- definition of strategies for transferring operational risks, in terms of optimisation of insurance coverage and any other forms of risk transfer adopted by the Group from time to time.

In this regard, in addition to a traditional insurance programme (to protect against offences such as employee infidelity, theft and damage, transport of valuables, computer fraud, forgery, cyber-crimes, fire and earthquake, and third-party liability), the Group has taken out an insurance coverage policy named Operational Risk Insurance Programme, in compliance with the requirements established by the regulations and to have access to the capital benefits provided for by the policy, which provides specific cover, significantly increasing the limits and transferring the risk of significant operational losses to the insurance market.
In addition, with respect to risks relating to real estate and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

Reporting
The reporting phase includes the preparation of appropriate information flows associated with operational risk management, designed to provide disclosures useful, for example, for:
- analysis and understanding of any dynamics underlying the trend in the level of exposure to operational risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

The Self-diagnosis Process

Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational and ICT risk. It includes the Operational Risk Assessment and ICT Risk Assessment, in turn consisting of:
- Business Environment Evaluation (VCO): activities used to identify significant risk factors and assess the related management level[31];
- Scenario analysis (SA): a method of prospective analysis that takes the form of a systematic process, which is typically repeated at predefined intervals, but which may also be conducted on an ad hoc basis, and which consists in imagining the occurrence of particular situations (or scenarios) and imagining their consequences. Once scenarios have been identified and appropriately characterised, they must be assessed: i.e., one must determine the probability of occurrence (frequency) and potential impact (average impact and worse case) in the event of occurrence of the situation described in the scenario.

[31] The applicability and significance of risk factors are assessed, in the case of ICT risk, by the technical functions, cybersecurity functions and business continuity functions, and, with regard to operational risk, by the Decentralised Operational Risk Management functions.

Methods for calculating Operational Risk

For regulatory purposes, the Group adopts the Advanced Measurement Approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement. Please note that, on 30 June 2021, the Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 July 2021) and IW Bank Private Investments. Moreover, on 31 December 2021, the extension of the advanced model to UBI Factor (merged by incorporation into Intesa Sanpaolo S.p.A. on 25 October 2021), to Pramerica SGR and to Pramerica Management Company (incorporated into Eurizon Capital SGR S.p.A. and into Eurizon Capital S.A., respectively, on 1 July 2021) was authorised. The current scope of the advanced measurement approach is therefore comprised of Intesa Sanpaolo and the main banks and companies in the Private Banking and Asset Management Divisions, as well as by VUB Bank and PBZ Banka.

The capital requirement amounted to 2,024 million euro as at 31 December 2021, down from 2,205 million euro as at 31 December 2020. The decrease in the requirement is mainly due to the extension of the AMA to several perimeters of the former UBI Group and the reduction in the estimates from the scenario analysis, especially as regards internal and external fraud.

Operational risk own funds requirements and risk-weighted exposure amounts (EU OR1 Reg. 2021/637)

(millions of euro)

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	339	308	310	48	598
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	1,532	1,503	1,489	232	2,907
3	*Subject to TSA*	*1,532*	*1,503*	*1,489*		
4	*Subject to ASA*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	17,790	17,678	17,503	1,744	21,800

Breakdown of capital requirements by calculation approach

(millions of euro)

Approach	Capital requirement
Advanced Measurement Approach (AMA)	**1,744**
Traditional Standardised Approach (TSA)	**232**
Corporate Finance	34
Trading & Sales	57
Retail Banking	58
Commercial Banking	70
Payment & Settlement	-
Agency Services	2
Asset Management	8
Retail Brokerage	3
Basic Indicator Approach (BIA)	**48**
Total as at 31.12.2021	**2,024**
Total as at 31.12.2020	**2,205**

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

- the historical component, based on an analysis of historical data concerning internal events (recorded by the organisational units, appropriately verified by the Head Office Department and managed by a dedicated information system) and external events (provided by the Operational Riskdata eXchange Association - ORX);
- the prospective component (Scenario Analysis), focused on the forward-looking assessment of the risk exposure conducted by the Organisational Units and based on the structured, organised collection of subjective estimates

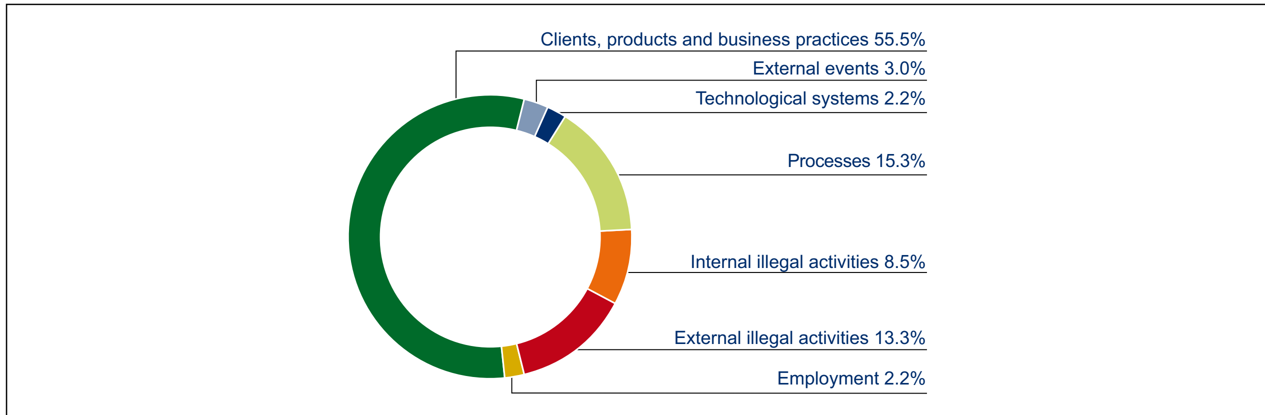
expressed directly by the business experts in the Subsidiaries and Parent Company's Units with the objective of assessing the potential economic impact of operating events.

Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case). It is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.

The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

The following shows the breakdown of capital requirement relating to the Advanced Measurement Approach by type of operational event (Event Type).

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



Impacts from the COVID-19 pandemic

During 2021, all the initiatives adopted since the beginning of the emergency continued, in order to ensure business continuity and the safeguarding of the health of customers, employees and suppliers. The company measures and rules were constantly reassessed and updated based on the evolution of the health situation and the regulatory requirements. In that context, the model for preventing the risk of contagion adopted by Intesa Sanpaolo was recently assessed by an independent agency (DNV-GL) which certified the full maturity of the model.

In terms of operational risk, the acceleration of the digital transformation process, the enrichment of the services offered via Internet and Mobile Banking, the increase in remote banking solutions activated and the greater use of smart working have increased the complexity of security controls (e.g. expanding security infrastructure to access the company network, transaction monitoring systems and data protection measures) and resulted in greater use of partnerships and/or outsourcing agreements with third parties.

That transformation has effectively changed the morphology of several traditional risks, specifically operational risk (including IT risk, cyber risk and third party risk). Therefore, it was necessary to adjust the current risk management framework to the operating context in order to optimise the Group's Digital Operational Resilience profile.

Section 15 - Equity Exposures: disclosures for positions not included in the trading book

Qualitative disclosure

Equity exposures not included in the trading book: differentiation of exposures on the basis of the objectives pursued

Investments in equity instruments present in the Intesa Sanpaolo Group - excluding those subject to line-by-line consolidation and the companies in the Insurance Group - fall into a number of categories, summarised as follows:

- Banking and financial companies;
- Non-financial companies:
  - Used for the Group's core business: these contribute directly or indirectly to developing retail and corporate banking business, also in the area of and through "new professions";
  - Debt to Equity: from restructuring transactions, managed with a view to recoverability and/or disposal;
  - Other: equity investments mainly held for sale and other minor equity interests that do not fall within the preceding categories;
- Funds: differentiated by strategic size and product nature (Private Equity, Venture Capital, Real Estate, Infrastructure and Institutional).

Recognition and valuation of the equity instruments not included in the trading book

The equity exposures not included in the trading book are classified under the balance sheet items Investments in associates and companies subject to joint control, Financial assets measured at fair value through profit or loss, and Financial assets measured at fair value through other comprehensive income, in accordance with the IAS/IFRS.

For an explanation of the methods for the recognition and measurement of the equity instruments not included in the trading book, please refer to Part A of the Notes to the consolidated financial statements - Accounting Policies, which sets out, for each individual financial statement caption, the accounting criteria applied by the Intesa Sanpaolo Group (A.2 - Main financial statement captions). In particular, paragraphs 1, 2 and 5 set out the criteria for classification, recognition, measurement and derecognition for "Financial assets measured at fair value through profit or loss (FVTPL)", "Financial assets measured at fair value through other comprehensive income (FVOCI)" and "Investments in subsidiaries, associates and companies subject to joint control" respectively; point 16 "Other information" shows the methods for determining impairment losses for investments. For details on the criteria for impairment testing of investments in subsidiaries, associates and companies subject to joint control, reference should be made to Part B of the Notes to the consolidated financial statements (Section 7 - Investments in subsidiaries, associates and companies subject to joint control). Lastly, for a description of the valuation techniques used to calculate fair value, see the discussion of this subject in the section on market risks of this document.

Quantitative disclosure

The tables below show the breakdown of the equity exposures according to their book classification. The figures represent the exposures shown in the consolidated financial statements of the Banking Group, and exclude the amounts of all investments in companies consolidated on a line-by-line basis in the financial statements.

Non-trading book: on-balance sheet equity exposures (*)

(millions of euro)

Exposure type/values	31.12.2021							
	Book value		Fair value		Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	-	1,652	-	X	241	-103	X	X
B. Financial assets measured at fair value through other comprehensive income	1,537	1,735	1,537	1,735	X	X	208	-354
C. Other financial assets mandatorily measured at fair value	161	341	161	341	49	-22	X	X

Exposure type/values	31.12.2020							
	Book value		Fair value		Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	-	1,996	-	X	80	-96	X	X
B. Financial assets measured at fair value through other comprehensive income	1,559	2,141	1,559	2,141	X	X	208	-317
C. Other financial assets mandatorily measured at fair value	10	384	10	384	24	-9	X	X

(*) This table provides figures pertaining exclusively to the Banking Group.

(**) For Investments, the fair value refers to listed investments only (level 1).

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

Non-trading book: impact on shareholders' equity of price risk as at 31 December 2021

(millions of euro)

		4th quarter 2021 impact on shareholders' equity at 31.12.2021	3rd quarter 2021 impact on shareholders' equity at 30.09.2021	2nd quarter 2021 impact on shareholders' equity at 30.06.2021	1st quarter 2021 impact on shareholders' equity at 31.03.2021	Impact on shareholders' equity at 31.12.2020
Price shock	10%	177	181	208	152	155
Price shock	-10%	-177	-181	-208	-152	-155

Non-trading book: equity exposures - weighted values

(millions of euro)

	Weighted exposure	
	31.12.2021	31.12.2020
IRB approach	**37,395**	**31,659**
Equity exposures (Simple risk weight approach)	31,864	25,541
- Private equity exposures in sufficiently diversified portfolios	1,220	218
- Exchange-traded equity exposures	3,390	94
- Other equity exposures	27,254	25,229
Equity exposures (PD/LGD approach)	3,279	2,410
Equity exposures (Exposures subject to fixed weighting factors)	2,252	3,708
Standardised approach	**2,279**	**6,254**

Section 16 - Interest rate risk on positions not included in the trading book

Qualitative disclosure

Interest rate risk

The “banking book” is defined as the trade portfolio consisting of all on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group's lending and deposit collecting activities; therefore, the interest rate risk of the banking book (hereinafter “interest rate risk” or IRRBB) refers to the current and prospective risk of changes in the Group's banking book due to adverse changes in interest rates, which are reflected in both economic value and net interest income.
The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.
The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:

- repricing risk, i.e. the risk associated with lags in maturity dates (for fixed-rate positions) or in the interest rate revision date (for floating-rate positions) of the Bank’s assets, liabilities and off-balance sheet items;
- yield curve risk, i.e. the risk associated with changes in the inclination and shape of the yield curve;
- basis risk, i.e. the risk arising from imperfect correlation in the adjustment of lending and deposit rates on different instruments, but with otherwise similar repricing characteristics. As interest rates change, these differences can lead to unexpected changes in cash flows and yield spreads between assets, liabilities and off-balance sheet positions having similar maturities or rate revision frequencies;
- optionality risk, i.e. the risk associated with the presence of 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 shift sensitivity limits are accompanied by a risk indicator, which constitutes an “early warning” threshold approved within the RAF, which makes it possible to control exposure to the risk of yield curve twists;
- individual shift sensitivity and net interest income sensitivity limits, which are part of the “cascading” process of the Group's RAF limit, and are proposed, after being shared with the operating structures, by the Financial and Market Risks Head Office Department of the Parent Company and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks’/divisions’ portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Financial and Market Risks Head Office Department performs monthly checks that the limits and early warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level.
In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group's entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.

The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group’s banking book:

1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (ΔNII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

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

The **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 FTP (internal fund transfer price) or risk-free rate and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the bank does not expect to recover on a given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the "cash flow adjustment" ("CFA") method.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the shift sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income must be estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions must also be made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy, as well as the evolution of the portfolio (run-off, constant or dynamic balance sheet).

Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.).
The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.
The GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for shift sensitivity.

The **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 or by the expected credit risk/jump-to-default risk. In line with the EBA Guidelines, which limit the reference area to assets only (i.e. excluding derivatives and liabilities), specific monitoring is envisaged for the HTCS securities portfolio, whose changes in value have an immediate impact on the Group's capital.

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

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items based on their contractual profile. In particular:

a. for core deposits (customer loan and deposit accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations.
   The model consists of:
   - an "internal maturity model for core deposits" (defined as the "value model") that establishes the time distribution of the core deposits (assets and liabilities) in order to provide an appropriate representation, expressed in terms of meta-deposits, of their behavioural characteristics, stability of volumes, and partial and delayed reactivity to changes in market rates; the model features a maximum maturity of 20 years and an average life, net of the volatile component, of around 2.6 years (1.8 years also considering the O/N portion);
   - an "internal repricing model for core deposits" (defined as the "margin model") which introduces a function for determining the level and trend of the customer rate following market shocks (changes in the 1-month Euribor). Further additions are made to the methodological assumptions already included in the value model in order to better capture certain significant aspects for the sensitivity of net interest income, such as stickiness, the upward/downward asymmetry of rates, and the presence of contractual zero floors on customer rates.
     The model is continuously monitored and is revised periodically, at least annually, to promptly reflect changes in volumes and customer characteristics over time, as well as the relevant regulatory framework.

For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at least annually and are subject to periodic backtesting, appropriately documented in the specific model change document to ensure that the operating situation adheres to the assumptions made and incorporate any legislative and/or behavioural changes.

b. In addition, within the framework of the dynamic simulation of net interest income, an additional behavioural model is adopted to simulate the effects of potential renegotiations of the contractual conditions of medium/long-term assets. In terms of risks, renegotiations modify the duration of the portfolio of medium/long-term loans and entail a decline in net interest income due to the revision of the contractual rates/spreads to include conditions more advantageous to customers. Specific models have been estimated to ensure a proper representation of the renegotiations phenomenon in terms of the percentages of mortgage loans renegotiated and their financial characteristics.

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

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

With regard to the changes in net interest income and the changes in economic value calculated using the management metrics, Intesa Sanpaolo, on a monthly basis, defines and verifies compliance with the limits and early warning.
The scenarios used for the verification of the limits are:

- for the control of the exposure in terms of ∆EVE: instantaneous and parallel shock of +100 bps;
- for the control of the exposure in terms of ∆NII: instantaneous and parallel shock of ±50 bps.

The scenarios used for the verification of the early warning are:

- 2 instantaneous and parallel shocks of ±100 bps;
- 4 non-parallel shocks represented by the BCBS scenarios calibrated to the management shock of +100 bps.

The currencies monitored for the consolidated limits are the Euro and the US Dollar ("material currency") for the measurement of ∆EVE.

Interest rate risk hedging is undertaken with the aim of protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales of debt securities and options on interest rates concluded with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (microhedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, in order to preserve the economic value of a portion of the HTCS portfolio, by protecting the price of the securities against adverse market movements, the Group negotiates forward sales of the debt securities held in portfolio on a fair value hedging basis. Finally, on the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of demand deposits (core deposits) and on the already fixed portion of variable-rate loans and on a portion of fixed-rate loans. For this last type, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics. Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable-rate funding, to the extent that the latter finances fixed-rate investments, and on variable-rate investments to cover fixed-rate funding (macro cash flow hedges).
The Financial and Market Risks Head Office Department of the Parent Company is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with the IAS/IFRS.

Impacts from the COVID-19 pandemic

In 2021, and in the second half of the year in particular, the strategies and safeguards implemented in the framework of interest rate risk management were put into place to protect net interest income against potential additional negative impacts of COVID-19. Net interest income was stabilised through measures to cover the viscousness of customer demand deposits by entering into hedging derivatives and natural hedges with mortgage loans to customers.

Quantitative disclosure

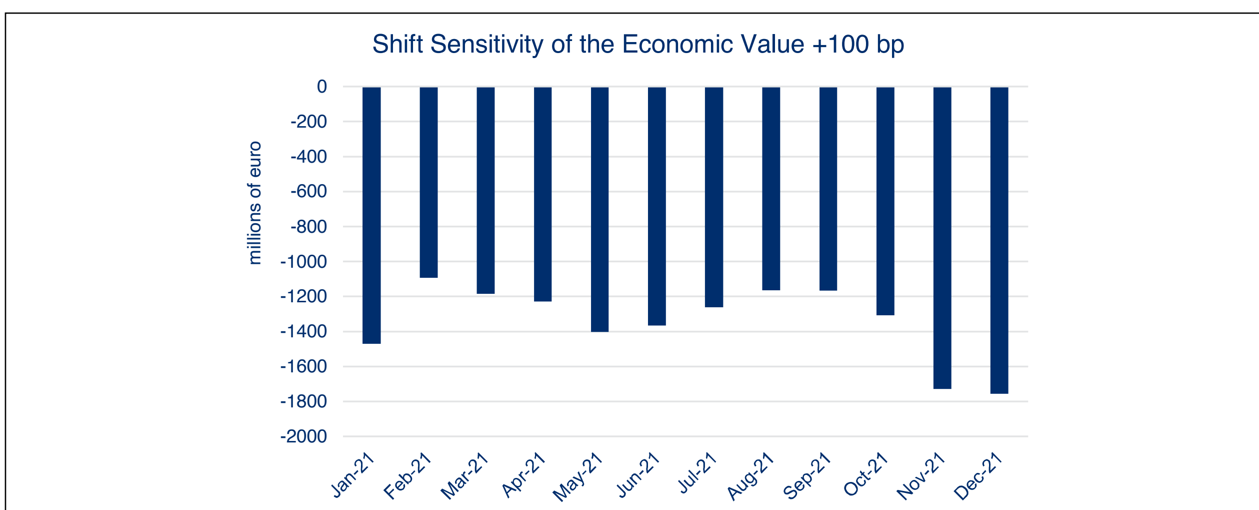
Interest rate risk

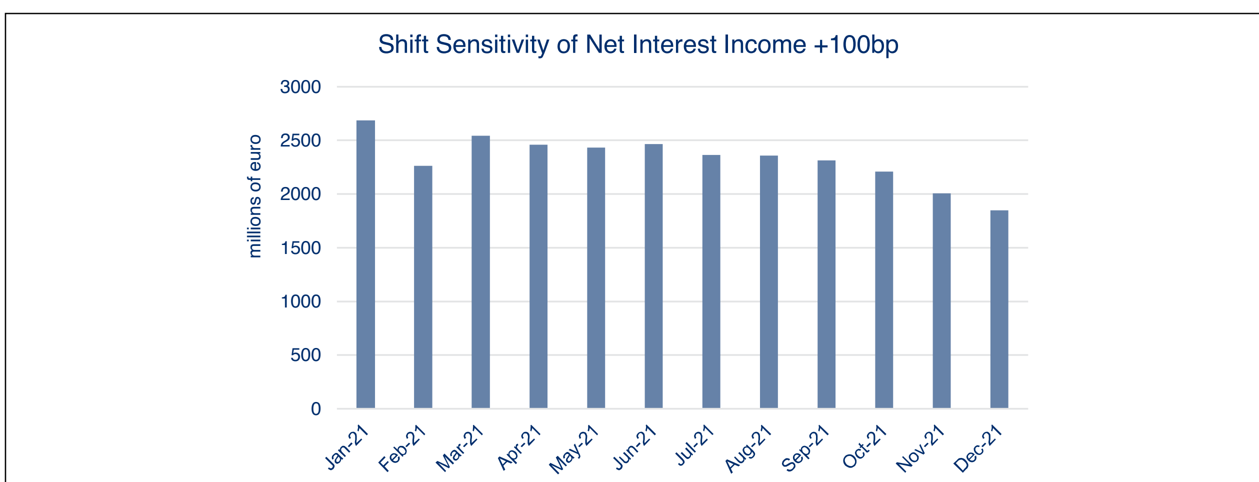
In 2021, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, averaged -1,345 million euro, with a minimum value of -1,094 million euro and a maximum value of -1,756 million euro. This latter figure coincided with that of the end of December 2021, up by 451 million euro on the end of December 2020, when it came to -1,305 million euro. This change was due, above all in the fourth quarter of 2021, to greater fixed rate lending and hedging of customer demand deposits.
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 962 million euro, -880 million euro and 1,847 million euro, respectively, at the end of December 2021. The latter figure decreased (-734 million euro) on the end of 2020, when it came to 2,581 million euro. That decline was due to both the hedging of customer demand deposits and the particular indexing of the TLTRO, which gives rise to asymmetry between upwards sensitivity and lower rates.

The following table and charts provide a representation of the performance of the shift sensitivity of economic value (or the shift sensitivity of fair value) and the shift sensitivity of net interest income.

(millions of euro)

Risk Measures	2021			31.12.2021	31.12.2020
	Average	Minimum	Maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,345	-1,094	-1,756	-1,756	-1,305
Shift Sensitivity of Net Interest Income -50bp	-872	-803	-1,044	-880	-1,011
Shift Sensitivity of Net Interest Income +50bp	1,191	962	1,364	962	1,312
Shift Sensitivity of Net Interest Income +100bp	2,330	1,847	2,687	1,847	2,581



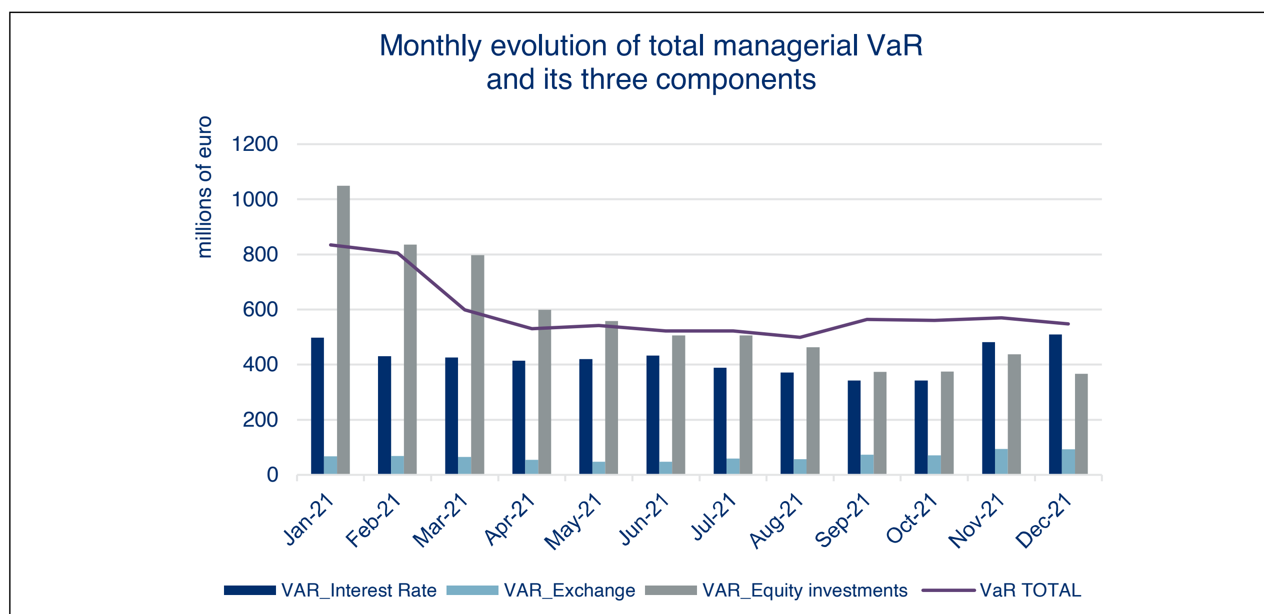


Interest rate risk, measured in terms of VaR, averaged 421 million euro in 2021, with a minimum value of 342 million euro and a maximum value of 509 million euro, with the latter coinciding with the value at the end of December 2021 (492 million euro at the end of 2020). No significant changes were reported.
Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 67 million euro in 2021, with a maximum value of 94 million euro and a minimum value of 48 million euro, standing at 93 million euro at the end of December 2021 (78 million euro at the end of 2020). No significant changes were reported.
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2021 of 572 million euro, with maximum and minimum values of 1,049 million euro and 367 million euro, respectively, the latter being the figure of the end of December 2021, down by 620 million euro on the value at the end of December 2020 of 987 million euro. This change was due in part to market volatility, seen in particular in the first few months of 2021, and in part to the disposal of equity investments.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity Investments VaR) averaged 592 million euro in 2021, with a maximum value of 835 million euro and a minimum value of 499 million euro, reaching a figure of 548 million euro at the end of December 2021, down by 417 million euro on the value at the end of December 2020 of 965 million euro. This change is primarily due to the Equity Investments VaR component and the phenomena indicated above.
The table and chart below provides a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

(millions of euro)

	2021			31.12.2021	31.12.2020
	average	minimum	maximum		
Value at Risk - Interest Rate	421	342	509	509	492
Value at Risk - Exchange	67	48	94	93	78
Value at Risk - Equity investments	572	367	1,049	367	987
Value at Risk complessivo	**592**	**499**	**835**	**548**	**965**



In accordance with Article 448 of Regulation (EU) 2019/876 (CRR II) applicable from 28 June 2021, institutions are required to publish quantitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of Directive 2013/36/EU.
The table below shows the changes in the economic value of equity calculated under the six prudential shock scenarios defined by the EBA described above (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down) and the changes in net interest income calculated under the two prudential shock scenarios (Parallel shock up and Parallel shock down).

Interest rate risk of non-trading book activities
(EU IRRBB1 ITS EBA 2021/07, supplementing Regulation 2021/637)

(millions of euro)

Supervisory shock scenarios	∆EVE		∆NII	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Parallel up	-3,877	-2,561	2,698	3,626
Parallel down	307	407	-947	-645
Steepener	-1,520	-1,447		
Flattener	-783	215		
Short rates up	-417	157		
Short rates down	27	-240		
Maximum potential loss	**-3,877**	**-2,561**	**-947**	**-645**

Section 17 - Encumbered and unencumbered assets

Qualitative disclosure

The total book value of the "encumbered" assets and the reused guarantees received, compared to total assets and the collateral received, measures the "level of encumbrance" on the assets, i.e. the so-called "asset encumbrance ratio". The Supervisory Authorities, Rating Agencies and investors increased the attention to the risk of asset encumbrance over time, which may lead to greater subordination of unsecured creditors and, in the event of an increase in the asset encumbrance ratio, also to greater potential liquidity risks in case of stress.
In the course of its operations, the Intesa Sanpaolo Group carries out a number of transactions involving the encumbrance of own assets or assets received as collateral. The main transactions of this type include:

- repurchase agreements and securities lending;
- assets used against covered bond issues;
- underlying assets of securitisation structures, in which the financial assets have not been derecognised;
- collateralisation agreements such as, for example, collateral given in respect of the market value of derivatives;
- collateralised financial guarantees;
- collateral deposited with clearing systems, with central counterparties (CCPs) and other infrastructure institutions as a condition for access to the service (including incremental and initial margins);
- instruments given as collateral in several respects, for funding from central banks or multilateral development banks.

These types of activities are carried out either to allow the Group to access forms of funding considered favourable at the time a transaction is finalised or because the provision of collateral is the standard condition to access specific markets or types of activities (for example, in transactions with central counterparties). In particular, the guarantees provided in connection with the refinancing operations at the European Central Bank amount to approximately 151 billion euro for the owned assets recognised.
The transactions involving encumbered assets are carried out mainly by the Parent Company, also as regards the settlement and trading of derivative contracts carried out within the framework of the centralised services also provided to the other banks of the Group.

For information on the issue of covered bonds, please see the Notes to the consolidated financial statements, under the specific point of Part E: "Covered bond transactions".

The Intesa Sanpaolo Group measures the level of encumbrance of its assets by adopting the rules set by the "Implementing Technical Standards" published by the European Banking Authority (EBA); starting from 31 December 2014 this information is subject to specific reporting to the Supervisory Authorities.

The quantitative information below, published on the subject of encumbered and unencumbered assets is calculated based on median values of quarterly data on a rolling basis during the previous twelve months and is in line with the financial statement recognition criteria with the exception of the scope of consolidation referring only to the prudential scope and not to the entire statutory consolidated financial statements.

The consolidation scope used for the purpose of defining the eligibility of EHQLA and HQLA liabilities used for the disclosures on asset encumbrance and the scope for the application of the liquidity requirements is, for both types of disclosure, the entire scope of companies in the Banking Group.

The share of encumbered assets is subject to periodic disclosure to the Board of the Parent Company, which has also established an alert threshold when defining the Risk Appetite Framework (RAF), with the aim of preventing any excessive increase in the risk connected to the share of encumbered assets.
At the same time, considering this measure, the Group monitors the unencumbered assets by assessing both the Reserves already promptly available, and the availability of new assets usable in the short-term, according to the Contingency Funding Plan and Recovery Plan.

Quantitative disclosure

Based on the regulations issued by the EBA as a result of the provisions of the CRR (Art. 443), the institutions must indicate the amount of encumbered or unencumbered assets by type of activity. "Encumbered" assets are on-balance sheet assets that have been provided as pledge or sold and not derecognised, or otherwise encumbered, as well as the guarantees received that meet the conditions for recognition in the financial statements of the transferee. The information published on the subject of encumbered and unencumbered assets is calculated based on median values of quarterly data on a rolling basis during the previous twelve months.

Encumbered and unencumbered assets (EU AE1 Regulation 2021/637)

(millions of euro)

	Carrying amount of encumbered assets		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
	Total	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*
Assets of the disclosing institution	**229,705**	***48,379***	**X**	***X***	**626,480**	***166,962***	**X**	***X***
Equity instruments	220	-	220	-	7,940	-	7,940	-
Debt securities	59,523	*48,235*	59,648	*48,260*	79,907	*54,083*	79,878	*54,170*
of which: covered bonds	1,069	*1,055*	1,072	*1,059*	1,584	*1,230*	1,587	*1,229*
of which: securitisations	1,634	-	1,548	-	4,680	-	4,781	-
of which: issued by general governments	49,303	*44,852*	49,772	*44,835*	53,791	*50,030*	54,263	*50,112*
of which: issued by financial corporations	7,892	*2,553*	7,945	*2,582*	20,822	*3,564*	20,917	*3,567*
of which: issued by non-financial corporations	2,418	*1,468*	2,449	*1,492*	4,485	*1,066*	4,344	*1,069*
Other assets	168,025	*128*	X	*X*	539,422	*118,131*	X	*X*

In the table above, any intragroup transactions involving counterparties in the prudential scope of the Intesa Sanpaolo Group are netted during the consolidation process.

The captions included in other assets are mainly comprised of assets relating to loans, derivatives, investments in associates and companies subject to joint control, property, equipment and intangible assets.
Access to the secured market represents an important source of medium/long-term funding (Covered Bonds, ABS and TLTRO). In 2021, no funds were raised through covered bonds placed on the market, just as in the previous year. Except for 2021 and 2020, the funding obtained through those instruments represents, on average, 12% of the annual wholesale funding.

As mentioned in the previous paragraph, the most important forms of encumbrance on the Group's part concern: repurchase transactions, TLTRO, derivative instruments, covered bonds, ABS, loans allocated with the Bank of Italy (Abaco), and collateralised loan agreements stipulated with supranational entities, also broken down in the Table – Sources of encumbrance – EU AE3.
The maximum level of contractual overcall for the covered bonds programmes is 7.53%. In any case, the Bank always maintains a higher level of overcall in order to hedge any negative events that could impact the programme's underlying assets (average level of overcall in 2021 of around 14.9%). The Bank has collateral agreements in place with supranational entities. On the occurrence of specific events, it could be necessary to increase the amount of collateral provided to those entities.

Referring to the Table above - Encumbered and unencumbered assets – EU AE1 - during the normal course of business, intangible assets, including goodwill, deferred tax assets, property, plant, other fixed assets and derivatives, for example, are not considered available for encumbrance.

The Intesa Sanpaolo Group presents encumbered assets of 230 billion euro, out of total assets of 862 billion euro (prudential scope). Within unencumbered assets (amounting to around 632 billion euro), 187 billion euro in assets can be readily encumbered, mainly comprised of cash, deposits at central banks and highly liquid securities.

As described in this document, the Intesa Sanpaolo Group operates primarily in euro. There are encumbered assets denominated in US dollars, mainly relating to short-term repurchase agreements.

Information on the guarantees received by type of assets is also provided hereunder.

Collateral received and own debt securities issued (EU AE2 Regulation 2021/637)

(millions of euro)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
	Total	*of which notionally eligible EHQLA and HQLA*	**Total**	*of which EHQLA and HQLA*
Collateral received by the disclosing institution	**28,316**	***23,722***	**13,322**	***2,818***
Loans on demand	-	-	5	-
Equity instruments	370	-	174	-
Debt securities	27,463	*23,722*	4,996	*2,818*
of which: covered bonds	-	-	-	-
of which: securitisations	1,536	-	992	-
of which: issued by general governments	25,102	*23,714*	3,457	*2,814*
of which: issued by financial corporations	2,209	*7*	1,201	*3*
of which: issued by non-financial corporations	32	*2*	349	*2*
Loans and advances other than loans on demand	-	-	448	-
Other collateral received	438	-	7,701	-
Own debt securities issued other than own covered bonds or securitisations	**184**	**-**	**38,775**	**-**
Own covered bonds and securitisations issued and not yet pledged	**-**	**-**	**11,886**	**-**
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**258,157**	***69,132***	**-**	**-**

Finally, the details of liabilities associated with the received encumbered assets or guarantees are stated below.

Sources of encumbrance (EU AE3 Regulation 2021/637)

(millions of euro)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**203,807**	**242,779**
Derivatives	13,661	15,542
of which: Over-The-Counter	*13,661*	*15,542*
Deposits	167,882	200,045
Repurchase agreements	15,299	17,931
of which: Central banks	-	-
Collateralised deposits other than repurchase agreements	152,584	179,914
of which: Central banks	*130,036*	*156,061*
Issued debt securities	23,093	27,884
of which: issued covered bonds	*23,093*	*27,884*
of which: issued Asset-backed securities	-	-

Section 18 - Leverage Ratio

Qualitative disclosure

Under the Basel 3 prudential regulations, the Leverage ratio entered definitively into effect on 1 January 2015. The Leverage ratio measures the degree to which Tier 1 Capital covers the Banking Group's total exposure. The ratio is calculated by considering off-balance sheet exposures and assets.
The objective of the indicator is to contain the degree of indebtedness on banks' accounts by establishing a minimum level of coverage of exposures with equity. The ratio, which is monitored by the authorities, is expressed as a percentage and is subject to a minimum threshold of 3%. From June 2021, this limit became a Pillar 1 requirement under the provisions of Article 92(1)(d) of Regulation (EU) 2019/876 (CRR II).
The Leverage ratio is calculated quarterly. The indicator is monitored at both the individual and Banking Group level.
The Leverage ratio is calculated as the ratio of Tier 1 Capital to total exposure. The total exposure includes the on-balance sheet exposures, net of deductions and offsetting allowed by the regulations, and the off-balance sheet exposures.
As a result the continuation of the exceptional circumstances resulting from the COVID-19 pandemic, the European Central Bank issued Decision (EU) 2021/1074 allowing the possibility of temporarily excluding certain exposures to central banks from the total exposures for a further year.
The Intesa Sanpaolo Group has decided to continue to make use of these exclusions and is therefore required to comply with a higher regulatory minimum limit of 3.09%, determined in accordance with the provisions of Article 429a(7) (the adjusted Leverage Ratio - aLR).

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

The Intesa Sanpaolo Group shares the regulatory indication of monitoring and containing a leverage ratio to integrate the capital ratios based on risk, and acknowledges their usefulness in order to limit the excessive accumulation of leverage in the banking system, and especially to provide supplementary control against model risk and the possible related measurement errors.
Accordingly, the Leverage ratio is given a high level of attention and, as such, it has been selected as a reference metric within the scope of the Risk Appetite Framework (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 2022 RAF update confirmed both the choice to define its limit by adding a stress buffer to the regulatory minimum set by Article 92(1)(d) CRR II and the decision to also set an Early Warning threshold quantified based on an additional prudential buffer. In line with the limit established at Group level, the individual leverage ratio limits have also been set for the subsidiary Fideuram-ISPB Group and for the Group's international subsidiary banks (both those belonging to the International Subsidiary Banks Division and those within the scope of the IMI Corporate & Investment Banking Division). In this regard, it is noted that the governance of the Risk Appetite Framework establishes specific escalation mechanisms for the Group companies. Accordingly, in the event of breach of the individual leverage limits, the Body with strategic supervision function of the company concerned rapidly approves a remediation plan that can have a maximum duration of one year, and there is also the obligation to involve the competent Parent Company structures.
Compliance with these limits is monitored in the Risks Tableau de Bord and reported to the Risks Committee and the Board of Directors on a quarterly basis.
Lastly, it is noted that the Group has one of the best leverage ratios in comparison to the main European banking groups and, in view of the operations carried out, the management of the risk of excessive leverage, although it is subject to the utmost attention from Top Management, is not a significant constraint for the Group's strategic planning.

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

As at 31 December 2021, the leverage ratio calculated on a transitional basis was 6.6%, compared to 6.9% in the previous period, as a result of the following changes during the half year:

- decrease in the level of capital (Tier 1 capital). See the Own Funds section of this document for more details;
- slight increase in total exposure, mainly due to an increase in on-balance-sheet exposures (excluding Securities Financial Transactions - SFT and derivatives), and off-balance sheet exposures almost fully offset by increased temporary exclusions of certain exposures to the European Central Bank in application of Decision (EU) 2021/1074 and by a decrease in exposures to SFTs and derivatives.

Quantitative disclosure

The disclosure of the leverage ratio of the Intesa Sanpaolo Group as at 31 December 2021, provided in accordance with the regulatory principles of the CRR amended by Regulation 2019/876 (CRR II) and set out according to the provisions of Regulation 2021/637, is presented below.

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

The table shows the leverage ratio as at 31 December 2021 and the breakdown of the total exposure into the main categories, according to the provisions of Article 451(1)(a, b and c) and Article 451(3) of the CRR II.

(millions of euro)

	On-balance sheet exposures (excluding derivatives and SFTs)	31.12.2021	30.06.2021
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	804,925	792,994
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-12,963	-14,179
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-9,034	-8,953
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**782,928**	**769,862**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	14,276	12,358
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	5	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	9,997	13,625
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	3	-
EU-9b	Exposure determined under Original Exposure Method	12	349
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	69,247	59,493
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-67,976	-58,802
13	**Total derivatives exposures**	**25,564**	**27,023**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	27,459	30,784
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-786	-1,094
16	Counterparty credit risk exposure for SFT assets	1,941	2,800
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**28,614**	**32,490**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	289,311	282,423
20	(Adjustments for conversion to credit equivalent amounts)	-194,215	-191,516
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**	**95,096**	**90,907**

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

(millions of euro)

	Excluded exposures	31.12.2021	30.06.2021
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-2,969	-3,266
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(*)	(Central bank exposures exempted pursuant to Article 429a(1)(n) of the CRR)	-123,672	-111,606
EU-22k	**(Total exempted exposures)**	**-126,641**	**-114,872**
	Capital and total exposure measure		
23	**Tier 1 capital**	**53,511**	**55,257**
24	**Total exposure measure (sum of lines 7, 13, 18, 22 and EU-22k)**	**805,561**	**805,410**
	Leverage ratio		
25	Leverage ratio	6.64%	6.86%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.64%	6.86%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.76%	6.03%
26	Regulatory minimum leverage ratio requirement (%)	3.09%	3.09%
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 (%)	3.09%	3.09%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	15,518	17,016
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	26,673	29,690
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	794,406	792,736
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	918,078	904,342
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.74%	6.97%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.83%	6.11%

(*) Caption added to reflect the exclusion of certain exposures to the European Central Bank in application of Decision (EU) 2021/1074.

LRSum – Summary reconciliation of accounting assets and leverage ratio exposure (EU LR1 Reg. 2021/637)

The table shows the reconciliation between total exposure (the denominator of the ratio) and the book values, based on the provisions of Article 451(1)(b) of CRR II.

(millions of euro)

	Table of synthetic composition	31.12.2021	30.06.2021
1	Total assets as per published financial statements	1,069,003	1,057,595
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-206,715	-205,697
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-123,672	-111,606
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	3	1
8	Adjustments for derivative financial instruments	712	1,978
9	Adjustment for securities financing transactions (SFTs)	1,155	1,707
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	95,096	90,907
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-	-
12	Other adjustments (*)	-30,021	-29,475
13	**Total exposure measure**	**805,561**	**805,410**

(*) "Other adjustments" mainly include amounts related to assets deducted for the calculation of Tier 1 Capital (transitional definition), the deductions of receivables assets for the cash variation margin provided in derivatives transactions and the excluded guaranteed parts of exposures arising from export credits.

LRSpl table – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU LR3 Reg. 2021/637)

For exposures other than derivatives and SFTs, the table provides a breakdown by counterparty, in accordance with the provisions of Article 451(1)(b) of CRR II.

(millions of euro)

		CRR leverage ratio exposures	
		31.12.2021	**30.06.2021**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**679,211**	**679,748**
EU-2	Trading book exposures	24,237	32,604
EU-3	Banking book exposures, of which:	654,974	647,144
EU-4	*Covered bonds*	*2,664*	*2,380*
EU-5	*Exposures treated as sovereigns*	*123,136*	*120,921*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns*	*13,066*	*13,921*
EU-7	*Institutions*	*43,281*	*40,527*
EU-8	*Secured by mortgages of immovable properties*	*145,875*	*147,657*
EU-9	*Retail exposures*	*55,952*	*54,810*
EU-10	*Corporate*	*193,127*	*202,983*
EU-11	*Exposures in default*	*9,037*	*12,020*
EU-12	*Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	*68,836*	*51,925*

Section 19 – Disclosure of remuneration policy

Qualitative disclosure

The specific information required by Article 450 of the CRR - Disclosure of remuneration policy, is provided below.
That information is illustrated in greater detail within the 2021 Remuneration and Incentive Policies of Intesa Sanpaolo Group, which forms integral part of Section I of the Report on Remuneration and compensation paid for that year, in compliance with the provisions of Article 123-ter of the Consolidated Law on Finance. With reference to listed companies, that article provides for the obligation to prepare and make available to the public a specific report on remuneration, divided into two sections (the first illustrating the company's policy in relation to remuneration and the procedures used for the adoption and implementation of this policy, the second providing information on the compensation paid), to be drawn up including the information set out in the Issuers' Regulation, and to be submitted to the Shareholders' Meeting resolution. Also in terms of the self-governance of listed companies, remuneration is regulated by the Corporate Governance Code, which in January 2020 was superseded by the new "Corporate Governance Code", applicable from the first financial year after 31 December 2020.

a. Information relating to the bodies that oversee remuneration

a.1 The name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.

The main bodies responsible for supervising the Group's Remuneration and Incentive Policies (hereinafter "the Group Policies" or "the Policies") include:

- the Board of Directors, which is tasked with drawing up, submitting to the Shareholders' Meeting and reviewing the Policies at least once a year.
  The Board of Directors currently consists of 19 members, 15 of whom are independent, 1 executive and 5 elected by the minority. During 2021, this Body met on 7 occasions to examine issues relating to remuneration;
- the Remuneration Committee, which proposes, advises and enquires on compensation and on remuneration and incentive systems and supports the Board of Directors in all activities related to remuneration. The Remuneration Committee currently consists of 5 members, 3 of whom are independent pursuant to the applicable regulations and the Articles of Association. The latter include the Chair, who also holds the office of Deputy Chairperson of the Board of Directors and is enrolled with the Register of Statutory Auditors having practised as auditor for at least three years. In 2021, the Remuneration Committee held 20 meetings.

The Board of Directors, having acquired the report prepared by the Remuneration Committee, resolves on the Group Policies for the purpose of their subsequent presentation to the Shareholders' Meeting which has the ultimate responsibility for their approval.

a.2 Any external consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework

During 2021, the Remuneration Committee relied on a leading external consulting firm in the context of:

- the analyses of the remuneration benchmarks of the Managing Director and CEO (hereinafter, "CEO"), of the Group Top Risk Takers (for the definition, see point a.4) and of the members of the Board of Directors;
- the recognition of trends relating to Performance Management systems and processes for executives;
- the annual preparation of the Fairness Opinion on the Performance Management approach adopted by the Group for the Group CEO and Top Risk Takers.

a.3 A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries

The Policies apply to all Group personnel, including branches located in third countries. In addition, on the basis of specific sector regulations as well as the local regulatory context, the various Group entities (where required) draw up their own Remuneration and Incentive Policies prepared in line with the Group Policies where they are not in contrast with local or sector regulations.

a.4 A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

The Intesa Sanpaolo Group identifies the Group Risk Takers (i.e. personnel whose professional activities have a material impact on the entity's risk profile) based on the "Rules for identifying Risk Takers", which form an integral part of the Group Policies.
These Rules were defined in accordance with the identification criteria laid down by the CRD V Directive and by Regulation (EU) 923/2021 and also include specific additional criteria defined by the Group in order to reflect the risks undertaken on the basis of the peculiarities of the business and of the organisational structure.
Three segments of Risk Takers are identified within the cluster:

- the Group Top Risk Takers, namely:
  - the Managing Director and CEO;
  - the Heads of the Business Divisions (Asset Management, Banca dei Territori, Insurance, IMI Corporate & Investment Banking, International Subsidiary Banks and Private Banking) as well as the Deputy to the Head of the IMI Corporate & Investment Banking Division;

  - the Chief Operating Officer, Chief IT, Digital & Innovation Officer, Chief Cost Management Officer, Chief Financial Officer, Chief Lending Officer, Chief Governance Officer, Chief Risk Officer, Chief Compliance Officer, Chief Institutional Affairs & External Communication Officer and Chief Audit Officer;
  - the Heads of the Head Office Departments that report directly to the Managing Director and CEO;
  - the Head of the Administration and Tax Head Office Department in his capacity as the Manager responsible for preparing the Company's financial reports.
- the other Group Risk Takers, i.e. the remaining personnel whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group;
- the Legal Entity Risk Takers, i.e. the personnel whose professional activities have a material impact on the risk profile of the Intesa Sanpaolo Group subsidiary companies. It should be noted that this segment is present only in Legal Entities where the Risk Takers' identification is required by local or sector regulations.

b. Information relating to the design and structure of the remuneration system for identified staff

b.1 An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders (e.g. the shareholders' meeting)

The Group Policies aim to align the management's and personnel's behaviour with the interests of all Stakeholders, guiding their action towards the achievement of sustainable medium-long term objectives within the framework of a prudent assumption of current and prospective risks, as well as to contribute to making the Group an "Employer of choice" for its ability to attract, motivate and retain top resources.
In particular, the Policies are based on the following principles: correlation between remuneration and risks undertaken, orientation towards medium-long term objectives, taking into account the Group Risk Tolerance, merit, fairness and gender neutrality, sustainability to limit expense deriving from application of the policies to values compatible with the available economic and financial means, compliance with regulatory requirements.

The main features of the Group Policies are summarised below:
- personnel segmentation that allows the operational adaptation of the aforesaid principles in order to suitably differentiate the total remuneration and arrange mechanisms of payment that are specific for the various personnel clusters. In applying these logics, three macro-segments are identified: (i) key personnel, i.e. Risk Takers (both at Group and Legal Entity level); (ii) Middle Managers, or the Heads of Organisational Units not already included in the Risk Takers clusters and (iii) Professionals;
- gender neutrality of the policies insofar as they ensure, for the same activity carried out, that the personnel have an equal level of remuneration, also in terms of the conditions for its recognition and payment;
- breakdown of the personnel remuneration into fixed or recurrent component (that is stable and irrevocable in nature and determined on the basis of pre-established and non-discretionary criteria) and variable or non-recurrent component (linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed);
- adoption of a pay mix - i.e. the weight of the fixed and variable components expressed as a percentage of total remuneration - suitably balanced in order to allow the reduction in the variable portion, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base, and discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risks (see point d);
- provision of mechanisms capable of ensuring the economic and financial sustainability of the incentive systems through gateway conditions aimed at verifying the capital solidity, liquidity and financial sustainability of the variable component, as well as through a structured process for the definition of a bonus pool indexed to the level of achievement of a level of profitability (see point e.4). Furthermore, any bonus accrued can be corrected ex post through the application of demultipliers according to the risks undertaken (see point c), and it is subject to mechanisms for the correction of behaviours and monitoring of the effects of the managerial action over time (see points c and f.2);
- definition of an annual Incentive System for the Risk Takers and Middle Managers aimed at guiding the behaviour and managerial actions towards reaching the objectives set in the Business Plan and rewarding the best annual performance assessed with a view to optimising the risk/return ratio (see point e.1), as well as incentive initiatives dedicated to either specific clusters or highly profitable and relevant business segments inside the strategy defined at Business Plan level (see point e.1);
- allocation of Long-Term Incentive Plans differing according to their respective clusters;
- identification of specific methods for payment of the short-term variable remuneration (with particular reference to the deferral period and the settlement in shares and cash) differing according to their respective cluster and related amount of this remuneration (see point f.1);
- definition of the principles for the calculation of the remuneration paid in the event of early termination of employment contract or office (so-called severance) inspired to both the correlation between severance pay and ongoing performance rendered over time and the control of potential litigation risks (see point b.5).

The Shareholders' Meeting, on proposal of the Board of Directors, is called to approve:
- the Remuneration Policies for members of the Board of Directors;
- the Group's Remuneration and Incentive Policies (employees and collaborators not linked by subordinate employment relationships) which also include the Rules for identifying key personnel;
- the remuneration plans based on financial instruments;
- the criteria for the determination of any amounts to be awarded in the event of early termination of the employment agreement or early termination of the office (severance), including the limits established for said amounts in terms of fixed annual remuneration and the maximum amount arising from the application of such limits;
- with the qualified majorities, if applicable, as defined by the regulations in force, a variable-to-fixed remuneration cap higher than 100%, but not exceeding the maximum cap established by the regulations;
- solely for the Group's key staff identified in the asset management companies (SGR entities), SICAVs and SICAFs and that work exclusively for those companies, if applicable, a variable-to-fixed remuneration cap exceeding 200%.

b.2 Information on the criteria used for performance measurement and ex ante and ex post risk adjustment

The annual Incentive System for the Risk Takers aims to guide the behaviour and managerial actions towards reaching the objectives set in the Business Plan and reward the best annual performance assessed with a view to optimising the risk/return ratio (for details, see point e.1).
In order to align the incentive systems with prudent risk management policies and ensure long-term solidity and business continuity, the annual Incentive Systems take into account the Group's Risk Appetite and Risk Tolerance as expressed in the RAF.
This close correlation, which guarantees both ex ante and ex post adjustment of the performance based on the risks undertaken, is structured on three levels:
- activation and bonus funding phase (see point e.4);
- Performance Scorecard definition phase (see points c and e.1);
- bonus payment phase (see point c and f.2).

b.3 Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration

The Group Policies were reviewed and updated in 2021, albeit drawn up in substantial continuity with the 2020 version.
The changes made to the Policies for 2020 mainly derive from the need, on one hand, to comply with the approach set out in regulations and, on the other, to strengthen risk monitoring in line with the recommendations of the Supervisory Authority. More specifically, the 2021 Policies consider the provisions of the CRD V (Directive (EU) 2019/878/EU) - though pending its transposition into the Italian legal system (which was to occur by 28 December 2020) -, as well as the Consultation Document on the Bank of Italy Provisions on "Remuneration and incentive policies and practices in banks and banking groups", though this document is not definitive, limited to the provisions implementing the CRD V. Note that the 2021 Policies do not consider either the Draft Guidelines on Sound Remuneration Policies or the Draft Revised Regulatory Technical Standards on Identified Staff for Remuneration Purposes of the European Banking Authority, as neither of these documents is definitive.
More specifically, with reference to the specific impacts, it should be noted that:
- in line with the CRD V and the related implementing provisions of the Consultation Document on Bank of Italy Provisions, in light of the significant attention that Intesa Sanpaolo has always paid to issues of Diversity & Inclusion, a specific Focus has been created which illustrates the gender neutrality of the Remuneration and Incentive Policies and their application methods within the Group;
- a specific "ESG" KPI was introduced among the strategic action objectives that will be assigned to all management, in line with the ever increasing commitment of the Group to social, cultural and environmental sustainability – a fundamental value in the integration with UBI Banca - with the objective of creating long-term value for the Bank, its people, its customers, communities and the environment, as well as in light of the provisions of Regulation (EU) 2019/2088. The introduction of that new KPI is also linked to the increasing attention on those issued by Regulators, Proxies, Shareholders and Stakeholders of the Group;
- within the methods of payment of variable remuneration, in application of the CRD V, the materiality threshold for Risk Takers was changed (from 80,000 euro to 50,000 euro, or one-third of total remuneration) and the payment schedules for Group Risk Takers were revised, increasing the deferral period from 3 to 4 years. Moreover, specific schedules were introduced for Top Risk Takers of the Legal Entities classified as significant banks;
- with a view to enhancing governance of risks in line with the evolution of the RAF, two corrective mechanisms were introduced which act as de-multipliers of the bonus accrued as part of the Incentive System, based on the risks assumed. In particular, for Business and Governance Top Risk Takers a mechanism linked to capital adequacy was introduced, while for Business Risk Takers operating in the markets area (e.g. HTC/HTCS traders and portfolio managers) a mechanism was envisaged based on meeting the limits set in the RAF for specific risks such as market risk, interest rate risk and the ceiling on the overall position in Italian government bonds classified as HTC.

b.4 Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee

The Incentive System for personnel belonging to the Company Control Functions does not require the allocation of economic-financial KPIs in order to guarantee the independence of the personnel who hold these functions with respect to the results achieved by the areas subject to their control, as well as to avoid sources of possible conflicts of interest. The KPIs present in the Performance Scorecards of the Company Control Functions are typically of a project nature or are linked to requests from the Supervisory Authority (including but not limited to: CRR2 Regulatory Projects (Basel 4)/Pillar 3; Enhancement of Audit Processes and Procedures; ENIF - Implementation of the 2021 programme to strengthen the Group's Anti Financial Crime controls; Implementation of the EBA Guidelines and TRIM points of attention).

b.5 Policies and criteria applied for the award of guaranteed variable remuneration and severance payments

No forms of guaranteed variable remuneration are envisaged.
However, in compliance with the Supervisory Provisions, in order to attract new personnel, a one-off welcome bonus may be paid upon hiring. This type of bonuses is not subject to any requirement applicable to variable remuneration, including variable remuneration cap and pay-out schemes, if recognised in a single instalment (known as welcome bonus). It should be noted that the mentioned bonus can be assigned only once to the same staff member at Group level.
With regard to the payment agreed in any way and/or form in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the legal or the National Collective Bargaining Agreement (CCNL) provisions concerning the indemnity in lieu of notice where envisaged, the Group, in line with the request from the Supervisory Provisions, defined ex ante the related limits and criteria to submit to the Shareholders' Meeting approval. Specifically, the Group has set a maximum limit equal to 24 months of the fixed remuneration for compensation paid as severance. The adoption of this limit can lead to a maximum disbursement of 5.2 million euro.
As required by Regulations on remuneration, the compensation paid as severance is included in the calculation of the ratio between the variable remuneration due and the fixed remuneration of the last year of employment at the company.
Specifically, the compensation paid as severance is added to the bonus due for the last year of employment at the company, excluding the mandatory amounts paid pursuant to national labour legislation and the amounts agreed and granted:

- based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
- within an agreement reached in order to settle a current or potential dispute (wherever reached), if calculated according to a predefined calculation formula approved by the Shareholders' Meeting in advance.

Intesa Sanpaolo adopts a formula differentiated by personnel cluster (i.e. employees who - within the Group internal position weighting system - have been assigned a specific job title based on the level of complexity/responsibility assigned, and the remaining personnel) and indexed to the number of years of employment at the company (i.e. up to 2 years of employment, over 2 and up to 21 years, over 21 years).
The components included in the severance are considered similar to the variable remuneration and, as such, are subject to the payment methods defined in line with the Supervisory Provisions and depending on the cluster of personnel, the amount and its weight compared to the fixed remuneration.
In the Intesa Sanpaolo Group, the principles for severance definition are inspired to both the correlation between severance pay and ongoing performance rendered over time and the control of potential litigation risks.
Please also note that the same gateway (see point e.4), individual access (see point e.4), malus and clawback conditions (see point f.2) set for variable remuneration for each cluster are applied to severance.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration

As part of the Group's annual Incentive Systems, ex ante risk monitoring is guaranteed both in the bonus pool activation phase and in the Performance Scorecard definition phase as part of the annual Incentive System for Risk Takers and Middle Managers.
With reference to the bonus pool activation phase, this monitoring is ensured by mechanisms designed to monitor capital and liquidity risk, as well as mechanisms aimed at guaranteeing the financial sustainability of the variable component. Therefore, the bonus pool is activated only if the following minimum conditions required by the Regulator are met:

- Capital Adequacy condition: Common Equity Tier 1 (CET1) Ratio ≥ Limits set by the Group RAF;
- Liquidity condition: Net Stable Funding Ratio (NSFR) ≥ Limits set by the Group RAF;
- Sustainability condition: No Loss and Positive Gross Income.

With reference to the Group Top Risk Takers alone, an additional gateway condition is envisaged to verify that the Liquidity Coverage Ratio (LCR) is higher than or equal to the limits set by the Group RAF (liquidity condition).
Once the gateway conditions have been met, in order to ensure the sustainability of the incentive systems, the funding of the bonus pool at Group level is based on the available resources deriving from the economic-financial results achieved in terms of meeting the Gross income target at the Group and/or Division level. Specifically:

- the bonus pool increases progressively starting from when it exceeds the so-called Access Threshold (i.e. the minimum Gross Income target which, though lower than the budget, is deemed acceptable) up to a predefined cap;
- the bonus pool decreases significantly, in both absolute and relative terms, in the event of failure to reach the Access Threshold, and determines the payment of the bonuses accrued only to certain clusters of personnel.

Furthermore, the bonus pool is subject to another correction mechanism in order to strengthen the consistency of the Incentive Systems with the Group's Risk Tolerance. This mechanism requires a possible further reduction, up to 20%, of the bonus pool accrued in case of non-compliance of the limits connected to the non-financial risks (i.e. Risk linked to ordinary Operational Losses and outcome of the Integrated Risk Assessment) defined in the RAF, both at Group and Division level.
Furthermore, in the Performance Scorecard definition phase, risk monitoring is also ensured through the allocation of KPIs defined according to the Cost of risk/Sustainability strategic driver and aimed at an express risk reduction and/or mitigation as defined by the RAF. Thus, the process used to identify these KPIs involves the Chief Risk Officer Governance Area, in order to ensure the consistency of the KPIs with the limits set in the Group's RAF.
The monitoring of ex post risks is guaranteed through the provision of three correction mechanisms for the bonus allocated according to the risks undertaken and the respective cluster segment. In particular, a bonus demultiplier is envisaged linked to:

- residual risk of each structure (Q-Factor) for Risk Takers and Middle Managers recipients of the annual Incentive System;
- failure to reach the expected Capital Adequacy (CET 1) level set in the RAF for Business and Governance Top Risk Takers;
- failure to comply with the Soft Limits laid down by the Group's RAF relating to market risk, interest rate risk and plafond on the overall position in Italian government bonds (HTC).

Moreover, regardless of the respective macro-segment, the payment of the individual bonus is, in any case, subject to the verification, in the bonus payment phase, of the absence of the so-called individual compliance breaches, i.e. the individual access conditions for conduct risk monitoring.
Finally, tools are adopted to correct behaviours and monitor the effects of managerial actions over time through:
- the possible reduction, up to zero, of the deferred components of the allocated bonus (malus conditions - see point f.2);
- the repayment of bonuses already paid following the occurrence of specific conditions (claw-back mechanisms - see point f.2).

d. The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD

The Intesa Sanpaolo Group, in full compliance with regulatory indications, traditionally adopts an appropriately "balanced" pay mix in order to allow flexible management of labour costs as the variable part may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or when the Group was not able to maintain or restore a solid capital base, and to discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risks.
It is standard Group practice to establish ex-ante limitations in terms of balanced maximums for variable remuneration for all the Group personnel clusters, through the definition of specific caps on the increase of bonuses in relation to any over-performance. This cap to the variable remuneration was determined in general in 100% of the fixed remuneration with the exception of the roles belonging to the Company Control Functions and those similar[32] to them who are assigned a cap of 33% of the fixed remuneration.
As approved by the Shareholders' Meeting with a qualified majority, the variable remuneration cap set in the general criteria was increased:
- up to 200% of fixed remuneration for Group Risk Takers33 and specific and limited high-profitability professional categories and business segments;
- up to 400% of fixed remuneration for personnel of the "Investment" category of the Group's Asset Management Companies (SGR entities) that carry out their activities exclusively for the same Asset Management Company, in compliance with the right granted by the Supervisory Provisions[34].

e. Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration

e.1 An overview of main performance criteria and metrics for institution, business lines and individuals

The annual Incentive System for Risk Takers and Middle Managers is formalised through the so-called Performance Scorecards which include both economic-financial KPIs and non-financial KPIs. More specifically, the economic-financial KPIs are clustered within 4 drivers (Growth, Profitability, Productivity and Cost of Risk/Sustainability - with reference to the personnel of the Company Control Functions, the non-economic-financial quantitative KPIs allocated are linked solely to the last two drivers), while the non-financial KPIs are divided into strategic actions or projects that represent the enabling factors for the achievement of the financial KPIs or contribute to the achievement of the Strategic Plan objectives and promote or act as an incentive for good conduct, especially with reference to businesses and areas that involve direct customer relationships.
Identification of KPIs, on which incentives granting is based, is carried out by the competent functions, considering the most significant economic and financial indicators for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level, as well as at division and/or business unit level.
The Performance Scorecards have a three-fold structure in order to measure performance on multiple levels. Specifically:
- the Group section contains at least one quantitative KPI measured on the Group scope and common to all the Scorecards, except those intended to the Company Control Functions and similar roles. For 2021, in line with the previous year, the Net Income was assigned as Group KPI. Moreover, in the Group Governance Areas, for the Group Risk Takers and those reporting directly to the Chief, also the objective to minimise the Group's Cost/Income was provided;
- the structure section presents KPIs that are consistent with the levers applied by the individual and reported at the Division/Governance Area level or, in any case, area of responsibility. Below is a non-exhaustive list of KPIs for each driver:
  - growth: Net Inflows, Gross Banking Product (Loans + Direct Customer Deposits + Indirect Customer Deposits), Insurance Operating Margin;
  - profitability: Operating Income/RWA, Revenues/Assets, Insurance Operating Margin/Mathematical Reserves;
  - productivity: Cost/Income, Reduction in operating costs, Full Combined Ratio;
  - cost of risk/sustainability: gross NPL ratio, Concentration Risk, Gross flows from performing to NPE, Operational Losses/Operating Income, Maintaining LCR levels, incidence of ratings and expired reviews on the portfolio total.
- qualitative section: including KPIs relating to the taking of actions envisaged by the Business Plan or the measurement of managerial skills (possibly also individual), whose reporting is usually objectified by identifying project milestones and/or subject to evaluation by the Head based on supporting drivers defined ex ante. For 2021, the Group transversal KPI "Environmental, Social and Governance (ESG)" was identified among the strategic actions. Furthermore, for the Company Control Functions, for 2021, in line since 2018, a transversal KPI was confirmed that lies in the objective of "Risk Culture – Promoting awareness at all levels of the organisation regarding emerging risks, with a particular focus on the risks related to technological innovation, by means of education, awareness raising and training".

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[32] Similar roles are the Heads of the Human Resources Function of the Group, the Manager responsible for preparing the Company's financial reports, the Group Head of the Safety and Protection Head Office Department.

[33] Those belonging to the Company Control Functions and similar roles, the non-executive members of the Board of Directors of Intesa Sanpaolo and the Group Risk Takers operating in countries where the local regulations allow a maximum limit of 100% represent an exception.

[34] Update of 26 October 2018 of Bank of Italy Circular 285/2013.

Each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective, and no more than 30% to guarantee appropriate weighting of the numerous objectives.
The performance evaluation period (accrual period) is annual.
Furthermore, the Intesa Sanpaolo Group develops dedicated incentive initiatives with reference to specific clusters or highly profitable and relevant business segments within the strategy defined at Business Plan level.
In general, the Incentive Systems dedicated to specific clusters (i.e. Non-Performing Loans and Team system - Insurance) aim to support the cooperation and teamwork towards reaching the common objectives measured at team level.
In contrast, the Incentive Systems dedicated to specific business segments (i.e. Insurance Excellence System for the Sales network of the Banca dei Territori Division; Insurance Client Account for the Sales structure of Intesa Sanpaolo Insurance Agency; Private Banking Network for the Intesa Sanpaolo Private Banking Italian Network – employees and agents; non-employee Financial Advisors of the sales network of Fideuram Intesa Sanpaolo Private Banking, Sanpaolo Invest SIM and IW Bank; Investment Management for the Professional categories of managers in asset management; Network of International Subsidiary Banks for Middle Managers and Professionals of the International Subsidiary Banks) require the recognition of individual bonuses differentiated by role and measured on individual Performance Scorecards with the exception of the retail business (Italy and abroad) for which Branch Performance Scorecards are generally required. The simultaneous presence of economic-financial and non-financial KPIs is normal. For personnel operating in sales networks in direct contact with customers, KPIs regarding customer satisfaction and correctness of customer relations are always envisaged; the KPIs are not linked to the distribution of a specific product and, for the purpose of achieving the objectives, only transactions in line with the needs expressed by customers and with the adequacy checks are taken into account.
In any case, each KPI is assigned a weight equal to at least 10% to ensure the relevance of the objective.
On the other hand, within the framework of the Intesa Sanpaolo Group II level National Bargaining Agreement, a Broad-based Short-Term Plan (hereinafter, PVR) was introduced with regard to Professionals belonging to all the Control and Governance Areas, as well as those operating in the business retail segment. The Broad-based Short-Term Plan is considered as a productivity bonus envisaged by the National Collective Bargaining Agreement for the Credit Sector and negotiated with the Trade Unions.
The Broad-based Short-Term Plan has both a distribution-ownership purpose, as it is aimed at rewarding employees for the contribution provided collectively upon reaching the results for the year, and an incentive purpose, given that, limited to the so-called excellence portion, it intends to reward in a distinctive manner the team's merit and performance.
The PVR consists of two components:

- the base bonus is differentiated by organisational role/seniority and professional category and is aimed at rewarding all Group employees for their collective contribution to achieving the annual results to a different extent according to the professional role, as well as at supporting, also for internal equity purposes, the lower remuneration;
- the excellence bonus is based on the performance level reached and:
  - for all employees, it is allocated at the Direct Head's discretion, with priority given to the highest levels of professional evaluation, within the limits of the bonus pool allocated, also having regard to the principle of internal equity;
  - for the professional profiles of the Branches of the Banca dei Territori network, it is allocated on the basis of the evaluation reached in relation to the Branch Performance Scorecard;
  - for the personnel from the Complaints Unit of Banca dei Territori, it is allocated based on the evaluation reached as part of the relevant team Performance Scorecard.

e.2 An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance

The total amount due is allocated annually based on the evaluation of the results of the individual performance scorecard which, as illustrated in the previous point, has a three-fold structure which includes, among other things, both KPIs linked to the performance of the Intesa Sanpaolo Group and KPIs linked to the performance of the respective Division/Governance Area.
It should be noted that the bonus is defined with different calculation methods depending on the cluster.
In particular, this calculation is deterministic for the Top Risk Takers, is ranking-based for the other Risk Takers and is connected to the evaluation of the results for Middle Managers.

e.3 Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration portion to be settled in financial instruments are Intesa Sanpaolo shares (see paragraph f.1). Exceptions to this general rule are envisaged in compliance with the specificities of the sector (e.g. Assets under management) and local (e.g. Slovakia, Brazil, etc.) regulations.
Concurrently with the launch of the 2018-2021 Business Plan, with reference to Top Managers, Group Risk Takers and Key Managers, within the scope of the POP (Performance Call Option) Long-Term Incentive Plan, Call Options were allocated, namely financial instruments having Intesa Sanpaolo ordinary shares as their underlying. On the other hand, with regard to Middle Managers and Professionals, as part of the LECOIP 2.0 Plan, Certificates issued by JP Morgan were allocated, also financial instruments having ISP ordinary shares as their underlying.

e.4 Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics. In accordance with point (n) of Article 94(1) CRD, to be paid or vested the variable remuneration has to be justified on the basis of the performance of the institution, the business unit and the individual concerned. Institutions shall explain the criteria/thresholds for determining that the performance is weak and that does not justify that the variable remuneration can be paid or vested

The measures implemented by the Group to adjust the variable component of the remuneration in the event that the performance measurement metrics are weak impact both the bonus pool and the bonus accrued by each individual.
With regard to the Bonus Pool, as mentioned in point c, this (and consequently also the annual Incentive Systems for Group personnel) is activated only if the main capital and liquidity requirements, namely the minimum regulatory conditions of solidity at Group level, are met and if the economic and financial sustainability condition is in place.
Furthermore, the bonus pool funding at Group level (quantum) is defined with a top-down approach, it is destined to fund all the Group annual Incentive Systems and the PVR and is based on the available resources deriving from the economic-financial results achieved in terms of meeting the Gross income target at the Group and/or Division level, adjusted for the non-financial risks undertaken (see point c). Therefore, in the event of "weak" performance at Group and/or Division level (i.e. Gross income below the Access Threshold), the bonus pool decreases significantly, in both absolute and relative terms, thereby impeding the payment of the bonuses accrued to certain clusters of personnel.
Finally, any "weak" performance at Group level in terms of failure to meet the malus conditions (see point f.2) result in the possible reduction, up to zero, of the deferred components of the allocated bonus.

f. Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance

f.1 An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff

Illustrated below are the methods for the payment of the variable remuneration adopted by the Intesa Sanpaolo Group according to the personnel category, the amount of variable remuneration and the incidence of variable remuneration in relation to fixed remuneration.

- For the Group Top Risk Takers and all those who accrue a "particularly high" amount of variable remuneration[35], regardless of the respective macro-segment:
  - 60% of the variable remuneration is deferred for a period of 5 years;
  - the portion paid in financial instruments is equal to 60% if the variable remuneration exceeds 100% of the fixed remuneration or 55% in the case of variable remuneration equal to or less than 100% of the fixed remuneration.
- For other Group Risk Takers:
  - 50% of the variable remuneration is deferred for a period of 4 years if the amount exceeds the materiality threshold[36] and is above 100% of the fixed remuneration;
  - 40% of the variable remuneration is deferred for a period of 4 years if the amount exceeds the materiality threshold but is equal to or less than 100% of the fixed remuneration;
  - the portion paid in financial instruments is equal to 50% of the variable remuneration.
- For Middle Managers and Professionals:
  - if the variable remuneration is both above the materiality threshold and above 100% of the fixed remuneration;
    - 40% is deferred for a period of 3 years and
    - the portion paid in financial instruments is equal to 50%;
  - if the variable remuneration is above the materiality threshold, but equal to or less than 100% of the fixed remuneration or above 100% of the fixed remuneration but equal to or less than the materiality threshold, 40% is deferred for a period of 2 years and it is entirely paid in cash.

Regardless of the relevant macro segment, the variable remuneration is entirely paid in cash if the amount is equal to or less than the materiality threshold and 100% of the fixed remuneration.
For all clusters, the variable remuneration (both the up-front and the deferred portion) paid in financial instruments is subject to a retention period of one year.
It should be noted that, in application of the principle of proportionality, the variable remuneration payment methods indicated above are applied not only to Group personnel, but also to Legal Entity Risk Takers belonging to a Bank of greater size or operational complexity, including listed banks as well as significant banks (hereinafter, "Major Bank"). The Top Risk Takers of Legal Entities belonging to a Major Bank to which, even if identified as Group Risk Takers, specific and more stringent payment schedules apply, represent an exception.
With reference to the Risk Takers of Legal Entities belonging to an intermediate bank or to one of smaller size or operational complexity, proportionally less restrictive payment schedules are applied.
Conversely, specific payment schedules apply to the personnel of asset management companies.

[35] For the three-year period 2019-2021, the variable remuneration exceeding 400,000 euro is considered particularly high.

[36] The Intesa Sanpaolo Group has defined its materiality threshold, differentiated by clusters of personnel, beyond which the variable remuneration is considered "significant". Specifically:
- for Risk Takers, in accordance with the applicable legislation, the variable remuneration is considered "significant" if it exceeds the amount of 50,000 euro or if it represents more than one third of the total remuneration;
- for Middle Managers and Professionals, in continuity with Group practices, the materiality threshold of 80,000 euro, beyond which the variable remuneration is considered "significant", is kept.

f.2 Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law)

Each deferred portion of variable remuneration is subject to an ex-post adjustment mechanism – the so-called malus conditions – according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year in which the deferred portion is paid, in relation to the level of achievement of the minimum conditions set by the Regulator regarding the sound capital base and liquidity, as well as the achievement of the financial sustainability condition.

These malus conditions, which are symmetrical to the gateway conditions, are:

- Capital Adequacy condition: Common Equity Tier 1 (CET1) Ratio ≥ Limits set by the Group RAF;
- Liquidity condition: Net Stable Funding Ratio (NSFR) ≥ Limits set by the Group RAF;
- Sustainability condition: No Loss and Positive Gross Income.

With reference to the Group Top Risk Takers alone, an additional gateway condition is envisaged to verify that the Liquidity Coverage Ratio (LCR) is higher than or equal to the limits set by the Group RAF (liquidity condition).

In case one of the conditions of sound capital base or of liquidity does not occur individually, the deferred portion is reduced to zero; if the condition of sustainability is not met, the deferred portion is reduced by 50%.

Furthermore, the company reserves the right to activate clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of:

- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct from which a "significant loss" derived for the Company or the customer.

These mechanisms may be applied in the 5 years following the payment of the individual portion (up-front or deferred) of variable remuneration.

f.3 Where applicable, shareholding requirements that may be imposed on identified staff

It should be noted that no minimum shareholding requirements are defined for any clusters.

g. The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR

Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments

For information on the specific performance indicators used to determine the variable remuneration components, see point e.1.

The variable remuneration, if it is higher than the materiality threshold or 100% of the fixed remuneration, is paid according to specific payment schedules (see point f.1) and settled partly in cash and partly in financial instruments.

In compliance with the Supervisory Provisions, the financial instruments used by the Intesa Sanpaolo Group to pay the variable remuneration portion to be settled in financial instruments are Intesa Sanpaolo shares (see point f.1). Exceptions to this general rule are envisaged in compliance with the specificities of the sector (e.g. Assets under management) and local (e.g. Slovakia, Brazil, etc.) regulations.

Furthermore, with reference to Top Managers, Group Risk Takers and Key Managers, within the scope of the POP (Performance Call Option) Long-Term Incentive Plan, Call Options were allocated, namely financial instruments having Intesa Sanpaolo ordinary shares as their underlying (for a corresponding value up to 200% of Fixed Remuneration for the 2018-2021 period - 50% of the Fixed remuneration on an annual basis).

On the other hand, with regard to Middle Managers and Professionals, as part of the LECOIP 2.0 Plan, Certificates issued by JP Morgan were allocated, also financial instruments having ISP ordinary shares as their underlying. The amount of capital initially allocated in Certificates is differentiated by seniority and professional category for the Middle Managers and negotiated with the Trade Unions for the remaining personnel.

h. Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management, as referred to in point (j) of Article 450(1) CRR

See tables at the end of this Section.

i. Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR

For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration

It should be noted that the Intesa Sanpaolo Group benefits from the exemption pursuant to article 94, paragraph 3, letter b), of the CRD.

Consequently, the bonus accrued by the Risk Takers, if it is of an amount not exceeding 50,000 euro and does not account for more than one third of its total annual remuneration, is:

– entirely paid in cash, if the amount is less than 100% of the fixed remuneration;
– deferred for a period of 2 years for a portion equal to 40% paid in cash, if the amount is equal to or less than 100% of the fixed remuneration.

(euro)

	MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
Number of Risk Taker	-	-	-	134
Fixed remuneration	**-**	**-**	**-**	**25,153,314**
Variable remuneration	**-**	**-**	**-**	**3,949,669**
Of which: deferred	-	-	-	-
Total remuneration	**-**	**-**	**-**	**29,102,983**

(*) So-called Key Managers.

(**) So-called Group Risk Takers.

j. Large institutions (the ISP Group is a "large institution") shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members, as referred to in Article 450(2) CRR

See tables at the end of this Section.

Quantitative disclosure

The quantitative information on the remuneration policy is provided below, as required by Regulation (EU) 2021/637 in application of Article 450 of the CRR.

Remuneration awarded for the financial year to staff whose professional activities have a material impact on Bank' risk profile (so-called Group Risk Takers) (EU REM1 Reg. 2021/637)

(euro)

			MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
1	Fixed remuneration	Number of identified staff	18	1	20	615
2		**Total fixed remuneration**	**5,589,000**	**2,679,446**	**17,916,021**	**172,820,868**
3		Of which: cash-based	5,589,000	2,620,000	17,060,000	166,672,533
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms (a)	-	59,446	856,021	6,148,335
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	1	20	572
10		**Total variable remuneration**	**-**	**3,790,000**	**18,214,000**	**109,020,277**
11		Of which: cash-based	-	1,516,000	7,306,150	55,151,855
12		Of which: deferred	-	758,000	3,663,350	22,938,112
EU-13a		Of which: shares or equivalent ownership interests	-	2,274,000	10,217,850	50,629,422
EU-14a		Of which: deferred	-	1,516,000	6,805,050	25,598,245
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments (b)	-	-	-	285,000
EU-14b		Of which: deferred	-	-	-	114,000
EU-14x		Of which: other instruments (c)	-	-	690,000	2,954,000
EU-14y		Of which: deferred	-	-	460,000	1,516,750
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**5,589,000**	**6,469,446**	**36,130,021**	**281,841,145**

(*) So-called Key Managers.

(**) So-called Group Risk Takers.

(a) Please note that in order to calculate the ratio between variable and fixed remuneration such forms of remuneration, which consist of non-discretionary benefits, are not considered.

(b) The data reported refers to the portions of bonus assigned in ISP Phantom Shares.

(c) The data reported refers to portions of bonus assigned as (i) UCITS or phantom UCITS, as required by Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance, to Group Risk Takers belonging to significant Asset Management company and (ii) VUB Banka Certificates to Group Risk Takers belonging to this Bank in compliance with the local regulation.

In general, with reference to the remuneration trend between 2020 and 2021, it is possible to observe an increase in both the fixed and variable components. This change, with regard to the former, is due to the combined effect of (i) the lower amount of the 2020 remuneration of the members of the Board of Directors in its supervisory function following the partial waivers made in order to contribute to the Group initiatives promoted to face the spread of the COVID-19 pandemic as well as an increase in the number of board meetings, (ii) the inclusion of a new person among the Key Managers, (iii) the increase in the number of the identified staff (the so-called Group Risk Takers) following the entry into force – starting from 14 June 2021 – of Regulation (EU) 923/2021. With regard to the Board of Directors in its management function (i.e. Managing Director and CEO), no changes are observed in the fixed remuneration between 2020 and 2021.
Conversely, in the case of variable remuneration (including remuneration of the Board of Directors in its management function – i.e. Managing Director and CEO), the increase is determined by the improvement of the Group's performance in 2021 and, consequently, of the average performance of single Risk Taker, in a context where the ordinary variable remuneration levels were restored and it was therefore possible to accrue a "full" bonus in line with the results achieved. In addition, the increase in this component is also impacted by the afore-mentioned increase in the number of the identified staff (the so-called Group Risk Takers).

Special payments to staff whose professional activities have a material impact on institutions' risk profile (so-called Group Risk Takers) (EU REM2 Reg. 2021/637)

(euro)

		MB Supervisory function	MB Management function	Other senior management (*)	Other identified staff (**)
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year (a)				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	7	12
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	1,297,000	794,850
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	12
7	Severance payments awarded during the financial year - Total amount	-	-	-	4,707,098
8	Of which paid during the financial year (b)	-	-	-	2,450,988
9	Of which deferred	-	-	-	2,256,110
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap (c)	-	-	-	2,839,652
11	Of which highest payment that has been awarded to a single person	-	-	-	1,810,000

(*) So-called Key Managers.

(**) So-called Group Risk Takers.

(a) Please note that the data reported refers to severance awarded in previous periods to Group Risk Takers, in particular to 7 Top Risk Takers (i.e. Key Managers) and to 12 other Group Risk Takers.

(b) Of which 862,081 euro assigned up-front as ISP Shares and subject to a year of holding period and 306,825 euro paid out cash at the beginning of 2022 since the 4 incumbent ended their employment relationship on 31.12.2021.

(c) Please note that the data reported refers to the total amount of the severance payments awarded in the financial year and not included in the variable-to-fixed remuneration cap calculation; in particular, 1,393,156 euro has been paid out in 2021 (of which 434,078 euro assigned up-front as ISP Shares and subject to a year of holding period and 52,000 euro paid out cash at the beginning of 2022 for the incumbent whose ended their employment relationship on 31.12.2021).

The above table shows that no guaranteed variable remuneration was paid in the year 2021, confirming the application of the principle according to which the Group does not provide for the allocation of this type of bonus. With regard to the severance payments awarded in previous periods and paid during the financial year, a reduction was noted in the recipients of these payments due to the completion, for some, of the payment of all deferred portions due. The 7 Key Managers coincide with those of 2020 although the overall amount disbursed increased as a result of the different percentage disbursed (part in cash, part in financial instruments) according to the payment schedules envisaged in the Policies in force at the time of recognition; for the same reason, the amount paid to other identified staff (the so-called Group Risk Takers) also increased despite the number of beneficiaries being lower than in 2020. With regard to the severance payments paid during the year, an increase is recorded between 2020 and 2021 following the voluntary exits of personnel as a result of the "Protocollo per l'avvio dell'integrazione del Gruppo UBI Banca nel Gruppo Intesa Sanpaolo" agreement entered into 29 September 2020 with the trade unions following the acquisition of UBI Banca and aimed at facilitating generational change.

Deferred remuneration for staff whose professional activities have a material impact on institutions' risk profile (so-called Group Risk Takers) (EU REM3 Reg. 2021/637)

(euro)

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**3,975,466**	**1,396,246**	**2,579,220**	**-**	**-**	**-138,013**	**576,543**	**1,136,086**
8	Cash-based	1,808,450	260,160	1,548,290	-	-	2,446	124,746	-
9	Shares or equivalent ownership interests	2,167,016	1,136,086	1,030,930	-	-	-140,459	451,797	1,136,086
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management (*)**	**16,719,491**	**5,407,167**	**11,312,324**	**-**	**-**	**-315,992**	**1,778,859**	**4,447,711**
14	Cash-based	7,518,400	959,456	6,558,944	-	-	8,150	415,650	-
15	Shares or equivalent ownership interests	8,552,449	4,112,149	4,440,300	-	-	-337,332	1,230,859	4,112,149
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments (a)	648,642	335,562	313,080	-	-	13,190	132,350	335,562
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**57,682,877**	**24,293,048**	**33,389,829**	**-**	**-**	**-485,313**	**9,407,196**	**15,761,473**
20	Cash-based	32,546,352	8,482,348	24,064,004	-	-	64,369	4,411,476	-
21	Shares or equivalent ownership interests	23,389,205	14,581,442	8,807,763	-	-	-601,278	4,350,984	14,581,442
22	Share-linked instruments or equivalent non-cash instruments (b)	85,379	64,365	21,014	-	-	-	-	64,365
23	Other instruments (c)	1,612,714	1,115,666	497,048	-	-	51,596	644,736	1,115,666
24	Other forms (d)	49,227	49,227	-	-	-	-	-	-
25	**Total amount**	**78,377,834**	**31,096,461**	**47,281,373**	**-**	**-**	**-939,318**	**11,762,598**	**21,345,270**

(*) So-called Key Managers.

(**) So-called Group Risk Takers.

(a) The data reported refers to the portions of bonus assigned as UCITS to Group Risk Takers belonging to significant Asset Management company as required by Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance.

(b) Portions of bonus assigned in ISP Phantom Shares.

(c) The data reported refers to the portions of bonus assigned as (i) UCITS or phantom UCITS, as required by Joint Bank of Italy – Consob Regulation issued on 27th April 2017 and after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance, to Group Risk Takers belonging to Asset Management company and (ii) as VUB Banka Certificates and PBZ Shares to Group Risk Takers belonging to this Bank in compliance with the local regulation.

(d) The data reported refers to the portions of bonus assigned as welfare to personnel belonging to the ex UBI Banca Group.

With reference to the above table, it should be noted that the trend in the deferred portions compared to 2020 follows the different payment portions (part in cash, part in financial instruments) in application of the payment schedules envisaged in the Policies for the year pertaining to the bonus.

Remuneration of 1 million EUR or more per year (EU REM4 Reg. 2021/637)

	EURO	Identified staff that are high earners as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	34
2	1,500,000 to below 2,000,000	8
3	2,000,000 to below 2,500,000	7
4	2,500,000 to below 3,000,000	5
5	3,000,000 to below 3,500,000	-
6	3,500,000 to below 4,000,000	-
7	4,000,000 to below 4,500,000	-
8	4,500,000 to below 5,000,000	-
9	5,000,000 to below 6,000,000	-
10	6,000,000 to below 7,000,000	1
11	7,000,000 to below 8,000,000	-

The table shown above represents, by remuneration brackets, the number of employees included among the identified staff (the so-called Group Risk Takers) whose total remuneration paid during the year is equal to or greater than 1 million euro. It should be noted that the calculation took into account both the fixed and variable remuneration pertaining to the year. Compared to 2020, it is possible to observe an increase in the number of subjects included in this cluster as a result of the combined effect of the improvement in the Group's performance and, consequently, of the average performance of single Risk Takers, as well as the restoration of ordinary variable remuneration levels thanks to which it was possible to accrue a "full" bonus in line with the results achieved.

Information on remuneration of staff whose professional activities have a material impact on Bank' risk profile (so-called Group Risk Takers) (EU REM5 Reg. 2021/637)

(euro)

		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff	18	1	19	69	126	22	109	105	204	654
2	Of which: members of the MB	18	1	19							19
3	Of which: other senior management (*)				1	3	1	8	5	2	20
4	Of which: other identified staff (**)				68	123	21	101	100	202	615
5	Total remuneration of identified staff	5,589,000	6,469,446	12,058,446	34,023,031	65,916,299	13,313,423	61,582,472	29,077,774	114,058,167	330,029,612
6	Of which: variable remuneration	-	3,790,000	3,790,000	16,711,000	29,622,228	6,490,000	31,407,376	4,195,000	38,808,673	131,024,277
7	Of which: fixed remuneration	5,589,000	2,679,446	8,268,446	17,312,031	36,294,071	6,823,423	30,175,096	24,882,774	75,249,494	199,005,335

(*) So-called Key Managers.

(**) So-called Group Risk Takers.

Note: the data shown in the table are not comparable with any information reported in the 2020 Disclosure.

For the purposes of the requirements of Article 450 CRR (paragraph 1 j) and paragraph 2) mentioned in this Section, the disclosure is reported below in accordance to the format established in Annex 3 (Company information) to the Consob Issuers' Regulation.

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 1 of 6)*

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
							Bonuses and other incentives (x)	Profit-sharing
Gros-Pietro Gian Maria	Chairman of the Board of Directors	01/01/2021	31/12/2021	800	-	-	-	-
	Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
	Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	01/01/2021	31/12/2021	150	-	-	-	-
	Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
	Chairman of the Remuneration Committee	01/01/2021	31/12/2021	60	-	50	-	-
	Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
Messina Carlo	General Manager	01/01/2021	31/12/2021	2,000	-	-	1,516	-
	Managing Director and Chief Executive Officer	01/01/2021	31/12/2021	500	-	-	-	-
	Member of the Board of Directors/ Executive Board Member	01/01/2021	31/12/2021	120	-	-	-	-
Locatelli Rossella	Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
	Chairman of the Risks Committee	01/01/2021	31/12/2021	60	-	133	-	-
	Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	38	-	-
Pomodoro Livia	Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
	Chairman of the Nominations Committee	01/01/2021	31/12/2021	60	-	25	-	-
Mazzarella Maria	Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
	Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
	Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	38	-	-
Zamboni Daniele	Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
	Chairman of the Committee for transactions with related parties	01/01/2021	31/12/2021	60	-	38	-	-
	Member of the Risks Committee	01/01/2021	31/12/2021	-	-	130	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 2 of 6)*

(thousands of euro)

Surname and Name	Office	Office held since	End of office	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gros-Pietro Gian Maria	Chairman of the Board of Directors	01/01/2021	31/12/2021	-	-	800	-	-
	Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
	Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
Colombo Paolo Andrea	Deputy Chairperson of the Board of Directors	01/01/2021	31/12/2021	-	-	150	-	-
	Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
	Chairman of the Remuneration Committee	01/01/2021	31/12/2021	-	-	110	-	-
	Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
Messina Carlo	General Manager	01/01/2021	31/12/2021	59	-	3,575	3,359	-
	Managing Director and Chief Executive Officer	01/01/2021	31/12/2021	-	-	500	-	-
	Member of the Board of Directors/ Executive Board Member	01/01/2021	31/12/2021	-	-	120	-	-
Locatelli Rossella	Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
	Chairman of the Risks Committee	01/01/2021	31/12/2021	-	-	193	-	-
	Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	38	-	-
Pomodoro Livia	Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
	Chairman of the Nominations Committee	01/01/2021	31/12/2021	-	-	85	-	-
Mazzarella Maria	Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
	Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
	Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	38	-	-
Zamboni Daniele	Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
	Chairman of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	98	-	-
	Member of the Risks Committee	01/01/2021	31/12/2021	-	-	130	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 3 of 6)*

(thousands of euro)

Surname and Name		Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
								Bonuses and other incentives (x)	Profit-sharing
Ceruti Franco		Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
		Member of the Risks Committee	01/01/2021	31/12/2021	-	-	133	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	50	-	-
	(a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chairman and Director	01/01/2021	31/12/2021	130	-	-	-	-
	(a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2021	31/12/2021	20	-	-	-	-
	(b)	SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chairman and Director	01/01/2021	31/12/2021	-	-	-	-	-
Picca Bruno		Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
		Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
		Member of the Risks Committee	01/01/2021	31/12/2021	-	-	133	-	-
	(a)	UNIONE DI BANCHE ITALIANE S.p.A - Deputy Chairperson and Director	01/01/2021	11/04/2021	50	-	-	-	-
	(a)	UNIONE DI BANCHE ITALIANE S.p.A - Member of the Risks Committee	01/01/2021	11/04/2021	14	-	-	-	-
Nebbia Luciano		Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	50	-	-
	(a)	INTESA SANPAOLO CASA S.p.A. – Member of the Board of Directors	01/01/2021	07/04/2021	3	-	-	-	-
	(a)	EQUITER S.p.A. – Deputy Chairperson	01/01/2021	31/12/2021	35	-	-	-	-
Stefanelli Maria Alessandra		Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
		Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	38	-	-
Sironi Andrea		Member of the Board of Directors	01/01/2021	31/12/2021	120	-	-	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	48	-	-
		Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	35	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 4 of 6)*

(thousands of euro)

Surname and Name		Office	Office held since	End of office	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Ceruti Franco		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
		Member of the Risks Committee	01/01/2021	31/12/2021	-	-	133	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	50	-	-
	(a)	INTESA SANPAOLO EXPO Institutional Contact S.r.l. – Chairman and Director	01/01/2021	31/12/2021	-	-	130	-	-
	(a)	INTESA SANPAOLO PRIVATE BANKING S.p.A. – Director	01/01/2021	31/12/2021	-	-	20	-	-
	(b)	SOCIETA' BENEFIT CIMAROSA 1 S.p.A. - Chairman and Director	01/01/2021	31/12/2021	-	-	-	-	-
Picca Bruno		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
		Member of the Nominations Committee	01/01/2021	31/12/2021	-	-	25	-	-
		Member of the Risks Committee	01/01/2021	31/12/2021	-	-	133	-	-
	(a)	UNIONE DI BANCHE ITALIANE S.p.A - Deputy Chairperson and Director	01/01/2021	11/04/2021	-	-	50	-	-
	(a)	UNIONE DI BANCHE ITALIANE S.p.A - Member of the Risks Committee	01/01/2021	11/04/2021	-	-	14	-	-
Nebbia Luciano		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	50	-	-
	(a)	INTESA SANPAOLO CASA S.p.A. – Member of the Board of Directors	01/01/2021	07/04/2021	-	-	3	-	-
	(a)	EQUITER S.p.A. – Deputy Chairperson	01/01/2021	31/12/2021	-	-	35	-	-
Stefanelli Maria Alessandra		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
		Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	38	-	-
Sironi Andrea		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	48	-	-
		Member of the Committee for transactions with related parties	01/01/2021	31/12/2021	-	-	35	-	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 5 of 6)*

(thousands of euro)

Surname and Name		Office	Office held since	End of office	Fixed Remuneration		Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration	
									Bonuses and other incentives (x)	Profit-sharing
Gatti Anna		Member of the Board of Directors	01/01/2021	31/12/2021	120		-	-	-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-		-	50	-	-
Weber Guglielmo		Member of the Board of Directors	01/01/2021	31/12/2021	120		-	-	-	-
		Member of the Risks Committee	01/01/2021	31/12/2021	-		-	133	-	-
Pisani Alberto Maria		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	260		-	-	-	-
		Chairman of the Management Control Committee	01/01/2021	31/12/2021	65		-	-	-	-
Motta Milena Teresa		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	260		-	-	-	-
Zoppo Maria Cristina		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	260		-	-	-	-
Mosca Fabrizio		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	260		-	-	-	-
Franchini Roberto		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	260		-	-	-	-
Vernero Paolo		Chairman of the Surveillance Board	01/01/2021	28/04/2021	3		-	-	-	-
		Full Member of the Surveillance Board	01/01/2021	31/12/2021	25		-	-	-	-
Cortellazzo Andrea		Chairman of the Surveillance Board	29/04/2021	31/12/2021	7		-	-	-	-
		Full Member of the Surveillance Board	01/01/2021	31/12/2021	25		-	-	-	-
Dalla Sega Franco		Full Member of the Surveillance Board	01/01/2021	31/12/2021	25		-	-	-	-
	(a)	BANCOMAT S.p.A. - Chairman	01/01/2021	31/12/2021	70		-	-	-	-
Key Managers (*)		Total remuneration and attendance fees awarded by Intesa Sanpaolo			16,144	(c)	-	-	6,374	-
		Total remuneration and attendance fees awarded by subsidiaries and associates			750	(d)	-	-	935	-

Table No. 1: Remuneration paid to members of administration and control bodies, to General Managers, and to other Key Managers *(Tab. 6 of 6)*

(thousands of euro)

Surname and Name		Office	Office held since	End of office	Non-monetary benefits	Other remuneration	Total		Fair value of equity remuneration	Indemnity for end of office or termination of the employment agreement
Gatti Anna		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120		-	-
		Member of the Remuneration Committee	01/01/2021	31/12/2021	-	-	50		-	-
Weber Guglielmo		Member of the Board of Directors	01/01/2021	31/12/2021	-	-	120		-	-
		Member of the Risks Committee	01/01/2021	31/12/2021	-	-	133		-	-
Pisani Alberto Maria		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	-	-	260		-	-
		Chairman of the Management Control Committee	01/01/2021	31/12/2021	-	-	65		-	-
Motta Milena Teresa		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	-	-	260		-	-
Zoppo Maria Cristina		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	-	-	260		-	-
Mosca Fabrizio		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	-	-	260		-	-
Franchini Roberto		Member of the Board of Directors and of the Management Control Committee	01/01/2021	31/12/2021	-	-	260		-	-
Vernero Paolo		Chairman of the Surveillance Board	01/01/2021	28/04/2021	-	-	3		-	-
		Full Member of the Surveillance Board	01/01/2021	31/12/2021	-	-	25		-	-
Cortellazzo Andrea		Chairman of the Surveillance Board	29/04/2021	31/12/2021	-	-	7		-	-
		Full Member of the Surveillance Board	01/01/2021	31/12/2021	-	-	25		-	-
Dalla Sega Franco		Full Member of the Surveillance Board	01/01/2021	31/12/2021	-	-	25		-	-
	(a)	BANCOMAT S.p.A. - Chairman	01/01/2021	31/12/2021	-	-	70		-	-
Key Managers (*)		Total remuneration and attendance fees awarded by Intesa Sanpaolo			809	-	23,327	(c)	13,245	-
		Total remuneration and attendance fees awarded by subsidiaries and associates			39	-	1,724	(d)	1,647	-

(a) Remuneration/Attendance fees in subsidiaries and/or associates.

(b) The amount does not include the remunerations for the office equal to euro 10,000 as they have been waived.

(c) The data reported does not include other remunerations recognised for offices in company subsidiaries and/or associates and equal to euro 868,799 + CHF 35,500 since entirely transferred to the Group.

(d) The data reported does not include other remunerations recognized for offices in company subsidiaries and/or associates and equal to euro 190,000 since entirely waived/transferred to subsidiaries companies.

(*) Remuneration refers to 20 Key Managers.as at 31 December 2021.

(x) The data reported refers to the portions of bonus assigned, both upfront and deferred, awarded following 2021 performance (for further details please see table 3B).

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers *(Tab. 1 of 2)*

(thousands of euro)

			Options held at the beginning of the year	Options awarded during the year		Opzioni assegnate nel corso dell'esercizio					
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Surname and Name	Office	Plan	Number of options	Exercise price	Possible exercise period (from - to)	Number of options	Exercise price	Possible exercise period (from - to)	Fair Value at the awarding date (x)	Awarding date	Market share price of the shares underlying the award of options
Messina Carlo	Managing Director and Chief Executive Officer		21,205,158			-					
			of which 16,466,726 restructured	2.4833	10/03/2023	-	-	-	-	-	-
	General Manager		of which 4,738,432 original option	3.0755	11/03/2022	-	-	-	-	-	-
Key Managers (*)	Total Remuneration awarded by Intesa Sanpaolo	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) (**)	95,521,402			-					
			of which 74,176,512 restructured options	2.4833	10/03/2023	-	-	-	-	-	-
Dirigenti con Responsabilità Strategiche (*)			of which 21,344,890 original option	3.0755	11/03/2022	-	-	-	-	-	-
			11,010,370			-					
			of which 8,550,030 restructured options	2.4833	10/03/2023	-	-	-	-	-	-
			of which 2,460,340 original option	3.0755	11/03/2022	-	-	-	-	-	-

Table No. 2: Stock options granted to members of administration body, General Managers and other Key Managers *(Tab. 2 of 2)*

(thousands of euro)

			Options expired during the year			Options held at end of the year	Options for the year	Options held at the beginning of the year
A	B	(1)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Surname and Name	Office	Plan	Number of options	Exercise price	Market share price of the shares underlying the exercise date	Number of options	Number of options	Fair value
Messina Carlo	Managing Director and Chief Executive Officer		-			-	21,205,158	337
			-	-	-	-		
	General Manager		-	-	-	-		
Key Managers (*)			-			-		
	Total Remuneration awarded by Intesa Sanpaolo	Long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan) (**)	-	-	-	-	95,521,402	1,447
Dirigenti con Responsabilità Strategiche (*)			-	-	-	-		
			-			-		
							11,010,370	175
			-	-	-	-		

(x) The overall Fair Value, intended as an employee benefit, is determined considering also the probability of completion of the service period in the Company, the Fair Value adjustments due to non-negotiability, deferral of the instruments assignment and unavailability constraints on the shares received according to the Plan schedule.

(*) Remuneration refers to 20 Key Managers.

(**) The Plan was approved on 27 April 2018; Plan amendment was subsequently approved on 29 April 2021.

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers *(Tab. 1 of 2)*

(thousands of euro)

			Financial instruments awarded in previous years and not vested during the year		Financial instruments awarded during the year				
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Surname and Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price at award date
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2016	62,634	May 2022	-	-	-	-	-
		Incentive 2017	268,355	May 2022 - May 2023	-	-	-	-	-
		Incentive 2018	460,077	May 2022 - May 2024	-	-	-	-	-
		Incentive 2019	245,550	May 2023 - May 2025	-	-	-	-	-
		Incentive 2020	227,058	May 2023 - May 2026	-	-	-	-	-
		Incentive 2021	-	-	(*)	2,274	May 2022 - May 2027	(*)	(*)
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2016	173,844	May 2022	-	-	-	-	-
		Incentive 2017	630,427	May 2022 - May 2023	-	-	-	-	-
		Incentive 2018	1,613,924	May 2022 - May 2024	-	-	-	-	-
		Incentive 2019	1,121,486	May 2023 - May 2025	-	-	-	-	-
		Incentive 2020	1,026,716	May 2023 - May 2026	-	-	-	-	-
		Incentive 2021	-	-	(*)	9,506	May 2022 - May 2027	(*)	(*)
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2016	12,329	May 2022	-	-	-	-	-
		Incentive 2017	14,272	May 2022 - May 2023	-	-	-	-	-
			5,732.03 (5)		-	-	-	-	-
		Incentive 2018	17,139	May 2022 - May 2024	-	-	-	-	-
			12,299.77 (5)		-	-	-	-	-
		Incentive 2019	45,353	May 2022 - May 2025	-	-	-	-	-
			9,586.09 (5)		-	-	-	-	-
		Incentive 2020	67,505	May 2022 - May 2026	-	-	-	-	-
			6,481.57 (5)		-	-	-	-	-
		Incentive 2021	-	-	(*)	1,402 (9)	May 2022 - May 2027	(*)	(*)

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of Managing Director and CEO and other Key Managers *(Tab. 2 of 2)*

(thousands of euro)

			Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial in-struments for the year
A	B	(1)	(9)	(10)	(11)	(12)
Surname and Name	Office	Plan	Number and type of financial instruments	Number and type of fi¬nancial in-struments	Value at vesting date	Fair value
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2016	-	62,634	144	144
		Incentive 2017	-	134,176	308	308
		Incentive 2018	-	306,718	704	704
		Incentive 2019	-	341,633 (1)	797	797
		Incentive 2020	-	129,749 (2)	311	311
		Incentive 2021	-	-	-	758
Key Managers (**) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2016	-	125,710	289	289
		Incentive 2017	-	328,576	763	763
		Incentive 2018	-	1,153,484	2,651	2,651
		Incentive 2019	-	1,506,091 (3)	3,514	3,514
		Incentive 2020	-	586,701 (4)	1,406	1,406
		Incentive 2021	-	-	-	3,175
Key Managers (**) (Remuneration awarded by subsidiaries)		Incentive 2016	-	12,326	28	28
		Incentive 2017	-	14,272	35	35
			-	2,866.02 (6)	132	132
		Incentive 2018	-	68,550	157	157
			-	8,199.85 (6)	240	240
		Incentive 2019	-	63,097 (7)	147	147
			-	5,477.77 (6)	171	171
		Incentive 2020	-	38,574 (8)	92	92
			-	-	-	-
		Incentive 2021	-	-	-	467 (10)

(*) The information related to the shares that will be granted as an incentive with respect to the 2021 Incentive System based on financial instruments will be available following the resolutions of the Ordinary Shareholders' Meeting called on 29 April 2022.

(**) Remuneration refers to 20 Key Managers.

1) Of which 128,112 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

2) 129,749 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

3) Of which 564,782 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

4) 586,701 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

5) Assigned as UCITS units (instead of Intesa Sanpaolo shares) to the former Head of the Asset Management, as he was Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

6) UCITS units assigned (instead of Intesa Sanpaolo shares) to the former Head of the Asset Management, as he was Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance), has been updated form the original amount of 5,732.033 units following the UCITS class conversion (form Institutional to Retail).

7) Of which 23,661 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

8) Of which 38,574 shares subject to a year of holding period and retained for the entire duration of this period in a fiduciary position in Siref S.p.A.

9) Of which 690 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

10) Of which 230 thousand euro assigned as UCITS units (instead of Intesa Sanpaolo shares) to the Head of the Asset Management, as Chief Executive Officer of the Eurizon Capital Group, as required by the industry-sector regulations (Joint Bank of Italy – Consob Regulation after confirmed by the Regulation implementing articles 4-undecies and 6, paragraph 1, letter b) and c-bis), of Bank of Italy Consolidated Law on Finance).

Note: this information refers to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the granting of variable remuneration by associates is not envisaged.

Table No. 3B: Monetary incentive plans in favour of Managing Director and CEO and other Key Managers

(thousands of euro)

A Surname and Name	B Office	(1) Plan	(2) Bonus of the year			(3) Bonus from previous years			(4) Other bonuses
			(A) Payable / Paid	(B) Deferred	(C) Deferral period	(A) No longer payable	(B) Payable / Paid	(C) Still deferred	
Messina Carlo	Managing Director and Chief Executive Officer General Manager	Incentive 2015	-	-	-	-	125 (1)	-	-
		Incentive 2016	-	-	-	-	-	169	-
		Incentive 2017	-	-	-	-	-	385	-
		Incentive 2018	-	-	-	-	-	325	-
		Incentive 2019	-	-	-	-	-	569	-
		Incentive 2020	-	-	-	-	289	361	-
		Incentive 2021	758	758	May 2022 - May 2027	-	-	-	-
Key Managers (*) (Remuneration awarded by Intesa Sanpaolo)		Incentive 2015	-	-	-	-	278 (1)	-	-
		Incentive 2016	-	-	-	-	-	470	-
		Incentive 2017	-	-	-	-	87 (1)	982	-
		Incentive 2018	-	-	-	-	-	1,194	-
		Incentive 2019	-	-	-	-	-	2,423	-
		Incentive 2020	-	-	-	-	1,589	1,631	-
		Incentive 2021	3,175	3,196	May 2022 - May 2027	-	-	-	3
Key Managers (*) (Remuneration awarded by subsidiaries)		Incentive 2015	-	-	-	-	51 (1)	-	-
		Incentive 2016	-	-	-	-	-	33	-
		Incentive 2017	-	-	-	-	-	144	-
		Incentive 2018	-	-	-	-	-	138	-
		Incentive 2019	-	-	-	-	-	298	-
		Incentive 2020	-	-	-	-	163	204	-
		Incentive 2021	467	467	May 2022 - May 2027	-	-	-	-

(*) Remuneration refers to 20 Key Managers.

1) An appreciation of 2% was calculated on the portions paid, in line with market rates.

2) Remuneration refers to the fidality bonus XXV ex BAV accrued by the Head of the Insurance Business unit.

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

The Manager responsible for preparing the Company’s financial reports, Fabrizio Dabbene, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document, “Basel 3 – Pillar 3 Disclosure as at 31 December 2021” corresponds to the document results, books and accounting records.

Torino, 15 March 2022

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

Certification compliant with Article 431 (3) of the CRR (Regulation (EU) 575/2013, as amended) on the disclosure obligations pursuant to Part 8 of the CRR

The undersigned Carlo Messina, in his role as Managing Director and CEO of Intesa Sanpaolo

CERTIFIES

that, in compliance with the provisions of Article 431 (3) of the CRR (Regulation (EU) 575/2013, as amended) on the disclosure obligations pursuant to Part 8 of the CRR, the information provided under Part 8 has been drawn up in compliance with the formal policy and the internal processes, systems and controls agreed at the level of the management body.

Torino, 15 March 2022

Carlo Messina
Managing Director and CEO

Independent Auditors' Report on Basel 3 Pillar 3

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report on the Basel 3 Pillar 3 disclosure as at 31 December 2021

(Translation from the original Italian text)

To the Board of Directors of
Intesa Sanpaolo S.p.A.

We have been engaged to perform a limited assurance engagement on the accompanying Basel 3 Pillar 3 disclosure (the "Pillar 3 disclosure") of the Intesa Sanpaolo Group (the "Group") as at 31 December 2021.

Directors' responsibility for the Pillar 3 disclosure

The directors of Intesa Sanpaolo S.p.A. (the "Bank") are responsible for the preparation of the Pillar 3 disclosure in accordance with the provisions of part VIII of Regulation (EU) no. 575 of 26 June 2013, implemented in Italy through Bank of Italy Circular no. 285 of 17 December 2013 and subsequent amendments.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Pillar 3 disclosure that is free from material misstatement, whether due to fraud or error.

Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 ("ISQC Italia 1") and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditor's responsibility

Our responsibility is to express a conclusion about the compliance of the Pillar 3 disclosure with the requirements of part VIII of Regulation (EU) no. 575 of 26 June 2013, implemented in Italy through Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent amendments, based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with the provisions of the standard "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised") issued by the International Auditing and Assurance Standards Board ("IAASB"). This standard requires that we plan and perform the engagement to obtain limited assurance about whether the Pillar 3 disclosure is free from significant nonconformities.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

The procedures we performed on the Pillar 3 disclosure are based on our professional judgement and include inquiries, primarily of the Bank's personnel responsible for the preparation of the information presented in the Pillar 3 disclosure, documental analyses, recalculations, reconciliations and other evidence gathering procedures.

Specifically, we carried out the following procedures:

- comparing the financial information presented in the Pillar 3 disclosure to those included in the Group's consolidated financial statements as at and for the year ended 31 December 2021, on which we issued our report dated 22 March 2022 pursuant to article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014;
- interviews and discussions with Bank's management to gather information on the accounting, reporting and technology systems used in preparing the Pillar 3 disclosure and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the manager in charge of financial reporting for the preparation of the Pillar 3 disclosure;
- sample-based analyses of documentation supporting the preparation of the Pillar 3 disclosure to obtain evidence of the processes put in place to prepare the data and information presented therein;
- reading correspondence with the European Central Bank in relation to the authorization process for use of internal models to calculate regulatory capital requirements;
- reading the reports issued by the internal audit department and obtaining the observations of the internal validation department on the management systems and internal control processes relevant for the preparation of the data and information presented in the Pillar 3 disclosure;
- obtaining the representation letter on the compliance of the Pillar 3 disclosure with part VIII of Regulation (EU) no. 575 of 26 June 2013, implemented in Italy through Bank of Italy Circular no. 285 of 17 December 2013 and subsequent amendments and on the reliability and completeness of the information and data contained therein.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE 3000 Revised and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Pillar 3 disclosure of the Intesa Sanpaolo Group as at 31 December 2021 has not been prepared, in all material respects, in accordance with part VIII of Regulation (EU) no. 575 of 26 June 2013, implemented in Italy through Bank of Italy Circular no. 285 of 17 December 2013 and subsequent amendments.

Other matters

This report has been prepared solely for the purposes described in the first paragraph and, accordingly, it may not be suitable for other purposes.

Milan, 22 March 2022

EY S.p.A.
Signed by: Massimo Testa, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachment 1

Own Funds: Main features of regulatory own funds instruments (EU CCA Reg. 2021/637)

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000072618
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art. 28 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	37,370
9	Nominal amount of instrument	N/A
EU 9a	Issue price	N/A
EU 9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAU14
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	878
9	Nominal amount of instrument	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	17/09/2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	17/09/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 17/09/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7.70% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005118838
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 486 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	78
9	Nominal amount of instrument	782
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/06/2015
12	Perpetual or dated	Dated
13	Original maturity date	30/06/2022
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 237 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAW79
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,126
9	Nominal amount of instrument	1,500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/01/2016
12	Perpetual or dated	Dated
13	Original maturity date	15/01/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.71% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1548475968
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,241
9	Nominal amount of instrument	1,250
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	11/01/2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	11/01/2027
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 11/01/2027
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	7.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua
	N/A = Not applicable	

1	Issuer	Reyl & Cie SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CH0450495376
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Swiss law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	10
9	Nominal amount of instrument	12
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/11/2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/11/2023
16	Subsequent call dates, if applicable	Early redemption exercisable starting from 30/11/2023 or on each anniversary date of the First Redemption Date. Moreover, the Issuer shall be entitled to cancel the outstanding Tier 1 Note if, subject to FINMA's written approval, it no longer qualifies as Additional Tier 1 Capital, in part or in full, including following a regulatory change.
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.75% payable annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity, junior to unsubordinated debts
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Reyl & Cie SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	CH0511381185
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Swiss law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	13
9	Nominal amount of instrument	15
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/11/2019
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/11/2024
16	Subsequent call dates, if applicable	Early redemption exercisable starting from 30/11/2024 or on each anniversary date of the First Redemption Date. Moreover, the Issuer shall be entitled to cancel the outstanding Tier 1 Note if, subject to FINMA's written approval, it no longer qualifies as Additional Tier 1 Capital, in part or in full, including following a regulatory change.
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.75% payable annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity, junior to unsubordinated debts
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2124980256
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	27/02/2030
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2030
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.125% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2223762381
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/03/2028
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 1/03/2028 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.5% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2223761813
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	01/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/09/2031
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting from 1/9/2031 and thereafter on each interest payment date
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0971213201
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	524
9	Nominal amount of instrument	1,446
EU 9a	Issue price	99
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	13/09/2013
12	Perpetual or dated	Dated
13	Original maturity date	13/09/2023
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.625%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HAT41
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	914
9	Nominal amount of instrument	2,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	26/06/2014
12	Perpetual or dated	Dated
13	Original maturity date	26/06/2024
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.017%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1109765005
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1,009
9	Nominal amount of instrument	1,000
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/09/2014
12	Perpetual or dated	Dated
13	Original maturity date	15/09/2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.928%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/mtn

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1222597905
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 486 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	341
9	Nominal amount of instrument	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	23/04/2015
12	Perpetual or dated	Dated
13	Original maturity date	23/04/2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.855%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1580469895
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	No
	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)	490
9	Nominal amount of instrument	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	15/03/2017
12	Perpetual or dated	Dated
13	Original maturity date	15/09/2027
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	15/09/2022
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 4.45% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1614415542
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16/05/2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	16/05/2024
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date starting thereafter 16/05/2024
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	6.25% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005279887
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	394
9	Nominal amount of instrument	724
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	26/09/2017
12	Perpetual or dated	Dated
13	Original maturity date	26/09/2024
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	(3m EURIBOR + 1.90 bps) / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1958656552
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	556
9	Nominal amount of instrument	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	04/03/2019
12	Perpetual or dated	Dated
13	Original maturity date	04/03/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	04/03/2024
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 5.875% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2026295126
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	316
9	Nominal amount of instrument	300
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	12/07/2019
12	Perpetual or dated	Dated
13	Original maturity date	12/07/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	12/07/2024
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 4.375% (until first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, Junior to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005390833
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	153
9	Nominal amount of instrument	160
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	11/12/2019
12	Perpetual or dated	Dated
13	Original maturity date	11/12/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1.98% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's nonsubordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005390825
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	179
9	Nominal amount of instrument	188
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	11/12/2019
12	Perpetual or dated	Dated
13	Original maturity date	11/12/2026
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 206 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's nonsubordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A. (former UBI)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2105110329
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	English law, except for subordination provisions (under Italian law)
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	396
9	Nominal amount of instrument	400
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	20/01/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	20/01/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 20/01/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.875% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of UBI Banca is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of UBI Banca returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://archivio.ubibanca.it/pagine/AT1-Documentazione.aspx

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2124979753
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1 capital
5	Post-transitional CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 52 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	745
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	27/02/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	27/02/2025
16	Subsequent call dates, if applicable	Early redemption exercisable on each interest payment date after 27/02/2025
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% per annum, payable semi-annually (up to the first call date)
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	Sì
31	If write-down, write-down trigger(s)	Write-down of nominal capital if CET1 of Intesa Sanpaolo or Intesa Sanpaolo Group is below 5.125 pct.
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If CET1 of ISP or the Group returns to 5.125 pct or above, the issuer may decide to revaluate the Nominal Capital within the limits of the Maximum Distributable Amount.
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Equity and subordinate to instruments having a lower subordination level (i.e. T2)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/it/investor-relations/prospetti/emissioni-internazionali/durata-perpetua
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2185883100
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	386
9	Nominal amount of instrument	350
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	10/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	10/06/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.148% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005412264
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	297
9	Nominal amount of instrument	309
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	3.75% fixed rate
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0005412256
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	572
9	Nominal amount of instrument	591
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	29/06/2020
12	Perpetual or dated	Dated
13	Original maturity date	29/06/2027
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month Euribor + 405 bps / 4
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS2243298069
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	477
9	Nominal amount of instrument	500
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	14/10/2020
12	Perpetual or dated	Dated
13	Original maturity date	14/10/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 2.925%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A
	N/A = Not applicable	

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Temporary ISIN: XS2269310319, Definitive ISIN: XS2243298069
2a	Public or private placement	private placement
3	Governing law(s) of the instrument	Italian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	0
9	Nominal amount of instrument	500
EU 9a	Issue price	104.073 (plus accrued interest)
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	07/12/2020
12	Perpetual or dated	Dated
13	Original maturity date	14/10/2030
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Annual fixed rate 2.925%
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Except in case of bail-in, the loan shall be redeemed: i) only after fulfilment of the obligations towards all the Issuer's non-subordinated creditors (including the depositors) or those having a lower subordination level compared to the Bonds; ii) pari passu with the holders of all the Issuer's financial instruments having the same subordination level and with the Issuer's creditors having the same subordination level; iii) in any case, before the Issuer's shares and the other Tier 1 equity instruments.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HBQ92
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	657
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/06/2021
12	Perpetual or dated	Dated
13	Original maturity date	01/06/2032
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/06/2031
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.198% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

1	Issuer	Intesa Sanpaolo S.p.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US46115HBS58
2a	Public or private placement	public placement
3	Governing law(s) of the instrument	New York law, except for subordination provisions governed by Italian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	REGULATORY TREATMENT	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Debt instrument - Art. 62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	694
9	Nominal amount of instrument	750
EU 9a	Issue price	100
EU 9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/06/2021
12	Perpetual or dated	Dated
13	Original maturity date	01/06/2042
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	01/06/2041
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.950% per annum, payable semi-annually
19	Existence of a dividend stopper	No
EU 20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU 20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU 34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior to Additional Tier 1, subordinated to Senior Unsecured
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://group.intesasanpaolo.com/en/investor-relations/prospectus/international-issue-documents

N/A = Not applicable

Attachment 2

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

(millions of euro)

		31.12.2021	31.12.2020	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	37,370	37,528	9, 10	26, paragraph 1, 27, 28, 29
	of which: instrument type 1	37,370	37,528	9, 10	EBA list as per article 26 (3)
	of which: instrument type 2	-	-		EBA list as per article 26 (3)
	of which: instrument type 3	-	-		EBA list as per article 26 (3)
2	Retained earnings	20,927	20,673	8	26, paragraph 2(c)
3	Accumulated other comprehensive income (and other reserves)	-3,499	-2,971	6, 8	26, paragraph 1, 27, 28, 29
EU3a	Funds for general banking risk	-	-		26, paragraph 1(f)
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-		486, paragraph 2
5	Minority interests (amount allowed in consolidated CET1)	3	31	12.1	84
EU5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,154	2,456	13	26, paragraph 2
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**55,955**	**57,717**		**Sum of rows from 1 to 5a**
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-235	-234	15	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-7,755	-6,760	1.1, 2, 5.2.1	36, paragraph 1(b), 37
9	Not applicable (*) (amount at 31/12/2020: Transitional adjustments related to IFRS 9, now included in row 27a as required by Reg. 2021/637)	-	2,129	8.1	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-1,914	-1,824	3, 3.1	36, paragraph 1(c), 38
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	602	728	6, 6.3	33, paragraph 1(a)
12	Negative amounts resulting from the calculation of expected loss amounts	-318	-299	17	36, paragraph 1(d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	-		32, paragraph 1
14	Gains or losses on liabilities measured at fair value resulting from changes in own credit standing (*) (amount at 31/12/2020 also included “Fair value gains or losses on liabilities measured at fair value arising from the institution’s own credit risk related to derivative liabilities”, now included in row 27a as required by Reg. 2021/637)	77	212	14	33, paragraph 1(b)
15	Defined-benefit pension fund assets (negative amount)	-	-		36, paragraph 1(e), 41
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-266	-263	11	36, paragraph 1(f), 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		36, paragraph 1(g), 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	1	36(1)(h), 43, 45, 46, 49 (2 and 3), 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	1	36(1)(i), 43, 45, 47, 48(1)(b), 49 (1,2 and 3), 79
20	Not applicable (*) (amount as at 31/12/2020: Other CET1 deduction items based on instructions from the National Authority, now partly included in row EU25b and partly in row 27a as required by Reg. 2021/637)	-	-232		
EU20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-155	-104	16	36, paragraph 1(k)
EU20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-		36, paragraph 1(k)(i), 89, 90, 91
EU20c	of which: securitisation positions (negative amount)	-155	-104	16	36, paragraph 1(k)(ii), 244 (1)(b), 245 (1)(b), 253
EU20d	of which: free deliveries (negative amount)	-	-		36, paragraph 1(k)(iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-		36, paragraph 1(c), 38, 48 (1)(a)
22	Amount exceeding the 17.65% threshold (negative amount)	-	-		48, paragraph 1
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-		36(1)(i), 48(1)(b)
24	Not applicable	-	-		
25	of which: deferred tax assets arising from temporary differences	-	-		36, paragraph 1(c), 38, 48 (1)(a)
EU25a	Losses for the current financial year (negative amount)	-	-		36, paragraph 1(a)
EU25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount) (*) (amount as at 31/12/2020: included in row 20)	-242	-	21	36, paragraph 1(l)
26	Not applicable	-	-		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-		36, paragraph 1(j)
27a	Other regulatory adjustments (*)	1,498	n/a (a)	8.1, 19, 21	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-8,708**	**-6,647**		**Sum of rows from 7 to 20a, 21, 22 and from 25a to 27a**
29	**Common Equity Tier 1 (CET1) capital**	**47,247**	**51,070**		**Row 6 less row 28**

(millions of euro)

			31.12.2021	31.12.2020	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	6,307	7,480	7	51, 52
	31	of which: classified as equity under applicable accounting standards	6,307	7,480	7	
	32	of which: classified as liabilities under applicable accounting standards	-	-		
33		Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-		486, paragraph 3
EU33a		Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-		494a, paragraph 1
EU33b		Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-		494b, paragraph 1
34		Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1	6	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**	**6,308**	**7,486**		**Sum of rows 30, 33, 33a, 33b and 34**
Additional Tier 1 (AT1) capital: regulatory adjustments						
37		Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-44	-	7	52, paragraph 1(b), 56 (a), 57
38		Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		56 (b), 58
39		Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-		56 (c), 59, 60, 79
40		Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-		56 (d), 59, 79
41		Not applicable	-	-		
42		Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-		56 (e)
42a		Other regulatory adjustments to AT1 capital (*)	-	n/a (a)		
43		**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-44**	**-**		**Sum of rows from 37 to 42a**
44		**Additional Tier 1 (AT1) capital**	**6,264**	**7,486**		**Row 36 less row 43**
45		**Tier 1 capital (T1 = CET1 + AT1)**	**53,511**	**58,556**		**Sum of rows 29 and 44**
Tier 2 (T2) capital: instruments						
46		Capital instruments and the related share premium accounts	9,336	9,966	4, 4.2	62, 63
47		Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-		486, paragraph 4
EU47a		Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-		494a, paragraph 2
EU47b		Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-		494b, paragraph 2
48		Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	1	5	12.3	87, 88
	49	of which: instruments issued by subsidiaries subject to phase out	-	-		486, paragraph 4
50		Credit risk adjustments (*)	916	-	18	62 (c)(d) and Art. 473a Reg. 2395/2017 (7)(c)
51		**Tier 2 (T2) capital before regulatory adjustments**	**10,253**	**9,971**		
Tier 2 (T2) capital: regulatory adjustments						
52		Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-173	-339	4, 4.2	63 (b)(i), 66 (a), 67
53		Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-		66 (b), 68
54		Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-		66 (c), 69, 70, 79
54a		Not applicable	-	-		
55		Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-223	-255	20	66 (d), 69, 79
56		Not applicable	-	-		
EU56a		Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-		66 (e)
EU56b		Other regulatory adjustments to T2 capital (*)	-916	n/a (a)		
57		**Total regulatory adjustments to Tier 2 (T2) capital**	**-1,312**	**-594**		**Sum of rows from 52 to 56b**
58		**Tier 2 (T2) capital**	**8,941**	**9,377**		**Row 51 less row 57**
59		**Total capital (TC = T1 + T2)**	**62,452**	**67,933**		**Sum of rows 45 and 58**
60		**Total Risk exposure amount**	**326,903**	**347,072**		

(millions of euro)

		31.12.2021	31.12.2020	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)	14.45%	14.71%		92, paragraph 2(a)
62	Tier 1 capital (as a percentage of the risk exposure amount)	16.37%	16.87%		92, paragraph 2(b)
63	Total capital (as a percentage of the risk exposure amount)	19.10%	19.57%		92, paragraph 2(c)
64	Institution CET1 overall capital requirements (*)	8.63%	7,59% (b)		CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	2.50%		
66	of which: countercyclical buffer requirement	0.04%	0.03%		
67	of which: systemic risk buffer requirement	-	-		
EU67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.75%	0.56%		
EU67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.84%	n/a (a) (c)		
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements (d)	9.11%	n/a (a)		CRD 128
National minima (if different from Basel III)					
69	Not applicable	-	-		
70	Not applicable	-	-		
71	Not applicable	-	-		
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,364	1,013		36(1)(h), 46, 45, 56 (c) 59, 60; 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	1,294	2,983		36, paragraph 1(i), 45, 48
74	Not applicable	-	-		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	2,820	3,323		36, paragraph 1(c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	1,859	2,456		62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	916	969		62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-		484 (3), 486 (2 and 5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-		484 (3), 486 (2 and 5)
82	Current cap on AT1 instruments subject to phase-out arrangements	615	615		484 (4), 486 (3 and 5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-		484 (4), 486 (3 and 5)
84	Current cap on T2 instruments subject to phase-out arrangements	1,418	1,418		484 (5), 486 (4 and 5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-		484 (5), 486 (4 and 5)

(*) Figure as at 31 December 2021 not directly comparable with 31 December 2020, because it is reported on the basis of the requirements of the new Regulation 2021/637 and the new table structure.
(a) Row introduced by Reg. 2021/637, applicable from June 2021.
(b) The ratio as at 31.12.2020 did not include the Pillar 2 requirement of 0.84% (reported in row EU67b from June 2021).
(c) The ratio as at 31.12.2020 was in any case present in the Pillar 3 document at that date in Section 4 – Capital Requirements (and was 0.84%).
(d) The minimum capital requirements considered in the calculation are the CET1 ratio (4.5%, Article 92(1)(a) CRR) and the additional SREP requirement for CET1 (Article 104a CRD).

Glossary

The following are definitions of some terms used in financial statement and/or Pillar 3 disclosures, with the exclusion of terms that have entered the common Italian lexicon or are used in a context that already clarifies their meaning.

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

Acquisition finance or Leverage and acquisition finance
Leveraged buy-out financing.

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

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

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

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

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

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

AMA – Advanced Measurement Approach
An approach introduced by Basel 2 to determine the operational risk capital requirement based on internal estimation and valuation models. AMA internal models normally consist of two components:
(i) a quantitative component based on internal and external loss data;
(ii) a qualitative component based on questionnaires with an ordinal score linked to the perception of the risk level of the loss events.

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

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

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

Asset encumbrance
In legal terms, it represents a real right held by a creditor to an asset owned by another counterparty, which may be the debtor or a third party. It typically takes the form of a mortgage on real property or the creation of collateral in repurchase agreements and loans with the central bank.

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

Eligible assets
Assets that may be used as collateral with the ECB to obtain liquidity at subsidised rates. There are three types of eligible assets:
(i) credit claims (bank loans);
(ii) securitisations (see entry) and covered bonds (see entry);
(iii) debt securities
which must meet some minimum quality requirements in terms of:
(i) eligible debtors;
(ii) counterparty rating.
The amount of the liquidity that may be obtained is determined by applying a haircut (reduction) to the nominal value as a function of the quality and type of rate.

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

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

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

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

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

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

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

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

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

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

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

Bid-ask spread
This is the difference between the buying and selling price of a given financial instrument or set of financial instruments.

Brand name
IFRS 3 considers the “brand name” a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand” is used in accounting standards with an extensive meaning and not as a synonym of “logo” or “name”. It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

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

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

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

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

Capital Asset Pricing Model (CAPM)
An economic model for determining the “opportunity cost” i.e. the amount of income for the period necessary to remunerate the cost of capital.

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

- Equity Tranche: the riskiest portion of the portfolio, it is also known as “first loss” and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
- Mezzanine Tranche: the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.

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

Captive
Term generically referring to “networks” or companies that operate exclusively with their parent company or group customers.

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

STS Securitisations
Securitisations, except for ABCP programmes and ABCP transactions, that meet the requirements set out in Articles 20, 21 and 22 of Regulation 2017/2402, are considered Simple, Transparent and Standardised Securitisations. For ABCP transactions and programmes, the requirements are set out in Articles 24 and 25-26 of that Regulation. As a result of their characteristics, STS securitisations can benefit from lighter prudential treatment in accordance with Regulation 2017/2401, which allows lower risk-weight floors than for other securitisations.

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

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

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

CCF - Credit Conversion Factor
In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):
a) 100% if it is a full risk item;
b) 50% if it is a medium-risk item;
c) 20% if it is a medium/low-risk item;
d) 0% if it is a low-risk item.

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

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

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract. Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
These are CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

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

Commercial paper
Short-term notes issued in order to collect funds as an alternative to other forms of indebtedness.

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

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the normally lower funding cost compared to market parameters.

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

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

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

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

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

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

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

Covered bonds
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle (case governed by Art. 7-bis of Law 130 of 30 April 1999).

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

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

Credit derivatives
Derivatives contracts the underlying for which is the creditworthiness of a certain issuer/borrower, measured by a rating agency or defined on the basis of objective criteria, in order to transfer credit risk. The main function of credit risk derivatives is to manage the credit risk associated with a certain asset (bond and/or loan) without the asset itself being transferred. They also allow credit risk (the possibility that the borrower defaults and does not make its payments) of a certain asset to be separated from other types of risk, for example interest rate risk (the possibility that market rates may move in a direction unfavourable to the lender).

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

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

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

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

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

CRM – Credit Risk Mitigation
Techniques used by institutions to reduce the credit risk associated with their exposures.

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

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

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

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

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

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

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

Held for trading (HFT)
Financial assets or financial liabilities that:
- are acquired or incurred principally for the purpose of selling or repurchasing them in the near term;
- on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- are derivatives other than those entered into as a designated, effective hedging instrument.

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

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

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

ECAI – External Credit Assessment Institution
An external credit assessment institution.

ECL – Expected Credit Loss
The adoption of IFRS 9 led to a revision of the methods of determining adjustments to loans from the notion of incurred credit loss to expected credit loss. Adjustments are quantified by including forward-looking scenarios and differs as a function of the deterioration of credit quality, with a one-year time horizon for positions classified to Stage 1 and for the lifetime (lifetime ECL) of the instrument for those included in Stages 2 and 3.

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

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

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area. Since 2 October 2019, the Eonia rate has been calculated as the €STR (Euro Short-Term Rate, the overnight rate for euro money markets) plus 8.5 basis points. The Eonia calculated according to this method was published until 3 January 2022. It was then permanently replaced by €STR plus a fixed spread of 8.5 basis points, quantified and made official by the ECB based on historical information.

ERP (equity risk premium)
Risk premium requested by investors on the market of reference, i.e. the expected return in excess of risk-free assets. To test goodwill for impairment, ISP uses that calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2021) by New York University - Stern School of Business.

ETDs – Exchange-Traded Derivatives
Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

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

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

Fair value
The value at which an asset could be tradedor a liability settled, in a current transaction between willing parties.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item.

Fair Value Option (FVO)
The Fair Value Option is an option for classifying a financial instrument. When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

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

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

FIFO: First In First Out
Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale.

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

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

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

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

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

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

FVTOCI: Fair Value Through Other Comprehensive Income
ethod of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss
Method of recognition of changes in the fair value of financial assets through profit or loss

Gross Book Value (GBV)
The accounting value of a loan, considered gross of adjustments.

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

GMSLA – Global Master Securities Lending Agreement
These are margining agreements used to mitigate counterparty risk in securities lending transactions.

GMRA – Global Master Repurchase Agreement
These are margining agreements used to mitigate counterparty risk in repurchase agreements.

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

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

Grandfathering
Period of transition for the entry into force of the new composition of own funds under Basel 3 and other less significant measures. Specifically, it concerns the gradual exclusion from own funds of the old instruments admitted to Basel 2 regulatory capital and no longer contemplated by Basel 3.

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

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

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

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

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB), the body responsible for issuing international accounting standards. The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

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

IFRS-IC (International Financial Reporting Standards Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA – Internal Models Approach
Approach for calculating the capital requirement for market risk using internal models.

IMM – Internal Model Method
Method for calculating Exposure at Default (see entry), within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.
Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
a) deductible temporary differences;
b) the carryforward of unused tax losses; and
c) the carryforward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base. There are two types of temporary difference:
a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled;
b) deductible temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Index-linked
Policies, including life policies, whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator. Policies may guarantee capital or offer a minimum return.

Internal dealing
Persons performing functions of administration, control or management (relevant persons) at a listed issuer, as well as those with close ties to such persons, must report transactions in listed financial instruments issued by the company or in derivatives of such instruments and must also abide by the restrictions on transactions in such instruments, according to the terms laid down in Art. 19 of Regulation (EU) 596/2014 on market abuse (MAR) and delegated legislation (Regulations (EU) 2016/522 and 2016/523).
The European legislation supplemented the provisions of Art. 114, paragraph 7, of Legislative Decree 58/1998 (Consolidated Law on Finance) with regard to the obligation to report transactions in securities for those who hold at least 10% of the share capital of a listed issuer and persons closely related to them.

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

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

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (see entry) (e.g., not less than BBB- on S&P Global's index).

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

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

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

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

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

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

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

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

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

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

LGD – Loss Given Default
It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
LTV measures the weight of the borrower’s own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower’s own funds used to buy the asset, the lower the creditor’s protection.

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

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

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

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

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

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios’ exposure to market volatility.

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

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

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

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

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

NAV - Net Asset Value
The market value of one share of the fund’s managed assets.

NBV – Net Book Value
The accounting value of a loan, considered net of adjustments.

Non Performing Exposure (NPE) – Non Performing Loan (NPL)
Terms used to indicate non-performing loans, i.e. loans with irregular performance. On the other hand, “performing” refers to regularly performing credit exposures.
Non-performing loans are classified into three categories:
(i) *bad loans*: loans the full collection of which is not certain because the borrowers are in a state of insolvency (including where not yet judicially established) or substantially equivalent situations;
(ii) *unlikely to pay*: exposures other than bad loans for which the bank deems it improbable that the borrower will fulfil all its credit obligations (by way of principal and/or interest) without recourse to actions such as enforcement of guarantees, regardless of the presence of any past-due instalments or amounts.
(iii) *past-due exposures*: exposures past due by more than 90 days exceeding a pre-determined materiality threshold.
The EBA has also added an additional category, transversal to the foregoing: that of exposures subject to forbearance measures. Such exposures may be forborne non performing loans or forborne performing loans. Forbearance measures consist of concessions

towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ('financial difficulties') and include, for example, the renegotiation of the terms of the contract or total/partial refinancing of the debt.

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

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

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

O-SII (Other Systemically Important Institutions)
These are institutions whose systematic importance, referring essentially to the systemic risk they may generate in the event of bankruptcy, is defined not at the global level but at a narrower geographical level, such as the individual country level. O-SIIs must maintain a capital buffer as a percentage of their total risk-weighted exposures. In the Italian context, O-SIIs are identified by the Bank of Italy which, pursuant to the provisions of CRD IV (Directive 2013/36/UE, is required to explain the criteria for its decision, which must comply with the EBA guidelines.
G-SIIs, on the other hand, are Global Systemically Important Institutions. The method for identifying and classifying G-SIIs to the various subcategories is defined in European Commission Delegated Regulation EU/2014/1222. Classification consists of five subcategories of G-SIIs in increasing order of systemic importance, associated with increasing percent capital buffers to be maintained once fully in force.

OTC – Over The Counter
It designates transactions carried out directly between the parties outside organised markets.

Outsourcing
The transfer of business processes to external providers.

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

PD – Probability of Default
The likelihood that a debtor will default within a period of one year or equal to the expected life of the financial instrument.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

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

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

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

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

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

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

Asset-backed commercial paper programme or ABCP programme
A programme of securitisations the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less, as defined by Regulation (EU) 2017/2402.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk These

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

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

Real estate (finance)
Structured finance transactions in the real estate sector.

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

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

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

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

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

RTS – Regulation Technical Standards
Regulatory technical standards.

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

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

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

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

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

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

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

- the variation (beyond set thresholds) of the lifetime probability of default (PD) compared to the time of initial recognition of the financial instrument. This is an assessment made on a "relative" basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have "significantly increased" and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between stages where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

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

Speculative grade
erm used to identify issuers with a low credit rating (e.g., below BBB- on the S&P Global index).

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

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

SRT – Significant Risk Transfer
The originator institution of a traditional securitisation may exclude underlying exposures from its calculation of risk-weighted exposure amounts where significant credit risk associated with the underlying exposures has been transferred to third parties. According to Article 244 of Regulation (EU) 2017/2401 there is a significant transfer of credit risk in any of the following cases: (i) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in the securitisation; and (ii) if there are no mezzanine securitisation positions, the originator institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation. Article 245 of Regulation (EU) 2017/2401 sets out similar conditions for significant risk transfer through funded or unfunded credit protection securitisations also for synthetic securitisations.

Stage 1
Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

Stage 2
Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

Stage 3
Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

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

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

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

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

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

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value (LTV) ratio is high.
On the other hand, prime mortgage loans are those which both the criteria used to grant the loan (LTV, debt-to-income, etc.) and to assess the borrower’s history are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

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

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

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

Terminal value
n enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g) (see entry).

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

Tier 1 Capital Ratio
The ratio of Tier 1 capital (see entry) to total risk-weighted assets (RWAs; see entry).

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to AIRB approaches (see entry).
Specific transitional provisions (grandfathering; see entry) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

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

Total capital ratio
Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2; see entries). It is represented by the ratio of own funds to total risk-weighted assets (RWAs; see entry).

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

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

Trustee (Real estate)
Real estate vehicles.

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

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

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

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

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

Vintage
Term used to indicate the seniority of NPEs/NPLs (see entry). It also refers to the date of generation of the collateral underlying the securitisation, as an important factor in judging the collateral's risk level.

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

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

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

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

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

Contacts

Intesa Sanpaolo S.p.A.

Registered office:
Piazza San Carlo, 156
10121 Turin
Telephone: +39 011 5551

Secondary registered office:
Via Monte di Pietà, 8
20121 Milan
Telephone: +39 02 87911

Investor Relations & Price-Sensitive Communication
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail: investor.relations@intesasanpaolo.com

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

Internet: group.intesasanpaolo.com

Editing and production: Agema® S.p.A.

GALLERIE D'ITALIA.
FOUR MUSEUMS, A 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 - Piazza Scala in Milan hosts, in a highly prestigious architectural setting, a selection of two hundred masterpieces of the nineteenth century in Lombardy, that are part of art collections of Fondazione Cariplo and Intesa Sanpaolo, and an exhibition dedicated to twentieth century Italian art.

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

Gallerie d'Italia - Palazzo Zevallos Stigliano, Naples hosts the Martyrdom of Saint Ursula, the last known painting by Caravaggio, alongside more than 120 examples of Neapolitan art dating from the early 17th to the early 20th century. New premises within the majestic building which was formerly the Bank of Naples in Via Toledo mean that the museum space is tripled in size, increasing exhibition opportunities.

There is also the newly-open fourth location of **Gallerie d'Italia in Piazza San Carlo in Turin**, a site which is mainly dedicated to photography and the digital world.

Cover photo:

Gaspar van Wittel (also known as Gaspare Vanvitelli, or Gaspare degli Occhiali)
(Amersfoort, 1652 - Rome, 1736)
A View of the Piazza Navona in Rome, 1688-1721
oil on canvas, 62.5 x 125.5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia -
Palazzo Zevallos Stigliano, Naples

A *View of the Piazza Navona in Rome* is a work by Gaspar van Wittel. A Dutch painter who relocated to Italy, he is considered the forerunner of modern vedutism, as a result of the almost topographic precision of the scene.

The painting belongs to a series of nine landscapes that van Wittel dedicated to Piazza Navona between 1688 and 1721, the largest square in Rome after St. Peter's Square, and undoubtedly the most picturesque thanks to its market and countless related activities. The piazza, a "grand example of theatrical Baroque" was blessed in the mid-seventeenth century with an architectural renovation that gave it a reputation as one of the most beautiful squares in Rome, famous for the magnificence of its buildings and fountains. The view is from the first floor of Palazzo Lancelotti; on the left, the light highlights a series of buildings including the Church of Sant'Agnese in Agone which was rebuilt under the guidance of Francesco Borromini. On the right, in the shadows and strongly shortened, it is possible to see the sixteenth century façade of San Giacomo degli Spagnoli; the roof terrace of Palazzo Altemps stands out against the background, while in the centre there is the *Fontana dei Fiumi* by Gian Lorenzo Bernini and the sixteenth-century fountains known as *del Moro* and *dei Calderari*.
The painting excels for its splendid colours and the clarity of its lines and volumes. The sky is intensely bright with a hue of light blue that is characteristic of the Dutch artist's best works.

The work is part of the art collections on permanent display in Gallerie d'Italia of Intesa Sanpaolo in Naples. The collection traces the most important moments of art in Naples and Campania from the early seventeenth century up to the first decades of the twentieth century, from Caravaggio and the naturalist turning point which took place with the artist's arrival in the city in 1606, right up to the works by Vincenzo Gemito, through the pomp and splendour of the Spanish viceroyalty and the Bourbon era.