

PAYMENT MORATORIA RELATED TO THE COVID-19 PANDEMIC

With reference to the classification of the positions involved in payment moratoria related to the COVID-19 pandemic, in line with indications of the various regulators who have discussed this item, it is specified that until 30 September 2020 the positions already classified as performing and affected by these measures (both the moratoria ex lege and the moratoria decided autonomously by the Group) were dealt with as follows:

- they were not, as a rule, subject to stage 2 classification (nor are they identified as forborne according to prudential regulations). Where moratoria were decided by the Bank, specific assessments were carried out to verify whether or not to consider renegotiation as a forbearance measure, with consequent transfer to stage 2 only for positions in respect of companies with higher risks.
- they were not classified as NPLs (stage 3). Specifically, performing loans involved in moratoria are not classified in the past-due loan risk class due to this circumstance, as the payment suspension intervenes on the past-due loans affected by the measure. Furthermore, application to the moratoria does not indicate an automatic trigger of unlikely-to-pay loan classification.

The moratoria granted to customer loans already classified as non-performing were subject to specific assessment and considered as forbearance measures.

Since 1 October 2020, following the "phase-out" of the EBA Guidelines (Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis), the Group has assessed on a case-by-case basis whether or not the granting of a new moratorium on performing loans is a forbearance measure.

Following the COVID second wave, which has been affecting Europe since mid-October, the EBA reconsidered the item and with its communication of 2 December 2020

- extended the deadline for the application of moratoria in accordance with the pre-existing guidelines until 31 March 2021;
- introduced a constraint according to which new moratoria or extended existing moratoria should not exceed an overall length of nine months. This constraint also applies to non-consecutive periods of payment suspensions (in this case the lengths of the different periods are summed). Moratoria granted until 30 September 2020 are not subject to the constrained overall length of nine months.

In December 2020, the Group applied the amendment introduced by the EBA on 2 December 2020, reactivating the above framework in place until 30 September 2020 while introducing a case-by-case assessment as regards the classification as forborne of the moratoria exceeding the nine-month cap, as established by the EBA. With reference to moratoria ex lege granted to domestic SMEs, in respect of which extensions had already been envisaged starting from the "Cura Italia" Decree Law of March 2020, the Budget Law no. 178 of December 2020 provided for a further extension until 30 June 2021. The Intesa Sanpaolo Group has therefore implemented the necessary actions to comply with the provisions of Italian law. Specifically, a centralised approach has been adopted through a massive extension of the moratoria falling within the scope of the law until 30 June 2021. With regard to the classification as forbearance, given the timeframe imposed by law for the extension, the Group has focused on a centralised analysis, however granular at the level of each position, identifying positions to be classified as forborne in accordance with risk-based criteria.

Most recently, the "Sostegni bis" Decree Law has further extended moratoria ex lege until 31 December 2021. The option is only available, on request, to businesses that have already been granted the benefit of moratorium laid down in the "Cura Italia" Decree (which, as stated above, expired on 30 June 2021). Customers were to submit the extension request by 15 June 2021. The suspension of loan repayments from 1 July 2021 onwards applies only to the principal – interest accruing must be paid. As far as the extension is concerned, given the high number of outstanding moratoria which could lead to customer requests to be dealt with in a very limited timeframe, the Group has decided to identify a restricted cluster characterised by a high level of creditworthiness, for which the Bank has deemed the assumption of financial difficulty and, therefore, the terms for a Forborne classification not applicable. The cluster has been identified both on the basis of the rating and considering the granular assessment carried out as part of the commercial and credit checks aimed at verifying customers' ability to resume repayments. All the exposures not included in the cluster have been analysed on a case-by-case basis by customer relationship managers.

Considering that no further legislative measures have been decided, any further extension of outstanding moratoria / granting of new suspensions of payments follow the ordinary credit process.