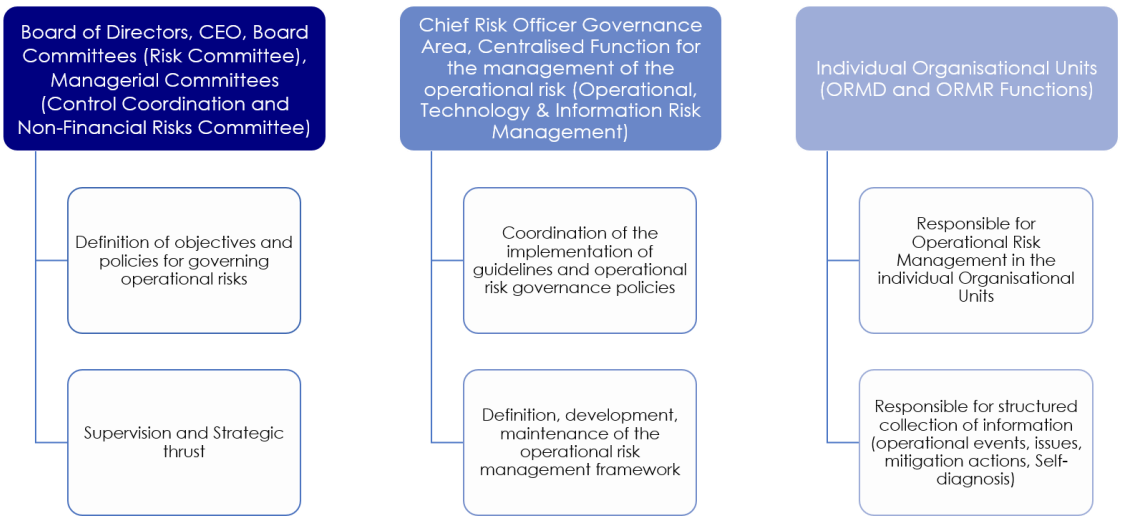
# 1.5. OPERATIONAL RISK

## QUALITATIVE INFORMATION

### A. General aspects, operational risk management processes and measurement methods

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[78].
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.
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: former 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 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.

**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.




[78] 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.

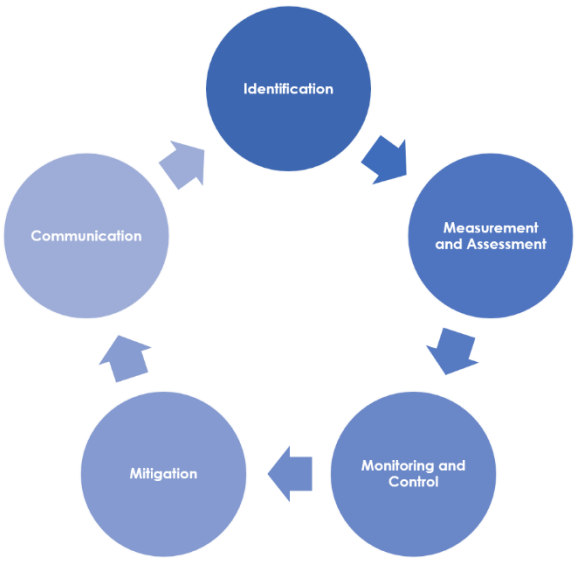
### ICT risk

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.

**Self-diagnosis**
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[79].
- 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.

**Internal model for the measurement of operational risk**
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).
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

[79] 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.

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.

### Impacts from the COVID-19 pandemic

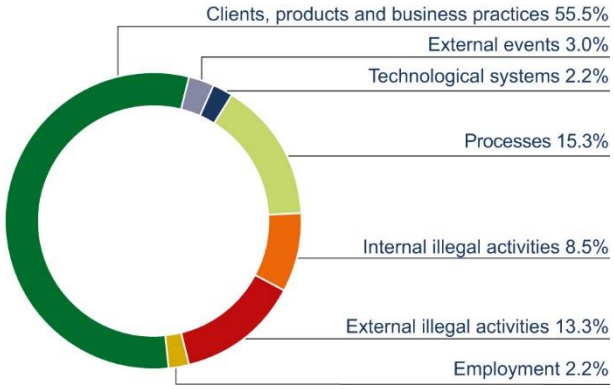
During 2021, as illustrated in the specific paragraph "Impacts of the pandemic on operations, business activities and the risk profile" of the Report on operations, all the initiatives adopted since the beginning of the emergency continued, in order to ensure business continuity and the safeguarding 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.

## QUANTITATIVE INFORMATION

To determine its capital requirements, the Group uses a combination of the methods (AMA, TSA and BIA) allowed under applicable regulations.
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.

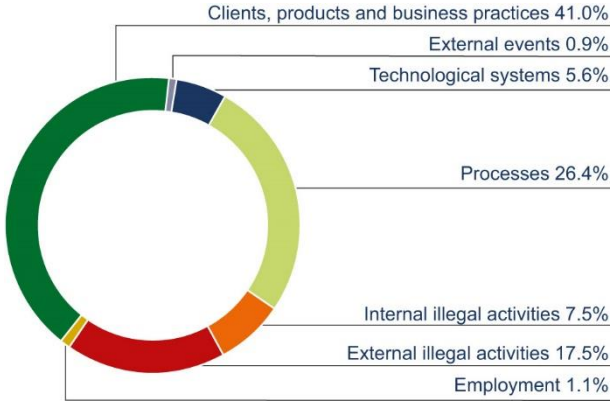
The following shows the breakdown of capital requirement relating to the Advanced Measurement Approach by type of operational event (Event Type).

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




With regard to the sources of operational risk, the chart below shows the impact of the operational losses recorded during the year, based on event type.
In 2021, the most significant event type was *Clients, Products and Business Practices*, which included losses related to defaults connected with professional obligations towards customers, suppliers or outsourcers and to the provision of services and products to customers performed improperly or negligently.

**Breakdown of operational losses recorded in 2021, by event type**



## LEGAL RISKS

As at 31 December 2021, there were a total of about 43,900 disputes, other than tax disputes, pending at Group level (excluding those involving Risanamento S.p.A., which is not subject to management and coordination by Intesa Sanpaolo) with a total remedy[80] sought of around 3,700 million euro. This amount includes all outstanding disputes, for which the risk of a disbursement of financial resources resulting from a potential negative outcome has been deemed possible or probable and therefore does not include disputes for which risk has been deemed remote.

The risks associated with these disputes are thoroughly and individually analysed by the Parent Company and Group companies. Specific and appropriate provisions have been made to the Allowances for Risks and Charges in the event of disputes for which there is an estimated probability of a disbursement of more than 50% and where the amount of the disbursement may be reliably estimated (disputes with likely risk). Without prejudice to the uncertainty inherent in all litigation, the estimate of the obligations that could arise from the disputes and hence the amount of any provisions recognised are based on the forward-looking assessments of the outcome of the trial. These forward-looking assessments are, in any event, prepared on the basis of all information available at the time of the estimate.

The disputes with likely risk amount to around 33,600 with a remedy sought of 2,052 million euro and provisions of 830 million euro. The component referring to the Parent Company Intesa Sanpaolo totals around 6,000 disputes, with a remedy sought of 1,586 million euro and provisions of 617 million euro. Compared to the previous year's figures, there was a decrease in number and in the amount of remedy sought. That decrease regarded disputes concerning anatocism, illegal interest and other conditions, revocatory actions and insolvency compensation actions and other civil and administrative disputes.

There were around 1,200 disputes relating to other Italian subsidiaries, with a remedy sought of 313 million euro and provisions of 110 million euro, while there were around 26,400 relating to international subsidiaries, with a remedy sought of 153 million euro and provisions of 103 million euro. Disputes regarding the international perimeter include around 23,100 disputes (of which around 14,800 arising in 2021) referring to the subsidiary Banca Intesa Beograd with regard to two types of mass disputes. Although numerically significant, the average value of the claims is quite modest: overall, the remedy sought is slightly more than 3 million euro. For details see the specific section.

The breakdown according to the main categories of disputes with likely risk shows the prevalence of cases related to the Group's ordinary banking and credit activities: disputes involving claims relating to banking and investment products and services or on credit positions and revocatory actions account for about 77% of the remedy sought and 77% of the provisions. The remaining disputes mainly consist of other civil and administrative proceedings and labour disputes or criminal proceedings or proceedings related to operational violations. The number of ongoing disputes is strongly affected by several cases of "mass" disputes abroad, with regard to complaints concerning loan positions and loans in currencies other than the local currency (25,700 positions with remedy sought of 17 million euro) and in Italy relating to issues of anatocism and investment services (3,780 positions with remedy sought of 834 million euro).

The paragraphs below provide summary information on the significant disputes (mainly those with a remedy sought of more than 20 million euro and where the risk of a disbursement is currently considered likely or possible), together with the cases considered significant.

*Disputes relating to anatocism and other current account and credit facility conditions, as well as usury*

During 2021, the disputes of this type – which for years have been a significant part of the civil litigation brought against the Italian banking industry – decreased both in number and in total value of claims made compared to the previous year. Overall, the number of disputes, including mediations, with likely risk amounted to around 3,250. The remedy sought amounted to 555 million euro, with provisions of 191 million euro. As is the case for the other civil disputes, the assessment of the risk related to this type of litigation is carried out individually, taking into account the claims made, the defences submitted, the progress of the proceedings and case-law decisions, for each dispute.

You are reminded that in 2014 and 2016, Article 120 of the Consolidated Law on Banking, which governs the compounding of interest in banking transactions, was amended with the establishment of the ban on anatocism and the delegation of the CICR (Interdepartmental Committee for Credit and Savings) to regulate this matter. In February 2017, the Italian Antitrust Authority initiated proceedings against Intesa Sanpaolo for alleged unfair business practices involving, among other things, the methods used to request the above-mentioned authorisation from customers for the charging of the interest to the account imposed by the new regulations introduced in 2016. The Authority completed the proceedings in October 2017, ruling that Intesa Sanpaolo had implemented an "aggressive" policy aimed at acquiring the authorisation, by soliciting customers to provide it through various means of communications and without putting them in a position to consider the consequences of that choice in terms of the interest calculation on the compounded debt interest. As a result, the Authority issued a fine of 2 million euro against Intesa Sanpaolo. Intesa Sanpaolo has submitted an appeal with the Lazio Regional Administrative Court, on the grounds that the ruling was unfounded. The proceedings are still pending.

*Disputes relating to investment services*

Also in this area, the disputes showed a slight downtrend in terms of number compared to the previous year. The most significant sub-group was disputes concerning derivatives, which remained substantially stable in number and value. The total number of disputes with likely risk for this type of litigation amounted to around 530. The total remedy sought amounted to around 279 million euro, with provisions of 165 million euro. As is the case for the other civil disputes, the assessment of the risk related to this type of litigation is carried out individually, taking into account the claims made, the defences submitted, the progress of the proceedings and the case-law guidance, for each dispute. The disputes deriving from UBI Banca also include approximately 188 disputes with a remedy sought of 143 million euro initiated by "wiped out" shareholders and subordinated bondholders of the former "Old Banks" of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Cassa di Risparmio della Provincia di Chieti, deemed to be of possible risk. Those disputes are backed by the warranties and obligations to indemnify by the Seller (National Resolution Fund) for the benefit of UBI Banca and therefore also cover any liabilities arising from the activities carried out by the Banks (the "Old Banks") before they were subject to the resolution procedure, in relation to, *inter alia,* risks of a legal nature or generally related to ongoing or threatened disputes, or violations

[80] The figures for the remedy sought do not include claims of indeterminate value, i.e. those that do not contain a specific financial claim when the dispute is initiated; the value of these disputes is determined during the course of the proceedings when sufficient information emerges for the valuation.

of the law and any potential liabilities.

*Judgement no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities*

By way of judgement no. 8770/2020, handed down by its Joint Sections on 12 May 2020, the Court of Cassation affirmed the nullity of several OTC derivative contracts (Interest Rate Swaps with upfront payments) entered into by an Italian bank and a Municipality, essentially establishing that: 1) the upfront payment was a type of new debt resulting in long-term expenditure borne by the entity and, therefore, derivative contracts that comprise an upfront payment require the authorisation of the Municipal Council (not the Municipal Executive Committee), which, if lacking, shall invalidate the derivatives; 2) swap contracts have the form of a "legal bet", permitted only in the amount in which these contracts acquire the form of a "rational bet", concluded in terms which enable both parties to understand the risks underlying the contract, which thus, must indicate the mark to market, implicit costs and probabilistic scenario.

Moreover, despite referring to a Municipality, the decision contains some general principles on the case and the subject-matter of the swaps. In that regard, in July 2021, as part of proceedings initiated by an individual against Intesa Sanpaolo, the Court of Cassation, First Section, affirmed that the MTM constitutes an essential component of the purpose of the contract, declaring the IRS contract entered into by the parties null and void, due to the failure to specify the relative calculation formula.

Within this framework, in order to assess the impact of the decision of ongoing disputes in light of the evolution of case-law, a specific reassessment was conducted of risks connected with the proceedings regarding derivative contracts entered into with local entities, companies controlled by entities and private parties and, where deemed appropriate, specific provisions were allocated.

Specifically, disputes are pending with 16 local authorities, with possible or probable risk, for total claims of 112 million euro, and disputes with 8 Companies controlled by public entities, with total claims of 71 million euro.

Disputes with individuals, assessed as having possible or probable risk, total around 270, and of these, around 70 positions also regard requests for refunds of amounts on other accounts held with the Bank. Net of those latter positions, the total value of the claims lodged in the proceedings regarding only derivatives amounts to around 114 million euro.

A summary of the most significant disputes is provided below:

- *Municipality of Venice*: the dispute regards a contract governed by the ISDA, entered into in 2007 con remedy sought of 71 million euro. In the proceedings pending before the High Court of Justice in London, a hearing for discussion of the proceedings has been scheduled for 23 June 2022. In the proceedings pending before the Court of Venice, following the order through which the Joint Sections of the Court of Cassation declared Italian jurisdiction, the Municipality reinstated the lawsuit. The filing of preliminary briefs is under way, and a hearing is set on 20 April 2022 to continue the proceedings.
- *Municipality of Perugia:* at the end of 2020, the Municipality of Perugia served a summons relating to four derivative contracts entered into in 2006, asking for repayment of the amounts paid, to be quantified during the lawsuit. At the hearing on 4 November 2021, the judge reserved the decision on the preliminary motions formulated by the parties.
- *Terni Reti Sud S.r.l.:* the dispute concerns a derivative contract entered into in August 2007 by the former Banca delle Marche[81] with Terni Reti Sud S.r.l., whose share is 100% held by the Municipality di Terni. The opponent claims that the derivative is null and void due to failure to communicate the MTM and the probabilistic scenarios, and the breach of disclosure obligations, formulating a demand of 22 million euro. At the hearing of 5 October 2021, the judge postponed the proceedings to 22 February 2022 for witness testimony. In this last hearing, the judge heard witness testimony and reserved the decision on whether to permit an expert witness report.
- *EUR S.p.A.* – In May, a writ of summons was served by EUR S.p.A., a company held by the Ministry of the Economy and Finance and Roma Capitale. In addition to Intesa Sanpaolo, the company is also suing other intermediaries due to derivative contracts governed by the ISDA, entered into in relation to a syndicated loan granted by those banks. The Court of Rome, lifting the reservation assumed at the hearing of 22 November 2021, stated that the lawsuit was ready for a ruling, recognising the importance of the objection raised by the defendants regarding the lack of jurisdiction of the Italian court in favour of the English court. The lawsuit was adjourned until 8 November 2022 for the presentation of conclusions. Intesa Sanpaolo's risk amounts to 22 million euro.

*Dispute relating to loans in CHF to the Croatian subsidiary Privredna Banka Zagreb Dd*

As already noted in the previous financial statements, Privredna Banka Zagreb ("PBZ") and seven other Croatian banks are defending themselves within an action brought by Potrošač (Croatian Union of the Consumer Protection Association) in relation to loans denominated or indexed to Swiss francs granted in the past. According to the plaintiff, the defendant banks behaved improperly by allegedly using illegitimate interest rate forecasts, which could be changed unilaterally by the bank, and by denominating the loans granted in Swiss francs (or indexing them to Swiss francs) without allegedly duly informing consumers of the risks before the signing of the respective loan agreements. In September 2019, the Croatian Supreme Court rendered a ruling in the collective action proceedings, rejecting the appeals filed by the sued banks against the High Commercial Court ruling from 2018 and confirming the position of courts of lower instance that banks had breached collective interests and rights of consumers by incorporating unfair and null and void provisions on CHF currency clause. The decision of the Supreme Court was challenged by PBZ before the Constitutional Court, which rejected the claim at the beginning of 2021. The subsidiary thus lodged an appeal before the European Court of Human Rights. In connection with the mentioned proceedings for the protection of the collective interests of consumers, numerous individual proceedings have been brought by customers against PBZ, despite the fact that most of them voluntarily accepted the offer to convert their CHF loans into EUR denominated loans retroactively, in accordance with the Act on the Amendments to the Consumer Credit Act (Croatian Official Gazette 102/2015 - "Conversion Law"). In March 2020, the Croatian Supreme Court, within model case proceedings (a Supreme Court proceedings with obligatory effect on lower instance courts with the aim of unifying/harmonising case law),

[81] Note that those disputes are backed by the warranties and obligations to indemnify by the Seller (National Resolution Fund) for the benefit of UBI Banca in relation to the acquisition of the New Banks deriving from the resolution of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Cassa di Risparmio della Provincia di Chieti and therefore also cover any liabilities arising from the activities carried out by the Banks (the "Old Banks") before they were subject to the resolution procedure, in relation to, *inter alia*, risks of a legal nature or generally related to ongoing or threatened disputes, or violations of the law and any potential liabilities.

ruled that the conversion agreements concluded between banks and borrowers under the Croatian Conversion Law of 2015 produce legal effects and are valid even in the case when the provisions of the underlying loan agreements on variable interest rate and currency clause are null and void.
That ruling is favourable for the evolution of the dispute regarding loans in Swiss francs (or indexed to that currency) converted based on the Conversion Law, which will also be impacted by the outcome of a request for a preliminary ruling from the EU Court of Justice on the consistency of several aspects of the Conversion Law with the Unfair Contract Terms Directive, formulated as part of proceedings involving another intermediary.
The number of new individual lawsuits filed against PBZ in 2021 was lower than those in 2020. At the end of 2021, the total pending cases amounted to a few thousand. It cannot be excluded the possibility that additional lawsuits might be filed against PBZ in the future in connection with CHF loans. The amount of provisions recognized as at 31 December 2021 is reasonably adequate – according to available information - to meet the obligations arising from the claims filed against the subsidiary so far. The evolution of the overall matter is anyhow carefully monitored in order to take appropriate initiatives, if necessary, in consistence with any future developments.

*Dispute with the foreign subsidiary Banca Intesa Beograd (Serbia)*
The following areas of the mass disputes that have impacted the entire Serbian banking system shown below.
1) Processing fees
Legal dispute regarding processing fees applied by banks at the time of disbursing loans. The claimants, individuals and legal persons, are requesting the repayment of those charges, as they are deemed as not owed. The first claims arose in 2017, and a significant increase in lawsuits was recorded in the following years, though for modest amounts on average. As at 31 December 2021, Banca Intesa Beograd had been summoned in around 25,000 lawsuits (of which 19,000 arising during 2021), while the related total amounts requested to be repaid by the Bank totalled around 2 million euro. Most of the courts accepted the customers' requests, based on an interpretation of regulations that the banks oppose. In September 2021, the Supreme Court of Serbia recognised the legitimacy of the costs and fees applied to loans at the time of their disbursement, provided they are indicated in the contract proposal. That ruling is favourable for the evolution of the dispute on the matter. The first instance courts should gradually align with that ruled by the Supreme Court. In the last quarter of the year, the flow of new lawsuits decreased, and customers dropped some of those already pending.
2) NKOSK
Legal dispute relating to real estate loans insured through the National Housing Loan Insurance Corporation (NKOSK), whose premium is paid by the borrowers. The borrowers deem that, as the bank is the beneficiary of the insurance, the premium should be paid by the bank. As at 31 December 2021, Banca Intesa Beograd had been summoned in 967 lawsuits (of which 565 arising during 2021). The related total amounts requested to be repaid by the Bank totalled around 1.1 million euro. Most of the courts accepted the customers' requests, based on an interpretation of regulations that the banks oppose. In September 2021, the Supreme Court of Serbia recognised the legitimacy of requiring the insurance premium to be paid by the borrowers, provided that the obligation is clearly described to the borrowers during precontractual procedures. That ruling is favourable for the evolution of the dispute on the matter. The first instance courts should gradually align with that ruled by the Supreme Court. In the last quarter of the year, the flow of new lawsuits decreased.
The disputes mentioned above are covered by suitable provisions.

*Ruling of the EU Court of Justice of 11 September 2019 on credit agreements for consumers - so-called Lexitor ruling*
Article 16, paragraph 1, of Directive 2008/48 on credit agreements for consumers states that in the event of early repayment of the loan the consumer is "entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract". According to the Lexitor ruling, this provision must be interpreted as meaning that the right to a reduction in the total cost of the credit includes all the costs incurred by the consumer and therefore also includes the costs relating to services prior to or connected with the signing of the contract (upfront costs such as processing costs or agency fees).
Article 16, paragraph 1 of Directive 2008/48 has been transposed in Italy through Article 125 sexies of the Consolidated Law on Banking, according to which in the event of early repayment "the consumer is entitled to a reduction in the total cost of the credit, equal to the amount of interest and costs due for the remaining life of the contract". On the basis of this rule, the Bank of Italy, the Financial Banking Arbitrator and case law have held that the obligation to repay only relates to the charges that have accrued during the course of the relationship (recurring costs) and have been paid in advance by the customer to the lender. In the event of early repayment, these costs must be repaid in the amount not yet accrued and the obligation to repay does not include the upfront costs.
Following the Lexitor judgment, the question has arisen as to whether Article 125 sexies of the Consolidated Law on Banking should be interpreted in accordance with the principle laid down therein or whether the new principle requires a legislative amendment.
According to the EU principle of "consistent interpretation", national courts are required to interpret the rules in their own jurisdiction in a manner consistent with the European provisions. However, if the national rule has an unambiguous interpretation, it cannot be (re)interpreted by the court in order to bring it into line with the various provisions of a European directive: the principles recognised by European Union law prevent the national court from being required to make an interpretation that goes against the provisions of the domestic law. In this regard, we note that Article 125 sexies of the Consolidated Law on Banking has always been interpreted as meaning that, in the event of early repayment, the obligation to repay relates only to recurring costs and therefore does not include upfront costs.
In December 2019, following the Lexitor ruling, the Bank of Italy issued "guidance" for the implementation of the principle established by the EU Court of Justice, to the effect that all costs (including upfront costs) should be included among the costs to be refunded in the event of early repayment, both for new relationships and for existing relationships.
Intesa Sanpaolo has decided to follow the Bank of Italy "guidance", even though it believes that the legal arguments set out above regarding the fact that Article 125 sexies of the Consolidated Law on Banking cannot be interpreted in a manner that complies with the Lexitor ruling are well founded. A provision has therefore been made in the Allowance for Risks and Charges corresponding to the estimated higher charges resulting from the decision to follow the Bank of Italy "guidance".

On 25 July 2021, Article 11-octies of Law 106/2021 took effect, which modified paragraph 1 of Article 125 sexies of the Consolidated Law on Banking, with the intention of resolving the situation of uncertainty caused by the Lexitor ruling, with the following provisions:

- with regard to the rules on mortgage lending to consumers, removal of the reference to Article 125-sexies of the Consolidated Law on Banking and insertion of a specific provision on the early redemption of this type of loan, limiting repayment to only the interest and costs due for the remaining life of the loan agreement;
- with regard to the rules on consumer credit, the text of Article 125-sexies of the Consolidated Law on Banking is modified so as to implement the principles of the Lexitor ruling, indicating, however, the amortised cost criterion as the preferred criterion for calculating repayment;
- these provisions only apply to loan agreements signed after the entry into force of the law converting the decree. Loan agreements signed before that date are expressly to be governed by the provisions of law and Supervisory Provisions previously in force.

The new rule does not have significant impacts on new contracts: for personal loans, the contractual clauses already comply with the rule, and for salary-backed loan products, the companies in the Intesa Sanpaolo Group have adopted the "tutto TAN" (All APR) model, which does not apply incidental costs to the customer, aside from interest. As regards consumer credit agreements concluded before the date of entry into force of the new rule, even if the agreements expired after that date, the repayment of the upfront costs could be limited to the amount established in the agreement.
The Coordination Board of the Banking and Financial Ombudsman (ABF), which was assigned the issue of repayment of the upfront costs following the entry into force of the "Lexitor amendment", issued Decision no. 21676 on 15 October 2021, stating the following principle: in application of the legislative change pursuant to Article 11 octies, paragraph 2, last sentence of Law Decree No. 73 of 25 May 2021, converted into Law no. 106 of 23 July 2021, in the event of early repayment of a loan entered into before the entry into force of the specific regulatory provisions, there must be a distinction between costs relating to activities over the course of the contractual relationship (recurring costs) and costs relating to the fulfilment of preliminary obligations for granting the loan (upfront costs). This means that the former, but not the latter, can be repaid, limited to the portion not accrued due to the early repayment.
The guidance from the Coordination Board of the Banking and Financial Ombudsman continues to be followed by the single panels, which reject the requests for pro rata repayment of upfront costs. The decisions were not suspended even after the issue of the legitimacy of the legislative change was referred to the Constitutional Court. This will be explained further below.
On 1 December 2021, the Bank of Italy also notified intermediaries that, as a result of the changes made by Law 106/2021 to Article 125 sexies of the Consolidated Law on Banking, its "guidelines" of 4 December 2019 are to be considered invalid. Those guidelines requested that, in the event of the early repayment of consumer credit loans, the reduction in the total cost of the loan be calculated, including all costs borne by the consumer (recurring and upfront costs), excluding taxes.
Conversely, ordinary case law is divided over the application of the new rule. Several judges have applied the new provision by rejecting the claimant's request for pro rata repayment of upfront fees following early repayment. However, in a significant number of cases, particularly in disputes before Justices of Peace, the customer's right to pro rata repayment of the upfront costs was recognised, deeming that - with varying, questionable grounds - the Lexitor principles should be applied also following the entry into force of the legislative change. Those rulings have generally been challenged by the Bank.
By order issued on 2 November 2021 in a lawsuit promoted against an intermediary specialising in salary-backed loans, for repayment of the upfront costs, the Court of Turin promoted proceedings on the constitutionality of the "Lexitor amendment".

*Disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation*
Preliminarily, the following is noted:

a. based on the agreements between the two Banks in compulsory administrative liquidation and Intesa Sanpaolo (Sale Contract of 26 June 2017 and Second Acknowledgement Agreement of 17 January 2018), two distinct categories of disputes have been identified (also relating to the subsidiaries of the former Venetian banks included in the sale):
   - the Previous Disputes, included among the liabilities of the Aggregate Set transferred to Intesa Sanpaolo, which include civil disputes relating to judgements already pending at 26 June 2017, with some exceptions, and in any case different from those included under the Excluded Disputes (see the point below);
   - the Excluded Disputes, which remain under the responsibility of the Banks in compulsory administrative liquidation and which concern, among other things, disputes brought (also before 26 June 2017) by shareholders and convertible and/or subordinate bondholders of one of the two former Venetian banks, disputes relating to non-performing loans, disputes relating to relationships terminated at the date of the transfer, and all disputes (whatever their subject) arising after the sale and relating to acts or events occurring prior to the sale;
b. the relevant provisions were transferred to Intesa Sanpaolo along with the Previous Disputes; in any case, if the allowances transferred prove insufficient, Intesa Sanpaolo is entitled to be indemnified by the Banks in compulsory administrative liquidation, at the terms provided for in the Sale Contract of 26 June 2017;
c. after 26 June 2017, a number of lawsuits included within the Excluded Disputes were initiated or resumed against Intesa Sanpaolo. With regard to these lawsuits:
   - Intesa Sanpaolo is pleading and will plead its non-involvement and lack of capacity to be sued, both on the basis of the provisions of Law Decree 99/2017 (Article 3) and the agreements signed with the Banks in compulsory administrative liquidation and in compliance with the European Commission provisions on State Aid (Decision C(2017) 4501 final and Attachment B to the Sale Contract of 26 June 2017), which prohibit Intesa Sanpaolo from taking responsibility for any claims made by the shareholders and subordinated bondholders of the former Venetian Banks;
   - if there were to be a ruling against Intesa Sanpaolo (and in any event for the charges incurred by Intesa Sanpaolo for any reason in relation to its involvement in any Excluded Disputes), it would have the right to be fully reimbursed by the Banks in compulsory administrative liquidation;
   - the Banks in compulsory administrative liquidation have contractually acknowledged their capacity to be sued with respect to the Excluded Disputes, such that they have entered appearances in various proceedings initiated (or re-initiated) by various shareholders and convertible and/or subordinate bondholders against Intesa Sanpaolo (or in

any case included in the category of Excluded Disputes), asking for the declaration of their exclusive capacity to be sued and the consequent exclusion of Intesa Sanpaolo from those proceedings;

d. pursuant to the agreements between the two Banks in compulsory administrative liquidation and Intesa Sanpaolo, the disputes regarding the marketing of shares/convertible and/or subordinated bonds initiated against Banca Nuova and Banca Apulia (subsequently merged by incorporation into Intesa Sanpaolo) are also included in the Excluded Disputes (and therefore have the same treatment as described above, as a result of the above-mentioned provisions and based on the criteria set out in the retransfer agreements signed on 10 July 2017, as subsequently supplemented).

The above-mentioned disputes in the Excluded Disputes include 84 disputes (for a total remedy sought of around 88 million euro) involving claims relating to loans sold to Intesa Sanpaolo and deriving from so-called "operazioni baciate"; this term refers to loans granted by the former Venetian banks (or their Italian subsidiaries Banca Nuova/Banca Apulia) for the purpose of, or in any case related to, investments in shares or convertible and/or subordinated bonds of the two former Venetian Banks.

The most recurrent claims relate to:

- the violation by the former Venetian banks (or their subsidiaries) of the requirements of the rules on investment services; the customers claim that they were induced to purchase the shares on the basis of false or misleading information on the product's risk characteristics;
- the invalidity of the "baciata" transaction due to the breach of Article 2358 of the Italian Civil Code, which prohibits companies from granting loans for the purchase of treasury shares, except in certain limited cases.

The case law regarding such transactions is still limited and does not provide a basis for inferring the destiny of the loans in question for Intesa Sanpaolo. Among the few judgments that have been rendered to date, six voided the loan sold to Intesa Sanpaolo in respect of the part intended for the purchase of shares and were or will be appealed. In nine cases, the decision was favourable to the Bank, which proved that there was no effective correlation between the loan and equity investment, or successfully claimed that it was not liable, since the disputes began after the sale but referred to events pre-dating it.

With regard to the risks arising from these disputes, it should be borne in mind that the Sale Contract establishes the following:

- that any liability, charge and/or negative effect that may arise to Intesa Sanpaolo from actions, disputes or claims made by shareholders and subordinated bondholders constitutes an Excluded Liability under the Contract and, as such, must be subject to indemnification by the Banks in compulsory administrative liquidation;
- the obligation of each Bank in compulsory administrative liquidation to indemnify Intesa Sanpaolo against any damage arising from, or connected to, the violation or non-compliance of the Representations and Warranties issued by the two Banks in compulsory administrative liquidation with respect to the Aggregate Set transferred to Intesa Sanpaolo, and, in particular, those relating to the full propriety, validity and effectiveness of the loans and contracts transferred.

On the basis of these provisions, Intesa Sanpaolo is entitled to be indemnified by the Banks in compulsory administrative liquidation against any negative effect incurred if these loans are totally or partially invalid, unrecoverable, or in any case not repaid as a result of legal disputes.

Intesa Sanpaolo has already made a formal reservation in this regard to the two Banks in compulsory administrative liquidation for all the loans acquired and arising from loans potentially qualifying as "*operazioni baciate*", even if they have not (yet) been formally contested by customers (see below "Initiatives undertaken with respect to the compulsory administrative liquidations").

In 2019 and 2021, Intesa Sanpaolo sent several claims to the Banks in compulsory administrative liquidation containing requests (or reservations of the right to make subsequent requests) for reimbursement/indemnification of damages already incurred or potentially incurred and violations of the above-mentioned Representations and Warranties, in relation to Previous Disputes and Excluded Disputes, as well as in relation to the value and recoverability of several assets transferred to Intesa Sanpaolo.

On several occasions, at the request of the Banks in compulsory administrative liquidation, Intesa Sanpaolo granted extension (with respect to the contractual provisions) of the deadline for contesting the claims made. The period is currently set to end on 30 April 2022.

No disputes have emerged with regard to the claims already served, nor is there any reason to fear that the passage of time will weaken our claims

In this regard, it should also be noted that Paragraph 11.1.9 of the Sale Contract establishes that "*the precise and timely payment of any obligations and liabilities assumed in favour of the ISP by BPVi and/or VB shall be guaranteed by the Issuing Body [i.e. the Ministry of the Economy and Finance]: (i) with regard to the indemnification obligations assumed by BPVi and/or VB and relating to the Previous Disputes, up to the maximum amount of the remedy sought for each of the Previous Disputes as indicated in the case documents, net of the specific risk allowances transferred to ISP with the Aggregate Set; and (ii) with regard to the remaining obligations and liabilities assumed by BPVi and/or VB, up to the maximum amount of 1.5 billion euro*" (the "Indemnification Guarantee").

This provision is consistent with and implements Article 4, paragraph 1, letter c) of Law Decree no. 99/2017: the Ministry of the Economy and Finance "*grants the Government independent first demand guarantee on the performance of the obligations of the entity in liquidation arising from commitments, representations and warranties issued by the entity in liquidation in the sale contract, for a maximum amount equal to the sum of 1,500 million euro plus the result of the difference between the value of the past disputes of the entities in liquidation, as indicated in the case documents, and the related risk provision, up to a maximum of 491 million euro*".

The Indemnification Guarantee is therefore an essential prerequisite of the Sale Contract. To date, this guarantee has not yet been formalised by a specific Decree from the Ministry of the Economy and Finance. The issuance of the guarantee by the government is a required procedure that is envisaged, not only by the Sale Contract of 26 June 2017, but also by the above-mentioned Law Decree 99/2017.

By order of 20 July 2021, in the proceedings relating to the Excluded Disputes brought for the alleged misselling of BPVi shares in which Intesa Sanpaolo (which claimed it lacks the capacity to be sued based on Law Decree 99/2017 and the sale contract) is also a party, the Court of Florence referred the question of the constitutionality of Law Decree 99/2017 to the Constitutional Court.

This is the first case of referral to the Constitutional Court of issues relating to Law Decree 99/2017. To date, the numerous applications for referral to the Constitutional Court formulated by the counterparties in proceedings relating to the Excluded Disputes have always been rejected by judges, as they were deemed immaterial or clearly unfounded.
The issues raised and the supporting arguments do not seem to sufficiently consider the overall framework of European and Italian legislation concerning bankruptcy, bank restructuring and the governance of State aid (with specific reference to burden sharing). Law Decree 99/2017 is part of that regulatory framework, and its consistency with constitutional provisions seems to be supported by sound arguments.
The Bank lodged an appearance in the proceedings on 13 December 2021. The Bank's defence brief challenges the order of referral, stating it lacks the essential requirements of specificity, clarity, correct illustration of the case, suitable justification for the considerations of unconstitutionality (aspects of inadmissibility). Moreover, the Bank acted in full compliance with the current regulatory framework and will support, in all instances (including the Constitutional Court, where it has filed an appearance), the correct application by the legal system of Law Decree 99/2017, of EU and national regulations on State aid as part of the operations on the Venetian Banks, the absence of discriminatory effects against the shareholders of the Venetian Banks, and the justification of the sacrifices required of certain categories of creditors. The Presidency of the Council of Ministers intervened in the proceedings, asking that the question of constitutionality raised be declared inadmissible or unfounded. The same request was formulated by BPVi in liquidation in its filing of appearance.
In January 2018, as part of a criminal proceeding before the Court of Rome for the alleged market rigging and obstructing the Supervisory Authorities in the performance of their functions with respect to officers and executives of Veneto Banca, the preliminary hearing judge decided that Intesa Sanpaolo could be charged with civil liability. According to the judge, the exclusion from the sale to Intesa Sanpaolo of the debts, responsibilities and liabilities deriving from the sale of shares and subordinated bonds – envisaged by Law Decree 99/2017 – would not be objectionable by third parties, while Article 2560 of the Italian Civil Code would be applicable in the case in question and Intesa Sanpaolo should therefore take on those liabilities.
As a result of this decision, more than 3,800 civil plaintiffs holding Veneto Banca shares or subordinated bonds joined the proceedings. Intesa Sanpaolo therefore entered an appearance requesting its exclusion from the proceedings, in application of the provisions of Law Decree 99/2017, of the rules established for the compulsory administrative liquidation of banks and, before that, of the principles and rules contained in the bankruptcy law, in addition to the constitutional principles and decisions made at EU level with regard to the operation relating to the former Venetian banks. In turn, Veneto Banca in compulsory administrative liquidation intervened voluntarily affirming its exclusive, substantial and procedural capacity to be sued.
In March 2018, the preliminary hearing judge declared his lack of territorial jurisdiction, transferring the files to the Public Prosecutor's Office of Treviso. The charge of civil liability and the joinders of the civil parties were therefore removed.
After the case documents were forwarded to the Public Prosecutor's Office of Treviso, the former Managing Director of Veneto Banca, Vincenzo Consoli, was committed to trial for the offences of market-rigging, obstructing banking supervisory authorities and financial reporting irregularities.
The Judge for the Preliminary Hearing rejected the motion to authorise the summons of Intesa Sanpaolo as civilly liable party.
A similar motion was rejected in the criminal proceedings before the Court of Vicenza against management board members and key function holders and executives of Banca Popolare di Vicenza.

*Disputes relating to bank guarantees*

This type of dispute derives from a decision of the Court of Cassation in 2017, based on a Bank of Italy measure of 2005 relating to a bank guarantee scheme submitted to it by the ABI (agreed with the main consumers' associations). The Bank of Italy deemed that three clauses in this scheme could have anti-competition effects if applied in a standard manner by banks.
Referring to that measure, the Court of Cassation formulated the following new principle of law: once the existence of an unlawful, and therefore, null and void anticompetitive agreement has been ascertained, bank guarantees that constitute the application of the unlawful agreement shall also be deemed unlawful, even if issued prior to the verification of the agreement.
Recently, as part of recovery proceedings managed by Italfondiario on behalf of the Bank, the issue relating to the consequences of the principle stated by the Court in 2017 on individual bank guarantees issued based on the Italian Banking Association (ABI) scheme was referred to the Joint Sections.
Specifically, they were asked to assess:

a. whether the inclusion of the unlawful clauses in the contract justifies the declaration that the contracts are null and void or exclusively legitimises the claim for damages;
b. in the event of nullity, what type of defect determines such nullity and which party is entitled to enforce it;
c. whether the partial nullity of the bank guarantee is admissible;
d. whether, in addition to verifying that the clauses match those deemed unlawful, the intention of the parties regarding the operation must be investigated and, that is, whether they would have gone ahead even knowing the clauses were unlawful.

On 30 December 2021, the Joint Sections declared the partial nullity of the bank guarantees drawn up based on the Italian Banking Association (ABI) template, in relation to clauses 2, 6 and 8.
An initial examination of the ruling shows that the Joint Sections opted for an intermediate solution, excluding the other two possible solutions: on one side, they ruled out the full validity of the bank guarantee, a solution which would have exclusively permitted compensation for damages as the only remedy to be used by the guarantor (as suggested in the conclusions of the General Prosecutor prior to the hearing of 23 November 2021); on the other side, they ruled out the possibility of deeming the entire bank guarantee contract null and void.
The ruling of the Court of Cassation could result in an increase in disputes on this matter.

*Andrea Abbà + 207*

This is a dispute pending before the Court of Milan, Business Section, initiated in 2019 by Mr. Abbà and 207 subordinated bondholders of Banca delle Marche[82]. The claimants seek a declaration voiding the bonds and compensation for the damages suffered. The claim has been quantified at approximately 31 million euro.

The Bank filed its appearance, objecting that it lacked the capacity to be sued, arguing in particular that the bonds in question were outside the scope of the sale by the Bridge Entity to UBI. UBI also argued that the claimant's claims had become time barred and that the adverse parties lacked capacity, since they were not the "first borrowers" and thus by law were not entitled to claim that the original bonds were inherently flawed. Finally, the lack of grounds to void the bonds and of evidence of the causal relationship between the Bank's conduct at issue and the damages was underscored.

As the manager of the National Resolution Fund, the Bank of Italy intervened in the proceedings, upholding the arguments and conclusions formulated by UBI. Following its interruption due to the death of one of the claimants, the lawsuit was resumed and postponed to 15 February 2022. The Court of Milan, Business Section granted the terms for filing preliminary briefs and scheduled the hearing for 28 March 2023. The lawsuit risk is to be considered "possible".

*AC Costruzioni S.r.l.*

Proceedings brought by AC Costruzioni S.r.l. (subsequently declared bankrupt) and Aurelio Cava (deceased during the trial) seeking a declaratory judgment establishing contractual and/or extracontractual liability of the Bank for the revocation of the credit facilities in 1998 and a judgment ordering the bank to provide compensation for the damages resulting from revocation, quantified at a total of around 33 million euro.

The adverse party's claims were rejected in full by both the Court of Cosenza and the Catanzaro Court of Appeal, which upheld the arguments made by the Bank. The judgment of the second instance was appealed by Cava's heirs and by the receiver to AC Costruzioni by counter-appeal and cross-appeal. The hearing before the Supreme Court has yet to be scheduled. The lawsuit risk is to be considered "possible".

*Città Metropolitana di Roma Capitale (formerly Provincia di Roma)*

Criminal proceedings are pending before the Rome Public Prosecutor's Office against a former Banca IMI manager for co-commission of aggravated fraud against the Metropolitan City of Rome Capital (formerly the Province of Rome).

The proceedings relate to the overall transaction for the purchase by the local authority, through the real estate fund Fondo Immobiliare Provincia di Roma (fully owned by the Province of Rome), of the new EUR premises.

The real-estate transaction received financing of 232 million euro from UniCredit, BNL and Banca IMI (each with 1/3).

The former Banca IMI employee is accused of having misled – with three other managers of the two other lending banks, seven managers of the asset management company that manages the provincial fund and two public officials – the fund's internal control bodies and representatives of the Province, allowing the lending banks to obtain an unjust profit and thus causing significant damages to the public authority. In addition, the Public Prosecutor claims that the lending banks and the Fund entered into a loan under different, more burdensome conditions than those provided for in the call for tenders held by the public entity for the transaction.

Intesa Sanpaolo (as the company that absorbed Banca IMI) is investigated in the criminal proceeding pursuant to Legislative Decree 231/01 together with the other two lending banks and the real-estate fund management company.

Based on early reconstructions, there is reason to believe that the correctness of the Bank's actions will be confirmed.

*Disputes regarding tax-collection companies*

In the context of the government's decision to re-assume responsibility for tax collection, Intesa Sanpaolo sold to Equitalia S.p.A., now the Italian Revenue Agency - Collections Division, full ownership of Gest Line and ETR/ESATRI, companies that managed tax-collection activities, undertaking to indemnify the buyer against any expenses associated with the collection activity carried out up to the time of purchase of the equity investments.

In particular, such expenses refer to liabilities for disputes with tax authorities, taxpayers and employees and out-of-period expenses and capital losses with respect to the financial situation at the time of the sale.

Overall, the claims made amount to approximately 74.9 million euro. A technical roundtable has been formed with the Italian Revenue Agency - Collections Division in order to assess the parties' claims.

*Energy S.r.l.*

Energy S.r.l., to which the bankruptcy receiver of C.I.S.I. S.r.l. transferred all its rights towards third parties, brought a claim before the Court of Rome against Intesa Sanpaolo seeking to quash the revocation of the subsidised loan of approximately 22 million euro granted to C.I.S.I. S.r.l. in 1997 pursuant to Law 488/92 and a judgment ordering the Ministry of Economic Development, Intesa Sanpaolo (as the concessionaire for the procedural application process) and Vittoria Assicurazioni (guarantor of the payment of the second tranche of the loan), jointly and severally between them, to provide compensation for damages allegedly incurred, quantified at a total of approximately 53 million euro. The company justified its claim by citing a favourable judgment rendered in criminal proceedings originating from a complaint filed against C.I.S.I. and its director alleging grave irregularities and breach in the execution of the business plan to which the loan referred – proceedings that had led to the revocation of the subsidised loan.

Intesa Sanpaolo entered its appearance, denying that there was any basis for the adverse parties' claims, arguing that all claims for compensation against the Bank had become time barred, the claims were groundless on the merits and the damages had been represented inappropriately.

After the trial process was begun and the usual briefings were exchanged without the preliminary investigation being carried out, the pre-trial evidentiary hearing was held on 23 March 2021.

The closing defence arguments and replies were filed by 8 September 2021, and the issue of the ruling is pending.

Previous legal initiatives taken by C.I.S.I. and then by its bankruptcy receiver before the administrative and ordinary courts were rejected with regard to Intesa Sanpaolo's position (in particular, a claim for compensation for alleged damages). Despite

[82] See the previous note.

the favourable outcome of the previous disputes and the defences presented, the risk of the lawsuit is currently deemed possible.

*Engineering Service S.r.l.*

In 2015, Engineering Service S.r.l. brought a civil suit against the Ministry of Economic Development, BPER and UBI regarding the granting of public subsidies to businesses. The claimant accuses our Bank (and BPER) of delays in managing the approval procedure and disbursements – delays that allegedly resulted in a liquidity crisis for the company and the consequent loss of the public contribution.
A claim for damages for approximately 28 million euro was brought against our Bank.
The Bank's defence counsel argued that the approval times depended on BPER, to which it thus submitted a claim for indemnity.
Following the revocation of the order to carry out a court-appointed expert's report, the Court of Rome, with ruling dated 9 November 2021, which has not yet become final, fully rejected the claimant's application, ordering it to pay the legal fees of all the parties summoned.

*G.I.& E. Bankruptcy*

In November 2021, the G.I.& E. S.p.A. Bankruptcy Receiver initiated action for compensation of damages against Intesa Sanpaolo (as the absorbing company of Banca dell'Adriatico) and UBI (as the absorbing company of Banca Marche and Popolare di Ancona), as well as against other banks, claiming that they were liable for having contributed, along with the conduct of the directors and control bodies, to artificially keeping the company afloat and worsening its default.
The alleged damages claimed were quantified by the counterparty at around 22.5 million euro.
The first hearing is scheduled for mid to late March.

*Isoldi Holding Bankruptcy*

The receiver to Isoldi sued UBI (which absorbed Nuova Banca Etruria and Centrobanca), Intesa Sanpaolo and five other banks in June 2020, before the Court of Bologna, claiming that they were liable, jointly and severally with the management body of Isoldi Holding, for a series of acts of diversion of assets that are claimed to have contributed to the company's artificial survival in the period June 2011 – June 2013, due to conduct claimed to have been implemented by preparing a turnaround plan pursuant to Article 67, para. 3, letter d), of the Bankruptcy Law based on unlawful acts and a connected agreement governing the disbursement of new finance, acts that are argued to have artificially deferred the company's crisis and concealed the irreversibility of its default.
The Isoldi Bankruptcy Receiver also formulated a joint claim against Intesa Sanpaolo (prior to the incorporation of UBI) and MPS, claiming their liability, jointly with the Sole Director of Isoldi Holding, for allegedly unlawful conduct connected with the bail-in of Aedes, in which Isoldi Holding was interested in taking over the majority shareholding.
The total damages claimed by the counterparty do not seem to be accurately quantifiable as things stand, also taking account of the various conduct of the various banks challenged.
By way of order served in August 2021, the Court of Bologna declared that it had no jurisdiction and, in November 2021, the counterparty resumed the proceedings before the Court of Turin, before which the Bank will file a new appearance by the deadline set for the first hearing, scheduled for March 2022.

*Fondazione Cassa Risparmio di Pesaro*

In 2018, Fondazione Cassa di Risparmio di Pesaro brought a compensation claim against UBI Banca (as the successor-in-interest to the issuer Banca Marche S.p.A.[83]) and PwC (the auditing firm that certified all the financial statements and the figures presented in the Prospectus) alleging that the defendants published data and information regarding the financial performance and position of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the Prospectus, is claimed to have led the Foundation to subscribe for the bank's shares issued as part of the capital increase in March 2012. In later years, these shares went on to decline in value considerably, resulting in a loss quantified at approximately 52 million euro.
During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche. The Court rejected all preliminary applications filed and adjourned the case to 13 July 2021 for the entry of conclusions. The parties have filed their closing briefs and the ruling is pending. Despite the fact that rulings are usually favourable to accepting UBI's objection that it lacks the capacity to be sued, the Bank has estimated a "possible" risk of a negative outcome.

*Fondazione Cassa di Risparmio di Jesi*

In January 2016, Fondazione Cassa di Risparmio di Jesi brought a compensation claim against UBI Banca (as the alleged successor-in-interest to the issuer Banca Marche S.p.A.[84]) and PwC (the independent auditors that certified all the financial statements and the figures presented in the Prospectus) alleging that the defendants published data and information regarding the financial performance and position of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the Prospectus, is claimed to have led the Foundation to subscribe for the bank's shares issued as part of the capital increase in March 2012. The value of these shares then fell to zero, resulting in a loss quantified at approximately 25 million euro.
During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche.
By judgment rendered on 18 March 2020, the Court of Ancona granted the objection of lack of capacity to be sued raised by the Bank, rejecting the claims lodged. In the appeal proceedings initiated by the Foundation before the Ancona Court of Appeal, the terms for filing closing briefs are pending. Despite the fact that the first instance ruling accepted the claim of lack

[83] See the previous note.

[84] See the previous note.

of capacity to be sued formulated by UBI and the rulings on this point are usually favourable to the Bank, the risk of a negative outcome is estimated as "possible".

*Fondazione Monte dei Paschi di Siena (FMPS)*

In 2014, FMPS brought an action for compensation for the damages allegedly suffered as a result of a loan granted in 2011 by a pool of 13 banks and intended to provide it with the resources to subscribe for a capital increase of MPS. The damages claimed were allegedly due to the reduction in the market value of the MPS shares purchased with the sums disbursed by the banks. In the proceedings, FMPS summoned 8 former directors of the Foundation that were in office in 2011 and the 13 banks in the pool (including Intesa Sanpaolo and Banca IMI). The banks have been charged with non-contractual liability due to their participation in the alleged violation by the former directors of the debt-equity ratio limit set in the charter. The claim for damages has been quantified at around 286 million euro, jointly and severally for all the defendants. The defence adopted by the banks included the argument that the alleged breach of the aforementioned charter limit did not apply, because it was based on an incorrect valuation of the Foundation's balance sheet items. In addition, in the loan agreement, FMPS itself assured the banks that the charter limit had not been breached and, therefore, any breach of the charter would at most give rise to the sole responsibility of the former directors of the Foundation.

In November 2019, the Court of Florence, before which the trial is currently pending, handed down a non-definitive judgment rejecting some preliminary arguments/arguments as to jurisdiction raised by the banks, while reserving the parties' preliminary applications for decision. The banks appealed the judgment before the Florence Court of Appeal in respect of the rejection of the argument as to lack of jurisdiction, finding there to be solid arguments for the judgment in question to be overturned.

The judge of the first instance lifted the reserve to decide the preliminary applications and admitted the court-appointed expert witness testimony requested by the Foundation on exceeding the debt limit set by the Articles of Association when the loan was granted.

In the second half of 2021, contacts were initiated for settlement with the Foundation to verify the possibility to amicably settle the dispute through a minimum payment, if compared to the initial claim by the claimant, taking account of the high costs of continuing the proceedings, increased by the approval of the expert witness report. Following extensive negotiations, an agreement was reached that entails a charge to be divided among the banks in the pool, based on their portions of the loan disbursed in 2011. Intesa Sanpaolo's portion amounts to around 922 thousand euro. The agreement was formalised on 20 December, and payment was made on 17 January 2022.

*Alitalia Group: claw-back actions*

In August 2011, companies of the Alitalia Group under Extraordinary Administration – namely Alitalia Linee Aeree, Alitalia Servizi, Alitalia Airport and Alitalia Express – brought five bankruptcy claw-back proceedings against the Bank before the Court of Rome (of which one against the former Cassa di Risparmio di Firenze), requesting the repayment of a total of 44.6 million euro.

When the proceedings were initiated, a line of defence was adopted based mainly on the grounds that the actions were invalid due to the vagueness of the claims, that the condition of knowledge of the Alitalia Group's state of insolvency (subject first of the Air France plan and then of the subsequent rescue conducted by the Italian Government) did not apply, and that the credited items were not eligible for claw back, due to the specific nature of the account movements.

In March 2016, the Court of Rome upheld Alitalia Servizi's petition and ordered the Bank to repay around 17 million euro, plus accessory costs.

In addition to being contestable on the merits, the ruling was issued before the deadline for filing of the final arguments. Accordingly, in the appeal subsequently lodged, a preliminary objection was made regarding the invalidity of the judgment, together with an application for suspension of its provisional enforceability, which was upheld by order of 15 July 2016 of the Court of Appeal. The final arguments have been filed in the case and the judgment is pending.

The lawsuit brought by Alitalia Linee Aeree was won in the first instance and is in the appeal phase, whereas the lawsuits brought by Alitalia Express and Alitalia Servizi against the former C.R. di Firenze were favourably concluded in the first two instances, followed by appeals to the Court of Cassation, still pending, by the two Bankruptcy Proceedings.

For Alitalia Airport, which was also won at first instance, the favourable judgment has become final.

Note that negotiations with the Extraordinary Receivers are under way, in an advanced phase, regarding the settlement of the entire dispute, contemplating an outlay that is already fully covered by provisions.

*Elifani Group*

Lawsuit brought in 2009 by Edilizia Immobiliare San Giorgio 89 S.r.l. (now incorporated into Eselfin, which filed an appearance as its replacement), San Paolo Edilizia S.r.l., Hotel Cristallo S.r.l. and the guarantor-shareholder Mario Elifani seeking compensation for damages suffered due to alleged unlawful conduct by the Bank for having requested guarantees disproportionate to the credit granted, enforced pledge guarantees, applied usurious interest to mortgage loans and submitted erroneous reports to the Central Credit Register.

The initially claimed amount was approximately 116 million euro and the dispute refers to the same circumstances mostly already cited in the disputes regarding anatocism and interest in excess of the legal amount brought by the aforementioned companies in 2004 and settled in early 2014. The lawsuit had a favourable outcome for the Bank in both the first and second instances.

By order of 27 December 2019, the Court of Cassation partially granted the adverse parties' petition, with referral of the matter. The adverse parties resumed the lawsuit before the Milan Court of Appeal, quantifying the claim at approximately 72 million euro, in addition to interest and inflation, and thus at a total of approximately 100 million euro. At the hearing of 19 January 2022, scheduled for an evidentiary hearing, the Court deferred judgement, granting terms for closing briefs (7/3/2022) and replies (28/3/2022). The Bank also has a valid basis for its defence in this stage of the dispute, given that in the previous instances of the trial the disputed conduct was essentially found to be correct. At present, the lawsuit risk is deemed possible.

Further evaluation may be made as a result of the upcoming hearings.

*Mariella Burani Fashion Group S.p.A. in liquidation and bankruptcy ("MBFG")*

In January 2018, the receiver to Mariella Burani Fashion Group S.p.A. sued its former directors and statutory auditors, its independent auditors and UBI Banca (as the company that absorbed Centrobanca), seeking a judgment ordering compensation for alleged damages suffered due to the many acts of mismanagement of the company while in good standing.
According to the claimant's arguments, Centrobanca, which was merged into UBI, provided financial support to the parent company of the bankrupt company (Mariella Burani Holding S.p.A.) in 2008, in an operation on its subsidiary, despite the signs of insolvency that the latter began to show in September 2007, causing damages quantified at approximately 92 million euro.
On a preliminary level, the Bank argued that the receiver lacked capacity to sue since the disputed loan had been disbursed to the parent company of Mariella Burani Fashion Group S.p.A.; moreover, the alleged damages for which the receiver claims compensation were argued to have been in fact sustained by the company's creditors (and not by the procedure).
With regard to the merit of the claims, the Bank stressed that it had acted properly and the borrower in good standing was solely liable since it bore exclusive responsibility for preparing the untrue financial statements, circulating the misinformation and continuing to operate the company in an alleged situation of insolvency.
The proceedings are currently in the preliminary phase.

*Offering of diamonds*

In October 2015, the Bank signed a partnership agreement with Diamond Private Investment (DPI) governing how diamond offerings were made by DPI to the customers of Intesa Sanpaolo. The aim of this initiative was to provide customers with a diversification solution with the characteristics of a "safe haven asset" in which to allocate a marginal part of their assets over the long-term. Diamonds had already been sold for several years by other leading national banking networks.
This recommendation activity was carried out primarily in 2016, with a significant decline starting from the end of that year.
A total of around 8,000 customers purchased diamonds, for a total of around 130 million euro. The marketing process was based on criteria of transparency, with safeguards progressively enhanced over time, including quality controls on the diamonds and the fairness of the prices applied by DPI.
In February 2017, the AGCM (the Italian Competition Authority) brought proceedings against companies that marketed diamonds, (DPI and other companies), for alleged conduct in breach of the provisions on unfair business practices.
In April, those proceedings were extended to the banks that carried out the recommendation of the services of those companies.
At the end of those proceedings, on 30 October 2017, the AGCM notified the penalties imposed for the alleged breach of the Consumer Code through the conduct of DPI and of the banks which the proceedings had been extended to, consisting - in short - of having provided partial, deceptive and misleading information on the characteristics of the diamond purchases, the methods used to calculate the price - presented as being the market price - and the performance of the market. The Authority issued a fine of 3 million euro against Intesa Sanpaolo, reduced from the initial fine of 3.5 million euro, after the Authority had recognised the value of the measures taken by the Bank from 2016 to strengthen the safeguards on the offering process aimed, in particular, at ensuring proper information to customers.
Following the order by the AGCM, the Bank paid the amount of the fine and filed an appeal with the Lazio Regional Administrative Court against the order. There were no developments regarding this appeal during 2021.
From November 2017, the Bank:

- terminated the partnership agreement with Diamond Private Investment (DPI) and ceased the activity, which had already been suspended in October 2017;
- started a process that provides for the payment to customers of the original cost incurred for the purchase of the diamonds and the withdrawal of the stones, in order to satisfy the customers' resale needs which, due to the illiquidity that had arisen in the market, are not met by DPI;
- sent a communication in January 2018 to the diamond-holding customers reiterating the nature of the stones as durable goods, and also confirming the Bank's willingness to intervene directly in relation to any realisation needs expressed by the customers and not met by DPI.

In 2021, 99 requests were received for around 1.6 million euro. At the end of the year, a total of 6,822 repurchase requests had been received from customers and met by the Bank, for a total value of 115.8 million euro. The valuation of the repurchased diamonds is carried out using the values provided by the IDEX Diamond Retail Benchmark, one of the main online trading platforms used in the main markets by over 7,000 traders.
In February 2019, an order for preventive criminal seizure of 11.1 million euro was served, corresponding to the fee and commission income paid by DPI to the Bank.
The preliminary investigations initiated by the Public Prosecutor's Office of Milan also concern four other banks (more involved) and two companies that sell diamonds.
In October 2019, the notice of conclusion of the investigation was served, which stated that two of the Bank's operators were currently under investigation for alleged aggravated fraud (in collusion with other parties to be identified) and other persons are being identified for allegations of self-laundering, while ISP is being charged with the administrative offence pursuant to Italian Legislative Decree 231/2001 in relation to this latter predicate offence.
In reaction to the latter claims, in July 2021, the hearing was held, in which the Preliminary Investigation Judge accepted the plea bargain request which Intesa Sanpaolo had submitted solely to bring to an end the lengthy legal proceedings and which had been supported by the Public Prosecutor's Office – issuing a ruling which ordered only a financial penalty of 100,000 euro, and the confiscation of only the sums constituting the profit from the offence of self-laundering, calculated at 61,000 euro.
Now, we are confident that the Public Prosecutor's Office of Milan will request the dismissal against the two operators investigated, and order the release from seizure of the amounts seized that were not subject to confiscation, equal to around 11 million euro.

*Private banker (Sanpaolo Invest)*

An inspection conducted by the Audit function identified serious irregularities by a private banker of Sanpaolo Invest. The checks carried out revealed serious irregularities affecting several customers, including misappropriation of funds and reports with false incremental amounts.

On 28 June 2019, the Company terminated the agency contract with the private banker due to just cause and communicated the findings to the Judicial Authority and the Supervisory Body for financial advisors, which first suspended and then removed the private banker from the Register of Financial Advisors in December 2019.

Following the unlawful actions, the company received a total of 278 compensation claims (including complaints, mediation proceedings and lawsuits), for a total amount of approximately 62.7 million euro, mostly based on alleged embezzlement, losses due to disavowed transactions in financial instruments, false account statements and the debiting of fees relating to advisory service.

There are currently 47 pending claims, with a present value of approximately 17 million euro, following the resolution of 231 positions.

The total amount of 4.2 million euro was recovered from the improperly credited customers (and already returned to the customers harmed) and there are pending attachments of 4 million euro.

A precautionary attachment was ordered against the private banker for an amount equal to the balance found in the accounts and deposits held with credit institutions and the social-security position with Enasarco. In the ensuing case on the merits, the former private banker filed a counterclaim in the total amount of 0.6 million euro by way of non-payment of indemnity for termination of the relationship.

Another lawsuit was also brought against former private banker to recover the claims arising from withdrawal from the agency contract, in the total amount of 1.6 million euro, in addition to interest by way of indemnity in lieu of notice, penalty relating to a loan agreement and reimbursement of advances of bonuses.

Adequate provisions have been set aside for the risks associated with the unlawful conduct discussed above, mainly for the damages verified relating to compensation claims and pending lawsuits.

The above provisions do not consider the coverage envisaged by the specific insurance policy in force, under which the insurance company has already paid an initial advance of 744 thousand euro.

*Tirrenia di Navigazione in A.S.: claw-back Actions*

In July 2013, Tirrenia di Navigazione in A.S. filed two bankruptcy claw-back actions before the Court of Rome against the former Cassa di Risparmio di Venezia for 2.7 million euro and against the former Banco di Napoli for 33.8 million euro.

In both cases, the plaintiff claimed that there was knowledge of the state of insolvency for the entire half year prior to admission to extraordinary administration on the basis of media reports, the non-renewal of shipping concessions, the absence of state subsidies (because they were considered state aid), and the information from the central credit register.

The claim was quantified on the same basis as the so-called “return of profits” earned on Tirrenia’s accounts, corresponding to the difference between the maximum debt exposure and the final balance of the accounts generated in the half year prior to the declaration of insolvency.

The lawsuit against the former CR Venezia was concluded at first instance in 2016 with an order for payment of 2.8 million euro. That against the former Banco di Napoli was concluded in November 2021 with the Bank ordered to pay 14.5 million euro. In that regard, adequate provisions have been set aside, considering the possibility to settle the proceedings, which are now both in appeal.

*Selari Bruno Raulet (former Dargent Tirmant Raulet) Dispute*

The claim was filed before a French Court in 2001 by the trustee in bankruptcy for the bankruptcy of the real estate entrepreneur Philippe Vincent, which made a request to the Bank for compensation of 56.6 million euro for the alleged “improper financial support” provided to the entrepreneur. The claim of the trustee in bankruptcy has consistently been rejected by the courts of different instance which dealt with the case over 17 years, until the Court of Colmar, in May 2018, ordered the Bank to pay compensation of around 23 million euro. The Colmar judgment was appealed before French Supreme Court of Cassation, which in January 2020 overturned and quashed the decision of the Court of Appeal of Colmar and referred the matter to the Court of Appeal of Metz. Consequently, in the first quarter of 2020, the Bank obtained the refund of the around 23 million euro paid according to the ruling of the Court of Appeal of Colmar in 2018, which was credited to the restricted current account held at CARPA (Cassa dell’Ordine degli avvocati).

At the end of July 2020, the bankruptcy receiver referred the dispute to the Court of Appeal of Metz, requesting payment of 55.6 million euro (equal to the entire amount of insolvency liabilities, minus the amount obtained from the sale of the property whose purchase was financed by the Bank). In turn, the Bank filed an appearance and challenged the opposing party’s claims. In a ruling delivered on 27 July 2021, the Metz Court of Appeal partially upheld the receivership’s claim and ordered the Bank to pay around 20 million euro, plus legal costs of the various instances of the proceedings (for a total of 20.6 million euro). The Court quantified the damage suffered by the insolvency estate as being equal to the loan granted by the Bank, less the proceeds from the sale of the asset given as security.

In December 2021, an appeal was initiated before the French Court of Cassation, as in the opinion of the external lawyers assisting Intesa Sanpaolo, there are grounds for a revision of the ruling.

In parallel, the receivership autonomously challenged the decision of the Court of Appeal, insisting that the Bank be ordered to pay all the insolvency liabilities. The Bank will deposit its counterclaims in these proceedings. The decision on the two appeals is expected during 2022.

In November 2021, payment was made to the receivership of the amount ordered, using the same methods as those adopted for the previous ruling made by the Colmar Court of Appeal. Also in this case, the amounts were temporarily deposited at CARPA and will be unavailable until the Court of Cassation issues its ruling. In the event of a positive outcome, the amounts will be returned to Intesa Sanpaolo, otherwise, they will be confiscated by the receivership.

*Lawsuit against two Hungarian subsidiaries of Intesa Sanpaolo*

The lawsuit is connected with a lease agreement terminated by one of the subsidiaries in 2010. During 2011, the tenant initiated proceedings in civil court, and during 2021, it supplemented its initial claim, formulating new claims and, as a result, increasing the total of the claims to around 31 million euro. The subsidiaries firmly object to all the claims submitted by the claimant, both in fact and under law.

The defense attorneys of the defendant companies deem that the additional claims formulated during the lawsuit are unfounded and do not entail changes in the total level of risk of the dispute.

Intesa Sanpaolo's subsidiaries took action in 2012 for the recognition of their receivables claimed against the tenant resulting from unpaid lease rentals. These proceedings are currently pending.

*Labour litigation*

There were no significant cases of labour litigation, even relating to the former UBI Banca Group, from either a qualitative or quantitative standpoint as at 31 December 2021. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

*Contingent assets*

As for contingent assets, and the IMI/SIR dispute in particular, it should be recalled that following the final judgement establishing the criminal liability of the corrupt judge Metta (and his accomplices Rovelli, Acampora, Pacifico, and Previti), the defendants were ordered to pay compensation for damages, with the determination of those damages referred to the civil courts. Intesa Sanpaolo then brought a case before the Court of Rome to obtain an order of compensation for damages from those responsible.

In its ruling of May 2015, the Court of Rome quantified the financial and non-financial damages for Intesa Sanpaolo and ordered Acampora and Metta – the latter also jointly liable with the Prime Minister's Office (pursuant to Law no. 117/1988 on the accountability of the judiciary) – to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest accruing from 1 February 2015 to the date of final payment, plus legal expenses. The amount ordered took account of the amounts received in the meantime by the Bank as part of the settlements with the Rovelli family and with the counterparties Previti and Pacifico.

In July 2016, the Rome Court of Appeal stayed the enforcement of the judgment of first instance with respect to the amount in excess of 130 million euro, in addition to ancillary charges and expenses, and adjourned the hearing of the final pleadings to June 2018. As a result of this decision, in December 2016 the Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of 131,173,551.58 euro (corresponding to the 130 million euro of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, only the exact amount of the order, without applying the gross-up, was demanded and collected. On 16 April 2020, the ruling of the Court of Appeal of Rome was filed, which essentially upheld the Court's ruling, while reducing the amount of non-financial damages to 8 million euro (compared to 77 million euro that had been quantified by the court of first instance), and set the amount to be paid at 108 million euro, to be considered net of tax, plus legal interest and expenses.

In the second quarter of 2020 the Bank filed a petition for the correction of a material error contained in the finding regarding the calculation of the damages liquidated; the Court of Appeal rejected the Bank's petition by ruling filed on 7 December 2020. Last May, the Bank filed an appeal with the Court of Cassation against the Rome Court of Appeal's ruling of 16 April 2020. The appeal sets out two main grounds:

a) the reduction to 8 million euro of the non-financial damages made by the Court of Appeal, compared to the 77 million euro recognised in the first instance ruling is arbitrary and devoid of any sound legal or logical reasoning;
b) even accepting the reduction under point a), the Court made a miscalculation when redetermining the amount of total damages. That aspect was already the subject of an application for material correction filed in 2020, rejected by the Court as the Court deemed it an issue that could be remedied through appeal.

## TAX LITIGATION

At Group level, the total value of the claims for tax disputes (taxes, penalties and interest) was equal to 215 million euro at the end of 2021 (211 million euro as at 31 December 2020).
The related risks are covered by adequate provisions for risks and charges, equal to 76 million euro (74 million euro as at 31 December 2020).
As at 31 December 2021, the Parent Company had 628 pending litigation proceedings (687 as at 31 December 2020) for a total amount claimed (taxes, penalties and interest) of 135 million euro (139 million euro as at 31 December 2020), considering both administrative and judicial proceedings at various instances. In relation to these proceedings, the actual risks were quantified at 57 million euro as at 31 December 2021 (57 million euro also as at 31 December 2020).
Compared to 31 December 2020, for the Parent Company, the main events that gave rise to significant movements consisted of:

- increases (around 16.4 million euro): i) 7.7 million euro from the inclusion in the scope of the Parent Company of the disputes of the former UBI Banca as at 31 December 2020, and the resulting update; ii) 4 million euro from new claims for municipal property tax (IMU), of which 3.1 million euro on properties not repossessed through lease agreements terminated, and 0.9 million euro for municipal property tax (IMU) on income-generating lease agreements; iii) 1.6 million euro from a claim regarding municipal waste tax (TARSU) with the Municipality of Naples (which has already been concluded positively during the year); iv) 1.2 million euro from various claims concerning registration tax on legal documents, including a settlement notice of 0.6 million euro for a ruling on a credit recovery civil dispute; and v) 1.5 million euro from interest accrued on the pending dispute;
- decreases (around 19.6 million euro): i) 5.7 million euro for the closing of municipal property tax (IMU) disputes on properties from lease agreements, both following the settlement and cancellation by the Municipalities; ii) 2.9 million euro from the settlement of the VAT claim regarding the applicability of the tax exemption to nautical leases, pursuant to Article 8-bis of Presidential Decree no. 633/72 for the year 2015; iii) 2.5 million euro for the closing of two municipal waste tax (TARSU) claims from the Municipality of Naples; iv) 1.1 million euro due to the closing of numerous claims concerning registration tax; v) 2.7 million euro for IRES and IRAP from the positive settlement of: a) a dispute on the deductibility of hedging derivatives for the tax year 2008 in the amount of 2 million euro through the so-called “tax amnesty” and b) the tax assessment relating to the former Bancapulia for the year 2015, equal to 0.7 million euro, which challenged the relevance of the substitute tax originally paid for the purpose of tax realignment of differences in nominal value of certain receivables; vi) 2.4 million euro due to the positive closing (by way of a ruling of the Court of Cassation) of a claim regarding the tax liability of lease companies to pay the car property tax; and vii) 1.7 million euro for a dispute linked to a former Caripuglia payment file on an IRPEG tax dispute for the year 1982, fully paid to the income statement.

The main changes in the provisions booked by the Parent Company (which remained at substantially unchanged level) as at 31 December 2020 are related to:

- increases (around 8.4 million euro): i) 1.3 million euro due to the inclusion of the UBI Banca disputes - and the resulting update – in the scope of the provisions; ii) 3.4 million euro due to the greater provisions on the Sudameris claim due to the increase risk as a result of the unfavourable first instance ruling; and iii) 2.6 million euro referring to the above mentioned municipal property tax (IMU) claims on properties not repossessed;
- decreases (around 9.1 million euro): i) 2.9 million euro due to the settlement of the VAT claim on the tax exemption, pursuant to Article 8-bis of Presidential Decree no. 633/72 for the year 2015; ii) 5.4 million euro relating to the municipal property tax (IMU) claims, of which: 2.6 million euro in releases from provisions relating to the favourable settlement of the cases, with the full or partial reduction in the tax owed and 2.8 million euro of releases with the concurrent payment to close the dispute.

During the year, 302 disputes were closed at the level of the Parent Company for a total of 19 million euro with a disbursement of around 6 million euro.
With regard to the Italian subsidiaries, tax disputes totalled 71 million euro as at 31 December 2021 (63 million euro as at 31 December 2020), covered by provisions amounting to 11 million euro (10 million euro in the 2020 financial statements).
Compared to 31 December 2020, the main events that gave rise to significant movements of the total amount of claims (+8 million euro) were as follows:

- +18 million euro in new disputes of Intesa Sanpaolo Private Banking, Cargeas Assicurazioni, Provis and UBI Leasing;
- -4 million euro in closed disputes mainly relating to Provis and UBI Leasing, primarily regarding the issue of liability for municipal property tax (IMU) in relation to real estate lease agreements terminated without repossession of the assets;
- -6 million euro referring to disputes of the former UBI Banca. Due to the merger, those disputes are now included in the amounts of the Parent Company.

The increase in provisions compared to 31 December 2020, equal to a 1 million euro, mainly refers to:

- +4 million euro in provisions on new disputes arising for Provis;
- -2 million euro in provisions referring to cases closed by Provis;
- -1 million euro in provisions referring to the cases of the former UBI Banca. Those provisions are now recognised in the provisions for risk of the Parent Company.

Tax disputes involving foreign subsidiaries amounted to 9 million euro (9 million euro also at the end of 2020), covered by provisions of 8 million euro (7 million euro in 2020). The greater provisions mainly derive from an update of the potential liability relating to the disputes of Alexbank, on the non-payment of stamp duty by the bank’s Egyptian branches for tax periods 1984 – 2008 (total value of the remedy sought of 5.8 million euro).
There were no new disputes of significant amounts initiated during the year.
In the following paragraphs, information is provided regarding the most important ongoing disputes (including those that arose prior to 2021).

***Parent Company***

*Disputes regarding registration tax on the reclassification of business contributions and subsequent sales of the participations as sales of businesse units and the consequent assessment of a higher business value*

These are disputes concerning the recovery of registration tax paid on the contributions of business units and the subsequent sales of the participations, which were reclassified by the tax authorities as sales of business lines, with the consequent assessment of a higher value for the business lines (total remedy sought of 39 million euro). These disputes were not settled under the tax amnesty pursuant to Article 6 of the decree connected to the 2019 Budget Law (Law Decree 119/2018), because in some cases, the Bank had already paid the full amount assessed and as a result of settlement would not have been entitled to the repayment of the sums in excess of the amount due for settlement, or, in other cases, because there were sound prospects of a favourable outcome to the proceedings pending before the Court of Cassation.

Those disputes also include the dispute (remedy sought of 8 million euro) relating to the reclassification of the overall transaction whereby Manzoni S.r.l. transferred a private equity business unit – that it had acquired through two different contributions of business lines by Intesa Sanpaolo and the former IMI Investimenti – to Melville S.r.l., through a partial, non-proportional demerger. The dispute was concluded with a ruling favourable to the Bank, filed by the Court of Cassation on 17 January 2022.

*Dispute regarding the municipal property tax ("IMU") on real estate not repossessed following the termination of the related lease contracts*

The dispute regarded the identification of the taxpayer liable for the municipal property tax (IMU) in relation to real estate assets owned by the financial lease companies and leased out to third parties, where the lease was terminated early due to default by the lessee, or as a result of insolvency proceedings involving the lessee, but without the lessee having returned the asset to the lessor. Over the years a tax dispute arose on this matter (also affecting the former Mediocredito Italiano and Provis) relating to whether the lessee is (still) liable for the municipal property tax (IMU) rather than (already) the leasing company in the period between the date of termination (or dissolution) of the lease and the date of physical return of the asset to the lessor. In 2020, it was settled that the leasing company was liable for municipal property tax (IMU) from the date of legal termination of the contract, regardless of repossession of the asset. In addition, the 2020 Budget Law provided for the abolition of the single municipal tax (IUC), with regard to its components relating to IMU and TASI, and the unification of the two taxes into the new municipal property tax (IMU). On 18 March 2020, the Ministry of the Economy and Finance – Finance Department – Tax Legislation and Tax Federalism Unit, with circular no. 1/DF, commenting on the latter changes, provided precise indications regarding the liability for the new municipal property tax with regard to the date of termination of the lease agreement in accordance with the prevailing case law. Accordingly, starting from 2020, the bank decided to proceed with the payment of municipal property tax for all leased real estate assets with terminated contracts, regardless of repossession of the asset, seeking recovery from the former users, where possible. It was also decided to gradually withdraw from all pending disputes on assessments relating to years up to 2019, following an attempt at settlement with the interested municipalities to quash the penalties and offset trial fees.

The total remedy sought is 10 million euro, fully provisioned for.

*Dispute regarding VAT on boat lease transactions*

On 17 April 2019, the Milan Tax Police (Guardia di Finanza) initiated a general audit of the former Mediocredito Italiano concerning tax years 2014 and 2015 for VAT purposes and tax years 2015 and 2017 for direct tax purposes. The tax audit was concluded on 13 October 2020.

With regard to the VAT due for tax year 2014, the Tax Police served a tax audit report on 31 July 2019, contesting: i) the VAT exemption applied, in accordance with Article 8-bis of Presidential Decree 633/72, by the company to the nautical leases, and ii) the VAT exemption established in Article 7-bis of Presidential Decree 633/72 for the buyback of a vessel. The total amount of claimed VAT amounted to 2.3 million euro (of which 1.7 million euro on the first charge and 0.6 million euro on the second). The Lombardy Regional Tax Office thus served a notice of assessment (with interest and penalties), against which an appeal was lodged. Following several deferrals, the hearing of the appeal was postponed until February 2022. On this dispute, the Bank made provisions with regard to the former claim, solely for the risk of tax and interest, and not also for the risk of penalties, whereas for the latter claim, the potential tax liability is believed to be borne contractually by the customer.

With regard to the VAT due for the tax year 2015, the notice of assessment relating only to the tax exemption pursuant to Article 8-bis of Presidential Decree no. 633/72, applied by the the company to the nautical lease, was settled through a payment of around 2 million euro, using the allowance for tax litigation, previously established in 2019, for 2.9 million euro. For 2016, the Bank received a questionnaire from the Italian Revenue Agency, and provided its responses. It is waiting for the notice of assessment to be served.

With regard to tax years 2015 and 2017, the audit was concluded without detecting any irregularities in the field of direct taxes.

* * * * *

Instead, as to disputes of Intesa Sanpaolo settled during the period, the following should be noted: (i) a ruling by the Court of Cassation that definitively annulled an earlier notice of assessment (*avviso di rettifica e liquidazione*) of registration tax on the sale in 2008 by Intesa Sanpaolo S.p.A. of a banking business unit to Credito Piemontese S.p.A. (now Credito Valtellinese S.p.A.). The total amount of the claim is approximately 1.7 million euro and, as a result of the favourable ruling, the provisional payment made during the proceedings will be refunded, with the recognition of a contingent asset; at the level of Intesa Sanpaolo (ii) the Court of Cassation ruling which definitively annulled the claims of the Emilia-Romagna Regional government for the 2010 tax year (value of 2.4 million euro) in relation to motor vehicle taxes, recognising that the tax is payable by the user of the leased asset rather than the leasing company (in this case, the former Neos Finance); (iii) the Court of Cassation order that closed two notices of assessment for IRES (corporate income tax) and IRAP (regional production tax) for the year 2008 – in which the non-deductibility for tax purposes of negative components relating to hedging instruments was contested

(value of 2 million euro) – since the pending disputes in accordance with Article 6 of Law Decree no. 119 of 2018; and (iv) the declaration that the matter of the dispute was being dropped in relation to the municipal waste tax (TARSU) claims notified by the Municipality of Naples, for which the Bank's claims were fully accepted (value of 1.6 million euro).

With respect to the merged company Banca Nuova (formerly part of the Banca Popolare di Vicenza Group), the audit by the Sicily Revenue Agency relating to the year 2015 was concluded with the acceptance of the disavowal of losses for the year of 0.7 million euro (without imposing penalties), due to the unlawful deduction of contingent liabilities for the reversal of revenues for invoices to be issued to several public entities, recorded in the years 2002 to 2015. These are costs for which suitable documentation was not found to demonstrate the existence of certain and precise elements for their tax deduction, which are due to material errors. For Intesa Sanpaolo, the reduction of the loss resulted in the derecognition of the defferred tax asset (DTA) recognised for IRES purposes on the tax loss of the merged company Banca Nuova in an amount of 0.2 million euro (27.5% of the lower recoverable loss of 0.7 million euro). The dispute was notified to Banca Popolare di Vicenza (in compulsory administrative liquidation) - and to the Ministry of the Economy and Finance for their consideration and in view of the guarantees provided under Art. 2, paragraph c), of Ministerial Decree 187 of 25 June 2017, in accordance with Art. 4, paragraph 1, letter c), of Law Decree 99 of 25 June 2017 - which has the obligation to indemnify Intesa Sanpaolo against any liability, pursuant to Article 11 of the agreement entered into on 26 June 2017, for the acquisition of assets, liabilities and legal relationships.

Lastly, with regard to the Intesa Sanpaolo branches located abroad: i) a VAT tax audit is underway on the London branch for the tax periods 2016, 2017 and 2018. No findings are noted. The tax audit on this branch regarding VAT for the year 2020 was closed in August 2021, without any impacts on the income statement; ii) four tax audits on direct taxes are under way at the New York branch for the tax periods 2015, 2016, 2018 and 2019. At the moment, the only finding was raised by the State of New York, referring to the tax periods 2015 and 2016, verifying, for the tax period 2015, around 40 thousand euro in higher taxes (plus interest and any penalties, and for the tax period 2016, around 36 thousand euro in higher taxes (plus interest and any penalties). The branch is in discussions with the State of New York to cancel the findings; iii) the tax audit begun in April 2021, by the Madrid Revenue Agency for the year 2016 concerning taxes on income on the Madrid branch of the merged company UBI Banca, which was closed down on 31 December 2018. No claims have been made for the time being; iv) a tax audit on the Munich branch of the former UBI Banca was begun, for the years 2015 to 2018. The local tax authorities are acquiring the accounting and tax documentation; v) the tax audit on VAT of the Warsaw branch for the tax years 2016 – 2021 is being concluded, with total charges estimated at around 20 thousand euro; vi) the tax audit on the Madrid branch of Intesa Sanpaolo with regard to the deductibility of intercompany costs of 2.2 million euro for the tax year 2015 was concluded with a finding of around 140 thousand euro, which the branch settled.

***Group Companies***

For Banca Fideuram, as a result of the Bank's appeal, three lawsuits are pending before the Court of Cassation concerning the alleged failure to apply the 27% withhold tax on the interest accrued in 2009, 2010 and 2011 on foreign bank accounts held at Fideuram Bank (Luxembourg) by two "historic" Luxembourg mutual funds (Fonditalia and Interfund SICAV), for which Banca Fideuram was only the placement bank and correspondent bank (total value of the disputes of 9.3 million euro). As the Bank lost in the second instance of all the proceedings, it was decided, after consultation with the consultant engaged to assist the bank in the cases pending before the Court of Cassation, to set up a provision for risks, including penalties and interest, calculated only on the amount of the assessed claim that is deemed to have probable risk.

Intesa Sanpaolo Private Banking has long had pending IRES and IRAP disputes relating to the deduction (in 2011 and the following years) of the amortisation charge of the goodwill arising from the transfers of the private banking business units of Intesa Sanpaolo and Cassa dei Risparmi di Forlì e della Romagna in 2009, Banca di Trento e Bolzano and Cassa di Risparmio di Firenze in 2010 and Cassa di Risparmio Pistoia e Lucchesia and Cassa di Risparmio dell'Umbria in 2013, realigned by the transferee in accordance with Article 15, paragraph 10, of Law Decree no. 185 of 29 November 2008.

On 29 April 2021, notices were served for the assessment of IRES and IRAP taxes for tax year 2016. The amount deducted by the company and now disputed by the Lombardy Regional Revenue Directorate for that year is the same amount already adjusted for 2015, of 12.1 million euro, corresponding to higher IRES of 3.3 million euro and IRAP of 0.7 million euro, plus interest, and penalties (total amount 8.2 million euro);

With regard to the disputes, please note the following:

- year 2011: the favourable ruling no. 2763/2019, filed on 26 June 2019, by the Lombardy Regional Tax Commission, which rejected the main appeal by the Italian Revenue Agency against the ruling no. 7028/2017 by the Milan Provincial Tax Commission, on the merits (total claim amount of 7.9 million euro, of which 3.8 million euro for taxes and 3.5 million euro for penalties). The court of second instance also upheld the company's cross-appeal on the preliminary issue of the forfeiture of the tax administration's power of assessment: in fact the realignment of the goodwill had been reported in the tax return for the 2010 tax year, and the notices were served in 2017, i.e. beyond the time limits laid down in Article 43 of Presidential Decree 600/73. The case is pending before the Court of Cassation on appeal by the General Attorney and a counter-appeal has been prepared by the Bank;
- year 2012: unfavourable rulings no. 5172/2019 and 5173/2019 by the Lombardy Regional Tax Commission, which granted the appeals by the Italian Revenue Agency (total claim amount of 8 million euro, of which 3.9 million euro for taxes and 3.5 million euro for penalties). The Bank lodged an appeal with the Court of Cassation;
- year 2013: the favourable rulings of both the Provincial Tax Commission and the Regional Tax Commission (total claim amount of 10.2 million euro, of which 4.9 million euro for taxes and 4.4 million euro for penalties). The Revenue Agency lodged an appeal with the Court of Cassation and the Bank then filed its defence;
- years 2014 and 2015: the Second Division of the Milan Provincial Tax Commission, by judgment no. 504/2/2020 of 7 February 2020, filed on 13 February 2020, granted the IRES and IRAP appeals for both years (joined proceedings). The tax claim amounts to 16.1 million euro (of which tax of 7.9 million euro and penalties of 7.2 million euro), plus interest. The appeal of the Italian Revenue Agency against the aforementioned judgment was served on 12 November 2020. The Bank has filed its appearance.

- year 2016: pending in first instance.

The total amount claimed, including taxes, penalties and interest, amounts to 51 million euro. According to the opinion issued on 17 June 2021 by the advisor assisting the Bank before the Court of Cassation, the risk of an adverse ruling is classified as "possible", since the lawfulness of realigning the tax value of the goodwill newly generated for the transferee – something which in the past was done by other Group companies without incurring in tax disputes – has been expressly acknowledged by the Italian Revenue Agency in Circular no. 8/E of 2010 and is consistent with the provisions of Article 15, paragraph 10 of Law Decree 185/2008.

*Cargeas Assicurazioni,* an insurance company acquired by Intesa Sanpaolo Vita on 27 May 2021, underwent a tax audit by the Italian Revenue Agency, Lombardy Regional Directorate, Large Taxpayers Office, aimed at verifying the correct application, for the years from 2010 to 2018, of the tax rules on private insurance and life annuity contracts pursuant to Law no. 1216 of 29 October 1961.
As a result of the audit, the authorities claimed that redundancy insurance policies (which are mandatorily associated with loans secured by the assignment of one-fifth of salary and optional with other mortgages, loans and consumer credit), should not be subject to tax on insurance premiums at a rate of 2.5%, but should be classified as credit risk insurance policies, subject to a tax rate of 12.5%. The Revenue Agency maintains that although the risk insured (on the basis of which the premium is determined with statistical/actuarial criteria) is the loss of employment, redundancy policies should be charged the 12.5% rate applicable to credit risk insurance, given that the policy would protect the lending institution's interest in collecting its credit.
The dispute is nothing new for the insurance industry; in fact, insurance companies have been maintaining that the Agency's reasoning is unsubstantiated and biased for years now. ANIA has also recently given its opinion on the matter through circular no. 0082 of 5 March 2021 (which refers to circular no. 127 of 21 April 2005), pointing out that the Agency's position produces a series of unsystematic and abnormal consequences which certainly do not reflect the intention of the legislator in Law no. 1216, and diverge from the guidance of the financial administration itself which, on this point, had supported application of the 2.5% rate in circular no. 29/E of 2001.
On the merits, ANIA specified that in the policies, the insured party is identified as the natural person who subscribed, in full autonomy, the collective policy proposed by the lending institution, and that contractual structure recognises the natural person debtor as the party in the interest of whom the policy is underwritten, as the risk covered (loss of employment, which results in the impossibility to pay the debt) is specifically borne by the latter.
Moreover, the contractual framework shows that the lender is the contracting party of the policy exclusively in terms of the form, while, by virtue of demonstrating his/her intention to subscribe the contract and due to the cost charged to him/her, which refers exclusively to the insurance premium paid, the financed worker can be effectively classified as the contracting party, as well as the insured party.
Lastly, as further evidence, it should also be considered that the communication of data and information regarding the contracting parties, which is sent annually to the Tax Registy (Anagrafe Tributaria) contemplates the indication of the individual subscribers of collective policies, as they are the parties that bear the cost of the premium.
After the audit, on 25 May 2021 Cargeas received a notice of assessment for 2010, claiming an additional tax of 1.7 million euro, 0.7 million euro in interest and 3.4 million euro in penalties, equal to 200% of the assessed tax (minimum penalty prescribed by law), for a total of 5.7 million euro. On 21 July 2021, the notice was appealed before the tax courts and, to date, the dispute is pending in the first instance.
Considering the arguments clearly expressed by ANIA, and due to the assessments formalised by the defence counsel, the risk of a negative outcome was deemed possible but not probable. Therefore, no allowances were made to risk provisions for taxes, penalties or interest, while the costs relating to legal fees was set aside, amounting to 0.1 million euro.

*Provis* has municipal property tax (IMU) and municipal tax (TASI) claim procedures that are pending or about to commence with a total value of 3.6 million euro. The corresponding provision for risks amounts to 3.9 million euro, inclusive of legal expenses.

The following is an account of the developments relating to the foreign subsidiaries during the year.

*Intesa Sanpaolo Bank Albania* is mainly involved in a dispute pending before the Court of Cassation on appeal by the Bank, concerning the write-off of loans that were no longer recoverable that, according to the tax authorities, led to an unjustified reduction in the taxable amount for direct tax purposes for the years 2003 to 2007 (1.3 million euro). The risk has been fully provisioned for. The dispute relating to the tax returns for the tax period 2011 was settled with the payment of 1 million euro, using provisions.

*Intesa Sanpaolo Brasil S.A. - Banco Multiplo*, was audited by Receita Federal do Brasil (RFB). The audit was followed by a notice of assessment for direct taxes for the years 2015 and 2016. This dispute concerns the improper use of carried forward tax losses, which could not be used, in the opinion of the Brazilian tax authorities, because they were generated before the reorganisation of Intesa Sanpaolo Brasil S.A. - Banco Multiplo, which would have modified the business activities carried out and the corporate structure. The RFB's claim amounts to 1.7 million euro, against which the Company has not made any provision, considering the risk of losing the case as remote, also based on the assessment of the local consultant. The first instance yielded an unfavourable outcome for the Bank, which lodged an appeal on 14 December 2020.
The Brazilian company was also audited by San Paulo City Municipality, which was followed by a notice of assessment for tax on services *(Imposto Sobre Servicos*) for the years 2016-2017. The claim amounts to 60 thousand euro, against which the company has not made any provision, considering the risk of losing the case as remote, also based on the assessment of the local consultant. The Bank lodged an appeal in the first instance on 15 October 2021.

*Alexbank* has two pending tax audits concerning corporate income tax, referring to tax year 2018, and stamp duty, referring to tax year 2019. At present no claims have been put forward.

In addition, there is a pending dispute concerning the non-payment of stamp duty by the bank's branches for a total value of approximately 5.8 million euro for tax periods 1984 – 2008. The quantification of potential liabilities was updated, and is fully provisioned for.
A dispute is pending before the court of last instance involving the Ukrainian subsidiary Pravex Bank relating to the disavowal of tax losses of approximately 4 million euro carried forward in 2018 from previous years. The claim has no effects on the income statement, since the company did not recognise the deferred tax asset and has a tax situation that in any event does not allow this loss to be used. In 2019, an appeal was also lodged against another assessment by the local tax authorities regarding VAT with a value of approximately 20 thousand euro.

*Intesa Sanpaolo Banka D.D. Bosna I Hercegovina* was audited by the "Indirect taxes BiH office". The audit was followed by a notice of assessment for VAT for the period 1 April 2013 - 31 March 2018, served on 11 October 2018. The claim regards certain services to which it is alleged the VAT exemption does not apply since they are non-financial in nature, specifically: i) international services rendered by VISA; ii) services rendered to customers in respect of financial products (e.g., balances of current accounts); and iii) legal services provided by foreign suppliers. The total amount of the claim is 120 thousand euro, by way of VAT, penalties and interest. Intesa Sanpaolo Banka appealed the notice of assessment on 30 October 2018; this appeal was rejected by the local judicial authorities, and an appeal against the judgment of the first instance was lodged in March 2019. In addition, the Bank has two other ongoing disputes relating to Corporate Income Tax for tax periods 2004 - 2006, both pending in the second instance (in both cases the first instance concluded unfavourably for the Bank). The potential liabilities of 0.3 million euro arising from second instance judgments were fully covered by provisions.
In October 2021, Intesa Sanpaolo Banka D.D. Bosna I Hercegovina was the subject of a new tax audit regarding VAT for the tax periods 2018-2021. Findings have not yet been formalised.

In February 2020, *PBZ CARD O.O.O.* was subject to a tax audit by the Croatian tax authority with regard to profit tax relating to tax period 2018. The Croatian tax authorities formulated a finding of 124 thousand euro in higher taxes, plus 11 thousand euro in higher interest. The Bank submitted a legal action that was rejected. The appeal is being prepared.

Due to the importance of the issue, it would be noted that the start of a dispute regarding the foreign subsidiary *UBI Trustee S.A.* (trust company resident in Luxembourg) has been initiated. In December 2021, the Provincial Tax Office of Monza and Brianza served UBI Trustee S.A. with notifications of penalties for the years 2014 and 2015 regarding four trusts managed by UBI Trustee S.A. and established by a holding company (according to the Revenue Agency, instead, these were substantially established by the natural persons that are the beneficial owners of that holding company)– Those notifications impose penalties totalling 2 million euro for breaches of the rules on the tax monitoring of capital held abroad by taxpayers resident in Italy.
Following the reclassification of the four trusts as having tax residency in Italy, the Agency claimed the failure to report in the years 2014 and 2015 the ownership of bonds (and related interest) abroad, subscribed by Limited Liability Companies - LLC, with headquarters in Wyoming and New York State (USA), 100% owned by those trusts, and considered by the Agency as fictitious intermediaries for the latter.
Therefore, the breach of Article 4 of Law Decree no. 167/1990 (regulations on the tax monitoring of capital held abroad), the minimum amount of penalties prescribed was imposed, equal to 3% of the nominal value of those bonds and their interest.
Analyses are under way, also jointly with the advisors of the customers concerned, to define the actions to be taken. In an opinion dated 30 December 2021, the tax advisor assigned by UBI Trustee classified the risk of liability as possible.

Furthermore, the tax audit on *IMI SEC* in relation to direct taxes for the years 2015 and 2016 was closed without any findings.

Lastly, there is a dispute pending in Brazil in relation to the former subsidiary Banco Sudameris Brasil (now Banco Santander Brasil), sold in 2003 to ABN AMRO Brasil (now the Santander Group), whose economic burden falls on Intesa Sanpaolo for the commitments undertaken at the time with the transferee.
This dispute, which regards a charge that was not settled by way of the 2019 Settlement Agreement with Banco Santander Brasil, is entitled "Causa PDD1" and concerns taxes on income and social security contributions for 1995.
During 2021, the first instance judgement was filed by the ordinary civil judge (filing of April 2021). Despite having partially accepted several objections of the Bank, the judgement was favourable, on the whole, to the Brazilian tax authorities. The judgment was appealed on 10 May 2021, and the case is now pending in the court of second instance.
The remedy sought is 35 million euro, corresponding to the amount of the security deposit paid by the bank to bring the case before the civil courts and accounted for in the balance sheet assets. The related risk of unrecoverability has been allocated to the provision for disputes in the amount of 6.8 million euro. The fairness of the allowance was estimated by local legal advisors, who consider the risk of a negative outcome in the proceedings to be remote for the component of interest (equal to around 21.4 million euro of the deposit). For taxes and penalties (equal to a total of 13.6 million euro of the deposit), it was prudently decided to set up an allowance in provisions for risks for 50% of that amount.

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In connection with all the tax disputes outstanding as at 31 December 2021, for a total value, as stated above, of 215 million euro, of which 135 million euro relating to Intesa Sanpaolo, the Group has recognised receivables of 46 million euro in its Balance sheet assets to account for amounts paid on a provisional basis further to the reception of tax assessments, of which 25 million euro related to the Parent Company.
The portion of the allowance for risks which relates to provisional tax assessments amounts to 28 million euro, of which 25 million euro for Intesa Sanpaolo.
The provisional payments in question were made in compliance with specific legal provisions, which provide for the mandatory payment based on an automatic mechanism totally independent of whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely because of the enforceable nature of the administrative acts that set forth the related

tax claim, which does not lose its effectiveness even in the event of an appeal (no suspensive effect) and has no impact on the assessment of the actual risk of a negative outcome, which is measured using the criterion set forth in IAS 37 for liabilities.