### 1.1 CREDIT RISK

## QUALITATIVE INFORMATION

## 1. GENERAL ASPECTS

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

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

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

For more details, see the paragraph "The 2022-2025 Business Plan" of the Report on operations.

### *1.1 The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine*

Details are provided below of the qualitative and quantitative aspects relating to credit exposures to counterparties resident in the countries in conflict, held in the portfolio of the two subsidiaries resident in Russia and Ukraine, Banca Intesa Russia and Pravex Bank (Ukrainian bank), or credit disbursed by other entities of the Group (cross-border exposures), with particular regard to their valuation.

As at 31 December 2023, the Group presented the following on-balance sheet exposures to counterparties resident in Russia and Ukraine (net of ECA guarantees and gross/net of value adjustments carried out).

(millions of euro)

| | 31.12.2023 (*) | | | | 31.12.2022 (**) | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure | | Net exposure | | Gross exposure | | Net exposure | |
| | Russia | Ukraine | Russia | Ukraine | Russia | Ukraine | Russia | Ukraine |
| **Loans to customers** | **872** | **186** | **643** | **123** | **1,629** | **216** | **1,168** | **103** |
| *Banca Intesa Russia* | *197* | *-* | *117* | *-* | *372* | *-* | *205* | *-* |
| *Pravex* | *-* | *62* | *-* | *-* | *-* | *112* | *-* | *-* |
| *Cross-border exposures* | *675* | *124* | *526* | *123* | *1,257* | *104* | *963* | *103* |
| **Due from banks** | **707** | **59** | **696** | **59** | **797** | **63** | **782** | **62** |
| *Banca Intesa Russia* | *691* | *-* | *683* | *-* | *751* | *-* | *740* | *-* |
| *Pravex* | *-* | *59* | *-* | *59* | *-* | *63* | *-* | *62* |
| *Cross-border exposures* | *16* | *-* | *13* | *-* | *46* | *-* | *42* | *-* |
| **Securities** | **12** | **53** | **10** | **49** | **73** | **11** | **41** | **2** |
| *Banca Intesa Russia* | *11* | *-* | *10* | *-* | *13* | *-* | *13* | *-* |
| *Pravex* | *-* | *48* | *-* | *47* | *-* | *-* | *-* | *-* |
| *IMI C&IB Division* | *-* | *-* | *-* | *-* | *31* | *-* | *14* | *-* |
| *Insurance Division* | *1* | *5* | *-* | *2* | *29* | *11* | *14* | *2* |

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 46 million euro (39 million euro net) at Banca Intesa Russia, and 34 million euro (gross and net value) at Pravex, in addition to 24 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 25 million euro (24 million euro net) to customers resident in Ukraine.
There is also 66 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Russia and 10 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
Lastly, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by European and US persons, while, for the household part, the amounts as at 31 December 2023 and the increase of around 20 million euro compared to 31 December 2022 mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

(**) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 126 million euro (113 million euro net) at Banca Intesa Russia, and 67 million euro (66 million euro net) at Pravex, in addition to 232 million euro (186 million euro net) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.
There are also 155 million euro (152 million euro net) in cross-border off-balance sheet exposures to banks resident in Russia and 18 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by European and US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

As shown in the table, at the end of the year the remaining on-balance sheet exposures to the total counterparties resident in Russia and Ukraine amounted, in terms of gross values, to 197 million euro (117 million euro net) for Banca Intesa Russia and 675 million euro (526 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 707 million euro (696 million euro net) and in securities totalling 12 million euro (10 million euro net). Exposures to customers resident in Ukraine amounted to 186 million euro (123 million euro net), of which 62 million euro (book value nil in net terms) related to the subsidiary Pravex Bank. These were accompanied by exposures to banks of 59 million euro (59 million euro net) and in securities totalling 53 million euro (49 million euro net). The majority of the exposures to Russian[103] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 “Financial Instruments”.

During the year, after the significant reduction in credit risks related to the Russian-Ukrainian conflict achieved in 2022, mainly as a result of the final disposal of two major exposures (for 2.5 billion euro), further reductions in these credit risks were recorded. Specifically, the gross on-balance sheet exposure to total counterparties resident in Russia and Ukraine (customers, banks and securities) decreased by 900 million euro (-32% from the end of the previous year). This reduction was made up of 298 million euro for non-performing exposures to customers resident in Russia, resulting from the sale of an exposure classified as UTP (for 214 million euro) and the authorisation granted to use the (previously frozen) sums received from another exposure also classified as UTP (for 84 million euro); 284 million euro for performing exposures to customers resident in Russia, as a result of repayments and disposals on various exposures; 235 million euro for exposures to banks and customers of the investee Banca Intesa Russia (of which 175 million euro to customers and 60 million euro to banks); and around 61 million euro for securities issued by Russian counterparties.

Gross credit exposures to banks and customers decreased by 881 million euro (-33% compared to the end of 2022). The reduction of 19 million euro for securities reflected the decrease of 61 million euro in securities issued by counterparties resident in Russia, mainly due to disposals, partly offset by an increase in the securities of the subsidiary Pravex towards governments and central banks due to the liquidity made available by the gradual repayments of loans to customers.

[103] For these purposes, the small exposures to Belarusian counterparties have for simplicity been treated and disclosed together with the exposures to the Russian Federation.

The continued de-risking contributed to a reduction of 578 million euro (-27%) in the overall net exposure (customers, banks, and securities) as at 31 December 2023 to counterparties resident in Russia and Ukraine, which amounted to 1,580 million euro compared to 2,158 million euro as at 31 December 2022.

Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group's exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement.
As at 31 December 2023, as a result of the significant de-risking described above, the Group Companies from countries other than those involved in the conflict had a total of 24 million euro of on-balance sheet non-performing loans to counterparties resident in Russia.
The non-performing loans of the Russian subsidiary amounted to 40 million euro (61 million euro as at 31 December 2022), while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 62 million euro in bad loans (112 million euro as at 31 December 2022).In line with the disclosure already provided in the Half-yearly Report as at 30 June, with regard to the portfolio that did not show specific signs of deterioration, the analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[104], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[105]), using management overlays in the calculation of the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.

For the cross-border positions, the approaches used to determine the ECL as at 31 December 2023 were the same as those already adopted in 2022 and maintained throughout 2023.
The classification to Stage 2 has been confirmed for the counterparties in scope guided by the emergence of "via transfer" risk, namely the risk that counterparties do not honour their debt payment commitments as a result of restrictions or decisions in their countries of residence and not due to aspects directly pertaining to their business, and therefore applied based on the country of residence of the counterparties. This approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL.
Specifically, the ECL on the Core scope is calculated using the through the cycle PD associated to the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict. On the other hand, an additional prudential buffer was calculated that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar 2 modelling (unconditioned LGD of 55% set by the transfer risk model). Lastly, adjustments have been applied to a counterparty (increases in the ECL as calculated above) to capture potential expected losses not adequately measured by the estimates.
The banks of the ISB Division adopt the ratings of the Parent Company and the centrally determined "transfer risk" parameter of LGD on the Group's common cross-border customers. For the other exposures, the ratings are determined by local models, in line with the instructions received from the Parent Company's Group Rating Desk.

With reference to loans to customers disbursed by Pravex Bank, the absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on rationales, which consider the uncertainties and the risk elements associated with the military conflict. Therefore, in light of the worsening and continuation of the conflict with the consequent impacts on the Ukrainian economy, the choice adopted in the 2022 Financial Statements regarding the classification of the Ukrainian subsidiary's loans to customers as non-performing loans (bad loans), with full write-down of the on-balance sheet component, has been maintained.

With regard to Banca Intesa Russia, specific prudent choices were defined, while also considering the different situation of risk/operations than that of the Ukrainian subsidiary. An approach to classifying and measuring performing loans was therefore adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, the assessments carried out on the loans of the subsidiary, following their classification to Stage 2, included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 35% of their gross value (40.5% in December 2022).

In addition, there was the repayment – between the end of March and the beginning of April – of the intragroup amount made available to Banca Intesa Russia before the outbreak of the conflict and originally intended for a future capital increase (whose implementation had been suspended as a result of the war events). The sums repaid amounted to an equivalent value of around 200 million euro, in line with what was initially made available. The Parent Company and two subsidiaries had also provided Banca Intesa Russia with loans to support the bank's operations with a residual book value as at 31 December 2023 of 211 million euro.

[104] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5, IFRS 9 B5.5.18 and IFRS 9 B5.5.52.

[105] IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

For completeness, you are reminded that the real estate assets of the two subsidiaries were also subject to valuation. Given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to maintain the write-off of the value of Pravex Bank's investment and branch assets and other owner-occupied properties. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged. On the other hand, for Banca Intesa Russia's small real estate asset portfolio, essentially consisting of the Moscow headquarters, the valuation did not identify any items giving rise to the need for a write-down, substantially confirming the carrying amounts.

The securities portfolio of the investee Banca Intesa Russia, amounting to 11 million euro (13 million euro as at 31 December 2022), consisted of Russian government securities classified at fair value level 2 and measured using prices available on the Russian secondary market.
The securities portfolio of the subsidiary Pravex, amounting to 48 million euro (zero as at December 2022), consisted of short-term government securities and securities issued by central banks as an investment of part of the liquidity from the reduction of the loan portfolio. The debt securities issued by Ukrainian counterparties are classified at fair value level 3, while the remaining debt securities are classified at fair value level 1.

Overall, these valuations of the Russian exposures led to the recognition as at 31 December 2023, before tax, of net income totalling 91 million euro, made up of 206 million euro from net recoveries on loans, mainly attributable to collections on cross-border positions, at the subsidiaries Banca Intesa Russia and Pravex; 1 million euro from adjustments on debt securities held by the investee Pravex; and 114 million euro from provisions for other allowances for risks and charges (in addition to the 80 million euro already made as at December 2022) upon consolidation of the investee Banca Intesa Russia to write off its equity contribution to the Group's consolidated financial statements, which was positive at the year end as a result of the investee's positive operating performance.

## 2. CREDIT RISK MANAGEMENT POLICIES

### *2.1 Organisational aspects*

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

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

The Chief Lending Officer Governance Area, with the aid of its structures (BdT Underwriting Head Office Department, CIB Underwriting Head Office Department, ISB Credit Head Office Department, Credit Governance Head Office Department, Credit Value Preservation Head Office Department and NPE Head Office Department):
- makes material credit decisions, directly or submitting them to the relevant bodies, in relation to the assumption and management of the Group's credit risks, authorising them directly if falling within its prerogatives, including by way of advisory opinions;
- ensures the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- ensures the proactive management of credit and guarantees the management and the monitoring of the Group's non-performing loans, within its area of responsibility;
- manages the stocks and flows of bad loans managed within the Group;
- designs and manages transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performs monitoring and control on outsourced activities, including the monitoring of the performance KPIs of outsourcers, directly making decisions, or submitting them to the Competent Bodies, regarding proposals exceeding the powers delegated to the outsourcers;
- contributes to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and to their definition in relation to the relevant credit management variables, without prejudice to the Chief Financial Officer Governance Area's ultimate responsibility for their finalisation;
- contributes to establishing and evaluating the Group's Sector Framework, coordinating and supporting the Sector Working Group in defining sector performance indicators;
- analyses the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;
- assigns and validates the ratings to the relevant positions, also providing support in the definition of the rating assignment processes and tools;

- defines the relevant regulations on credit matters, the requirements for the development of credit tools and contributes to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the Chief Risk Officer Governance Area's ultimate responsibility for their finalisation;
- promotes initiatives aimed at disseminating and developing a credit culture;
- ensures, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Management Guidance, the first level systematic supervision of the relevant loan portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

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

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

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

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

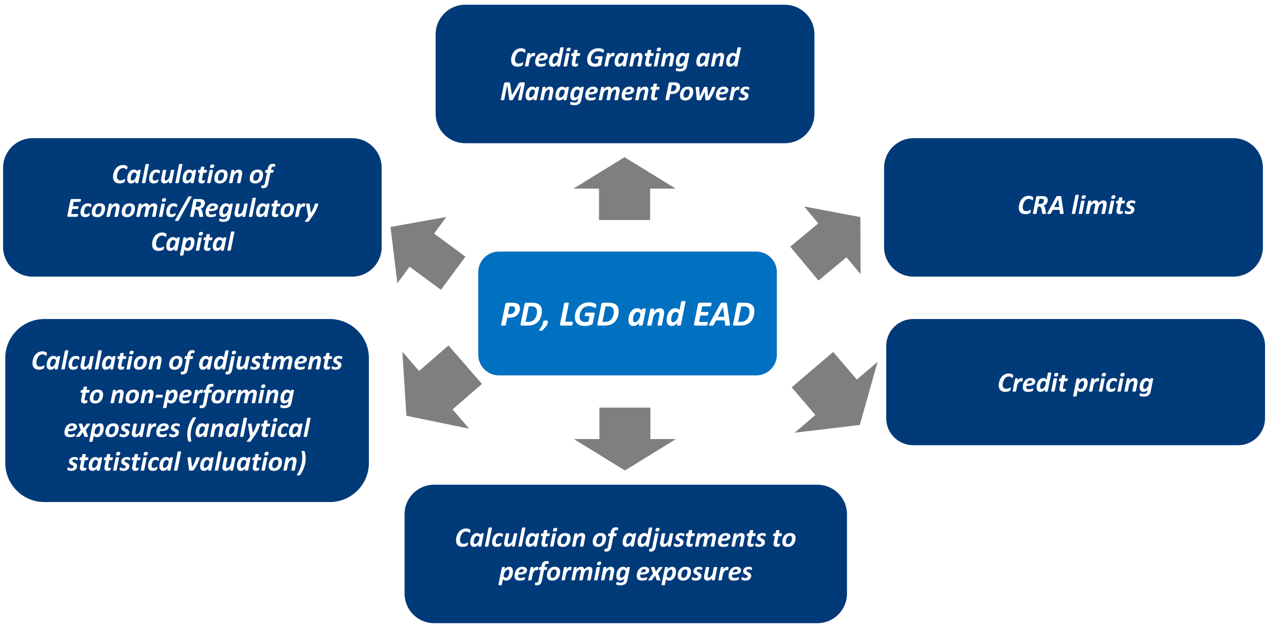
Lastly, as is the case for all the risk areas and above all for credit risk, the Chief Audit Officer performs internal audits aimed at identifying breaches of the procedures and regulations and periodically assessing the completeness, adequacy, functioning (in terms of efficiency and effectiveness) and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

### *2.2 Management, measurement and control systems*

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

Expected Loss and Risk Weighted Assets are fundamental elements for the management, measurement and control of credit risk. These measures incorporate the effects of the exposure size (Exposure at Default - EAD), the relative riskiness of the customer (Probability of Default - PD), the loss estimate where insolvency conditions exist - taking into account the guarantees that mitigate the assumption of risk related to the credit facility (Loss Given Default - LGD) - and the duration of the exposure (maturity), as detailed in Paragraph 2.3.

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




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

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

The credit risk management processes also envisage the periodic review of the credit positions by the competent centralised or decentralised units and the assessment of customers not only at origination, but also on a continuous basis, through a periodic monitoring process that interacts with the credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. An Early Warning System (EWS) for detection and classification is being applied to the Corporate, Retail SME, Retail and Institutions portfolios. In this framework, the Corporate model have been updated in 2023. The models were also developed using the indicators identified in the Asset Quality Review and consist of a statistical part, a qualitative part and additional manual event triggers. The indicators are updated on a daily basis and, when they confirm a potential anomaly positions are detected and reported in specific management processes. The EWS models, as mentioned above, have been undergoing further development since the second half of 2021 for progressive integration into the credit processes (starting from 2023 with the update of the Corporate model). More generally, the Group continued to develop its own managerial models to support the credit granting, monitoring and management processes (e.g. affordability, automatic granting engines, and forecasting). More specifically, in the retail segment, in 2023 the deployment of the affordability model was completed to support both Intesa Sanpaolo’s and Isybank’s personal loan products and Intesa Sanpaolo’s mortgage loans. In the corporate area, an update was made to the automatic granting engines for the “*sold” factoring* product for both Retail SME and Corporate, and a new automatic granting model was introduced for the *current account opening, POS advance* and *18-1* products for the Retail SME segment. The sector-specific forecasting models support several processes including RAF, credit strategies, and credit granting and monitoring activities/instruments, as well as management overlays for the IFRS 9 models.

The valuation of the adjustments to the performing and non-performing exposures is based on methods consistent with IFRS 9, described in detail in Part A - Section "A.2 - Main financial statement captions" and in particular in the paragraph "*Impairment of assets*". The paragraph below "*2.3. Methods for measuring expected losses*" details the main applications used for the 2023 Financial Statements.

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

Counterparty risk is a particular kind of credit risk associated with derivatives and SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing), that refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
With regard to counterparty risk, the Banking Group has an internal model for measuring this risk both for regulatory (only for the Parent Company) and managerial purposes.
Potential Future Exposure (mean effective PFE 95%) has been adopted by the entire Banking Group for the measurement of the utilisation rate of credit limits for derivatives and SFTs exposures. The Market, Financial and C&IB Risks Coordination Area produces daily risk measurement estimates for counterparty risk, for the measurement of the utilisation rate of credit lines for derivatives and SFTs for the Parent Company and Fideuram - Intesa Sanpaolo Private Banking. The other Banks of the Group also use an internal model measurement approach, in simplified form, through internally estimated add-ons.
In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives and SFTs with margining agreements (CSA, GMRA and similar);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk;
- definition and periodic calculation of back-testing analyses to monitor the predictive performance over time of the model with respect to the movements of the risk factors underlying the transactions in the portfolio.

The concentration risk arises from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:
- aimed at defining exposure limits for specific geographical areas and sets of counterparties (e.g.: the top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large exposures" and to credit lines subject to country risk;
- aimed at ex-post correction of the risk profile, through the secondary loan market, through specific judgement metrics based on the maximisation of overall portfolio value.

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

The Group's lending activity is focused on Italian customers (over 80% of the total) and is primarily aimed at households and small and medium enterprises.
The exchange of basic information flows between different Group entities is assured by the Group's Central Credit Register (exposure monitoring and control system) and by the "Posizione Complessiva di Rischio" (global risk position), which highlight

and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.
From the September 2018 monthly report – following the preparation of the input and generation architecture for the Anacredit reporting, aimed at supporting the "collection of granular credit and credit risk data" as defined by Regulation (EU) 2016/867 of 18 May 2016 – a new reporting system has been in place in compliance with the regulatory provisions established by the ECB and implemented by the related Central National Banks.

### *2.3 Methods for measuring expected losses*

The expected loss is the product of exposure at default, probability of default and Loss Given Default.
In Intesa Sanpaolo, probability of default is measured by means of different rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a measure, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle.
A number of rating models are used for the Corporate segment, which use all available information sources and incorporate the opinions of credit analysts and relationship managers. In particular:
- models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
- specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for leveraged buy-out/acquisition-finance and asset-finance transactions.

The Corporate model is also used to calculate the resulting RWAs for the Equity portfolio of the Banking Book.
The models applied to the Retail portfolio are as follows:
- for the Retail SME segment, since May 2021, a new automated rating model has been in use that enables the real time calculation of the rating; this model was updated in October 2022 with effects for reporting purposes from June 2023, following receipt of the authorisation letter;
- for the Retail segment, the counterparty rating model in use since September 2018 was updated in August 2022, following the receipt of the authorisation letter, with effects for reporting purposes from September 2022. In May 2023, the Group received approval for the *ex-ante* UBI Retail notification sent in October 2022.

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

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

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

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

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

Sovereign LGD is estimated by analysing historical recovery rates on sovereign defaults, split into five categories according to income levels and other specific characteristics the individual countries.
The LGD Sovereign model is used solely for management purposes.

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

| Portfolio | PD - Model Type | LGD - Model Type | EAD - Model Type | Status |
|---|---|---|---|---|
| **Sovereign** | Shadow model based on agency rating | Model based on recovery rates estimated by rating agencies | Regulatory parameters | Used for management purposes only; Standardised approach for reporting purposes |
| **Institutions** | Default model (Banks) (4) | Market model (Banks) | Regulatory parameters (Banks) | AIRB authorised since June 2017 |
| | Default model (Municipalities and Provinces) Shadow model (Regions) (4) | Workout model (Municipalities, Provinces, Regions) | Regulatory parameters (Municipalities, Provinces, Regions) | AIRB authorised since June 2017 |
| **Corporate** | Default model (Corporate) | Workout model (Bank products; Leasing and Factoring) | CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring) | FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 (1) |
| | Simulation models (Specialised Lending) | Simulation models / Workout models (Specialised Lending) | CCF/K factor model (Specialised Lending) | AIRB authorised since June 2012 EAD authorised since October 2023 |
| | Expert-Based Model (Non-Banking Fin. Inst.) | Regulatory parameters (Non-Banking Fin. Inst.) | Regulatory parameters (Non-Banking Fin. Inst.) | Used for management purposes only; Standardised approach for reporting purposes |
| **Retail** | Default model (Retail) | Workout model (Retail) | CCF/K factor model (Retail) | IRB Other Retail authorised since September 2018, IRB Mortgage since December 2010 (2) |
| | Default model (Retail SME) | Workout model (Retail SME) | CCF/ K factor model (Retail SME) | IRB PD/LGD authorised since December 2012, EAD authorised since June 2021 (3) |

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

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

The methodology for the estimation of the Expected Credit Loss (ECL), adopted for the determination of the impairment on the credit exposures in accordance with IFRS 9, is implemented at individual transaction or securities tranche level, based on the IRB modelling of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate adjustments are made to ensure compliance with the requirements of the standard. A detailed description of the methods adopted by the Group is provided in Part A - Section "*A.2 - Main financial statement captions*" and in particular in the paragraph "*Impairment of assets*", to which reference is made.
More specifically, the measurement of the financial assets reflects the best estimate of the effects of future conditions and in particular the economic conditions that affect the forward-looking PDs and LGDs. IFRS 9, also based on the guidance from the international regulators, gives particular importance to information on future macroeconomic scenarios in which the Bank may find itself and which clearly influence the situation of the debtors, with regard both to the "risk" of migration of exposures to lower quality classes (and therefore concerning the staging) and to the recoverable amounts (and therefore concerning the determination of the expected loss on the exposures). In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the "Most likely scenario+Add-on" approach. According to this approach, the macroeconomic conditioning of PD and LGD is carried out through a baseline scenario ("Most Likely", in line with the approach used for other business purposes such as, for example, the budget and business plans) and then corrected with an Add-On, calculated based on the distance between the baseline scenario and the alternative scenarios. If the overall impact of the Add-On on the

risk parameters is positive, the decision has been made to neutralise the effect for both staging and ECL calculation purposes. As at 31 December 2023, the usual update was made to the time series for the satellite models adopted in the Core scope, and, following the update, the most significant variables and the methodological framework adopted in previous years for those models were confirmed.
The effectiveness of the IFRS 9 models is monitored by the Validation function once a year through specific backtesting of the risk parameters (staging criteria, PD, LGD and EAD models, and haircuts). In addition, in the event of significant updates, the Validation function performs prior checks also in terms of model design. The results of the checks by the Validation function are submitted to the competent managerial committees and model owner functions and are presented in the annual report on the internal models used for management purposes, which is also sent to the Supervisor.

***Macroeconomic scenario for forward-looking conditioning***

For the purposes of forward-looking conditioning of the parameters for estimating the ECL – in accordance with the approach described in Part A - Accounting Policies and in particular in the paragraph "Impairment of assets" – Intesa Sanpaolo's policy involves the use of the macroeconomic scenario defined and updated by the Research Department.
The table shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the "Most-Likely scenario + Add-on" model described above.

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

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

The updated scenario incorporates a downward revision of the forecasts for Italy and the Eurozone for the second half of 2023 and is based on an assumption of global growth in 2024 similar to that of 2023 but subject to much geopolitical uncertainty.
The inflation forecasts have been revised downwards, confirming the scenario of rapidly declining inflation – increasingly supported by the trend in the official price data. The recent data, which was lower than forecasted, explains much of the revision of the 2024 annual average.
The December scenario incorporates a more rapid path of decline in ECB rates in 2024-25 compared to the June scenario, but is more conservative than the market expectations, reflecting the reduction in risks on the inflation front and the lowering of the growth estimates in the meantime. However, the risk of missing the inflation target again in 2025 will keep monetary policies restrictive for longer than expected.
The conflict in the Middle East in the most likely scenarios, which assume that it will remain within limited geographical boundaries, is not expected to have particularly heavy impacts on the global economy. Only in the event of the conflict spreading to other Middle Eastern countries would there be strong impacts on the Eurozone economies, with uncertain implications for monetary policy.
There are still risks in the scenario. While the endogenous risks associated with monetary policy transmission and disinflation are receding, other factors remain, such as the risk of lower-than-expected growth in China, or the risk stemming from the international situation marked by military conflicts that indirectly involve the West and may affect the market for commodities, particularly energy commodities. Other risks of the emergence of recessionary episodes in the Eurozone may derive from the rebalancing of the labour market (which should take place at a limited cost in terms of redundancies, without jeopardising the recovery in real household incomes). Problems of a structural, non-cyclical nature are emerging more clearly: many Western governments appear to be struggling to manage the consequences of ageing populations, climate change and energy

transition, after having failed to manage globalisation and immigration and their social consequences. And the scope for action is being limited by the high level of public debt.
In Italy, a phase of substantial stagnation began at the end of 2022, which, according to the Research Department's forecasts, may also continue in 2024, leaving the annual growth in line with that of 2023 at 0.7% (the June forecast for 2024 was 1.3%). This has been due to the energy and inflationary shock since the end of 2022, compounded by monetary tightening and less generous construction bonuses. However, two significant recovery factors could materialise in the course of 2024, namely the recovery of household real disposable income and the acceleration of expenditure flows funded by the NRRP. These should overcome the obstacles posed by the increase in interest rates and the reduction in construction bonuses from the second half of 2024, laying the foundations for an acceleration in GDP only from 2025 (at 1.2% in line with the June forecast). The employment situation continues to be an important supporting element of the scenario. On the consumption side, spending on services will be affected by the absence of the boost from the use of surplus savings and the post-pandemic normalisation of lifestyles, while spending on durable goods will be impacted by the increase in interest rates. Investment slowed down sharply already in 2023, due to the rise in interest rates and the squeeze on construction bonuses, and these factors may continue to weigh on the first half of 2024, causing an additional year-on-year deceleration of 0.2%. A recovery is expected in 2025, mainly driven by the acceleration of infrastructure work funded by the NRRP. The construction sector is particularly affected not only by the increase in interest rates and less generous construction bonuses, but also by the fact that costs of materials are still at historically high levels.
In 2024-25, the impact of the NRRP will be crucial to sustaining GDP growth. The revision of the NRRP approved last November will result in a shift to 2025-26 of the number of conditions to be fulfilled, as well as the amount of the expected instalments to be paid to Italy by the EU.
In relation to inflation, the Research Department assumes that the low point may have been reached at the end of 2023 and inflation may subsequently rise again due to the absence of the base effects on energy and the ending of the measures taken by the authorities to combat high prices. Compared to the June forecast, inflation stands at 1.9% against 2.3% for 2024 and 1.9% against 2.1% in the previous forecast.
The slowdown in growth may lead to a rise in unemployment, to 7.9% on average in 2024 (7.8% in June) after 7.6% in 2023 (8.0% in June).
Despite the prospect of high levels of issuances during monetary tightening, the scenario incorporates a lower risk premium on BTP than previously estimated, at 159 basis points in 2024 compared to 165 in the previous forecast. This reflects the improved outlook from Moody's and the more concrete prospect of a reversal in the monetary policy cycle (which could favour the market's absorption of supply, counteracting the effects of the reduction of the ECB portfolios). The yield on BTPs is in any case expected to rise prospectively, in view of the gradual reduction by the ECB of the stocks of government securities of EU countries in its portfolio, purchased as part of the quantitative easing programme initiated in 2015, with the consequent repositioning of the rate curve on steeper inclines, also with reference to Bunds, more in line with the trends observed historically.
As described in Part A - Accounting Policies of these Notes to the consolidated financial statements, and in particular in the section "Impairment of assets", the methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).
With regard to the favourable scenario, the assumptions adopted yield a scenario with higher real growth rates, higher inflation, and lower unemployment rates. The performance of the stock indices and real estate prices is more robust than in the baseline scenario, but with a narrower gap due to the stronger performance of interest rates. Interest rates are higher across all maturities: in 2024, short-term ECB rates are around 9 basis points higher than in the baseline scenario, whereas at the end of the three-year period the differential is 75 basis points. As in June, this is a characteristic feature of the scenario, which describes a situation in which central banks ease monetary policy more slowly in response to cyclical signals indicating a smaller than expected slowdown, and more pressure on core inflation, compared to what is needed to restore price stability.
The "adverse" scenario was formulated using the lowest forecasts for GDP growth in the Consensus Economics survey, published in December 2023, for the main advanced countries. The performance of Italian GDP is expected to be weak, with a moderate recession in 2024, followed by a modest recovery in 2025-26, while the Eurozone's GDP performance is assumed to be only slightly stronger, with GDP stagnant on an annual basis, with modest contractions on a quarterly basis.
This will result in a faster and deeper fall in inflation, allowing the ECB to ease monetary policy to the point of becoming expansionary, rather than neutral as in the baseline scenario. At the end of the three-year period, the level of short-term rates is 94 basis points lower than in the baseline scenario, while the ten-year IRSs are 59 basis points lower.
A negative shock has been applied to the performance of stock market indices and real estate prices (Italy and the US). The adverse scenario also includes significantly higher levels of the BTP-BUND spread (+22 basis points in 2024 widening to 40 basis points in 2026), assuming that the global demand shock is compounded by a moderate domestic idiosyncratic shock, e.g. due to difficulties in implementing the NRRP or the significant pressure from the offering of government securities on domestic financial flows in 2024.
At the end of the year, the banks of the International Subsidiary Banks Division also updated their estimates on the basis of the forecast scenarios for their geographical scope.

### *ECL sensitivity analysis*

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios in accordance with the ESMA recommendations.
That analysis was conducted on a portfolio of performing loans (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the banks and companies in Italy, Intesa Sanpaolo Lux and Intesa Sanpaolo Ireland, which represent around 90% of the Group's total exposure).
As noted in the paragraphs above, the approach adopted by the Group to estimate the ECL for the macroeconomic conditioning of PD and LGD involves the use of a ("Most Likely") baseline scenario which is then adjusted with an Add-On calculated based on the distance between the baseline scenario and the best-case/worst-case scenarios. These are largely determined from the selection of the most optimistic/pessimistic assumptions of the Consensus Economics macroeconomic variables and therefore incorporate the forecasts made.

The sensitivity analysis is the difference between the ECL determined using the assumptions adopted for the alternative scenarios (best-case and worst-case) and the ECL derived from the model referred to above, which therefore already includes the alternative forecasts factored by means of their distance from the baseline scenario.
Based on the above, and the fact that the distance between the worst-case and best-case scenarios compared to the baseline scenario is small and broadly symmetrical, the application of the worst-case scenario would result in 1 billion euro of exposure sliding into Stage 2, an increase of around 47 million euro in the ECL, and a slight increase in the coverage ratio. On the other hand, the sensitivity of the portfolio to the best-case scenario would see a decrease of 76 million euro in the ECL, with a return to Stage 1 of 1.6 billion euro of exposures. The coverage ratio for performing exposures would decrease by 2 basis points.
To take account of the forecast risk identified by both the Research Department and the other forecasters, as well as the greater uncertainty inherent in the forward-looking scenarios, the Group has included an adjustment (described in more detail in the paragraph below) included within the ECL of the performing loans recognised in the 2023 Financial Statements. The aim of this adjustment is to capture these elements of uncertainty by considering more extreme alternative scenarios that incorporate assumptions of significant deviations from the forecasts regarding the evolution of the macroeconomic situation. The adjustment for the extreme alternative scenarios, which resulted in a worsening of the ECL of around 250 million euro, is not incorporated in the sensitivity analysis described above. A further intervention, also described below, is aimed at capturing vulnerabilities that affect the individual economic sectors asymmetrically, which are not captured by the models being used and, therefore, cannot be directly linked to the forward-looking components subject to sensitivity analysis.

### *Managerial adjustments to the results of the models*

With regard to the methodologies for estimating impairment losses on performing credit exposures, in certain circumstances adjustments may need to be applied to the valuations, related to particularly complex and volatile macroeconomic situations, compared to the results of the models adopted. This may arise as a result of new events or risks of an unexpected nature that were not observed in the time series used for the models and cannot be reliably projected for the purposes of the forward-looking component required by IFRS 9.
These adjustments were applied by the Intesa Sanpaolo Group with the emergence of the Covid 19 pandemic starting from 2020 and maintained in subsequent years, although with different sizes, in relation to the Russian-Ukrainian conflict, the subsequent effects on energy and commodity prices and the resulting rising inflation and monetary policy scenario.
For the 2023 Financial Statements, given the high level of uncertainty and volatility in the geopolitical situation and the macroeconomic forecasts, the Intesa Sanpaolo Group has continued to apply these adjustments.
In view of the continued presence of these elements of uncertainty, during the year the Group significantly strengthened the methodological framework supporting the adoption and implementation of the managerial adjustments applied to the statistical valuation of the performing loans.
The new framework consists of two complementary elements, which together maintain the levels of the adjustments already present in the third quarter:

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

In addition to providing a better focus on the sectors that are most subject to emerging risks and are most vulnerable, the new framework enables the identification, in line with the Regulator’s expectations, of a sub-scope potentially subject to classification to Stage 2.
With regard to the first intervention, with the aim to capture emerging risks not already incorporated in the usual scenarios and to determine an adjustment, the Bank has decided to use alternative scenarios that are more extreme than those already used for the calculation of the add-on incorporated in the models and generally unrelated to the time within the cycle. The management adjustment is therefore equivalent to the additional impact of using those extreme scenarios defined starting on a long-term scenario (unrelated to the specific economic circumstances). This intervention, which also met with the approval from the internal validation function, has no impact in terms of staging: the identification of extreme scenarios – unrelated both to a defined forecast time horizon and to a verified or presumed increase in the credit risk of the positions in the portfolio – is not apt to constituting a contribution to indicators of significantly increased credit risk and, therefore, a staging trigger for IFRS 9 purposes.
Alongside the above methodological development, which maintains a consistent approach with the models already in use, the methodological framework for identifying specific vulnerabilities of certain portfolios (across sectors, geographies and rating classes) was also strengthened. To this end, the aim was to use the information obtained from the credit quality monitoring processes, to develop a framework based on granular data capable of combining the risk profile assessment derived from traditional modelling with the assessment of industrial, sectoral, operational and managerial credit metrics derived from the management, monitoring, rating assignment and customer relationship management at local level. The framework identifies 3 vulnerability bands (high, medium and low). An estimated adjustment is applied to the ECL of exposures belonging to the “medium” and “high” categories, assuming a worsening of the prospective probability of default of the exposures (under stress). For the “high” risk exposures belonging to sectors with negative default rates in the last year, these are given a Stage 2 classification, if not already present.

The banks of the International Subsidiary Banks Division, in a large number of cases, have also adopted prudent margins, through management overlays, based on specific assessments of the current and future situation and the characteristics of their portfolios.
Overall, the adjustment allowances for performing exposures as at 31 December included prudential elements of 0.9 billion euro relating to both on-balance sheet and off-balance sheet exposures. This figure does not include the additional provisions made on exposures to Russian and Ukrainian counterparties, relating to cross-border positions, and those of Banca Intesa Russia and Pravex, already described in Chapter 1.1 of this Part E.

### *2.4 Credit risk mitigation techniques*

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

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

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

The Bank uses two integrated platforms and guarantee management systems (PGA – Active Guarantees Portal and ABS – System Assets Archive) in order to improve the efficiency of collateral management. This has been accompanied by the development of a specific system for managing bad loans, to track the main legal actions and particularly those relating to the enforcement of real estate collateral (EPC - Ex Parte Creditoris).

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

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

## 3. NON-PERFORMING CREDIT EXPOSURES

### *3.1 Management strategies and policies*

On 16 March 2023, the annual revision of the Group NPL Plan, carried out based on the ECB Guidance to banks on non-performing loans, in line with the baseline macroeconomic scenario and the budget process, was produced for the Board of Directors. The 2022-2025 NPL Plan is consistent with both the 2022-2025 Business Plan, approved by the Board of Directors in February 2022, and the Risk Appetite Framework, and takes into account the observations and recommendations of the Supervisory Authority.
The Group NPL Plan includes targets for the stock of non-performing loans, the detailed measures and enablers, as well as the related costs and investments required to achieve the targets set.
In the 2022-2025 Business Plan, the Group intends to pursue a structural de-risking strategy, which was mostly launched during the last Business Plan, placing it among the best in Europe in terms of non-performing loan ratio and stock and generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level, both through prudent provisions and ongoing prudent credit management. The deleveraging will be supported by the establishment of additional selected partnerships and targeted disposals of portfolios, some of which were already carried out in 2023 (see in this regard the introductory chapter of the Report on operations in relation to the de-risking initiatives).
At the end of 2023, non-performing loans before adjustments amounted to 9.9 billion euro, keeping the NPL ratio stable at 2.3% before adjustments and 1.2% net in comparison with December 2022. Based on the EBA methodology, the NPL ratio stood at 1.8% gross and 0.9% net.

Since November 2019, the Intesa Sanpaolo Group has adopted the New Definition of Default set out in the EBA Guidelines 2016/07 of 18/01/2017 on the application of the definition of default under Article 178 of Regulation 575/2013 (CRR), and in line with the additional clarifications introduced by Bank of Italy Circular 272. That definition of non-performing loans also coincides with the definition of "impaired" financial assets contained in IFRS 9, with the consequent recognition of all non-performing loans within Stage 3.
Intesa Sanpaolo Group adopts a "per borrower" approach in identifying non-performing exposures. Accordingly, the entire counterparty with credit relationship is assessed and subsequently classified, rather than the individual credit lines granted to that counterparty.

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

- non-performing past due exposures: this category includes on-balance sheet exposures, other than those classified as bad loans or unlikely to pay that, as at the reporting date, are past due or overdrawn by over 90 days on a continuous basis. The total exposure to a debtor must be recognised as Past Due if, at the reference reporting date, the amount of the principal, interest and/or fees not paid when due exceeds both of the following thresholds (hereinafter, collectively, the "Relevance Thresholds"):
    - the absolute limit of 100 euro for retail exposures and of 500 euro for non-retail exposures (the "Absolute Threshold"), to be compared with the total amount past due from the borrower;

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

The type "exposures subject to concessions – forbearance" has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures).

Non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are a sub-set of the above categories of non-performing assets.

Non-performing assets are subject to an assessment process resulting in the calculation of the expected loss for uniform categories (identified based on the risk status, duration of risk status and significance of the underlying exposure) and the allocation of the impairment adjustment for each position.

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

In addition to the assessment component determined through statistical valuation models or through individual expert evaluation, a component is calculated to take into account the evolution of the current operational variables, the future macroeconomic scenarios, the incremental risk of the counterparty as long as it remains in the specific risk status for unlikely-to-pay exposures (vintage), as well as the sales prospects if present.

The assessment of non-performing positions classified as assets held for sale is carried out based on the expected sales prices, less their costs to sell, supported by fairness opinions.

The assessment methods for non-performing loans are described in detail in Part A – Section "A.2 – Main financial statement captions" in these Notes to the consolidated financial statements and in particular in the paragraph "Impairment of non-performing financial assets", to which reference is made.

The assessments are carried out upon classification of the exposures as non-performing and are reviewed periodically.

The assessment of the loans is also reviewed whenever a new event occurs that could affect the prospects for recovery (e.g. change in the value of collateral, developments in ongoing litigation, etc.).

In order to timely identify such events, the information set relative to borrowers and guarantors is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly monitored.

The management of the Group's non-performing loans may be carried out directly by the internal organisational structures or by/with external partners granted appropriate mandates (outsourcers), for which the Chief Lending Officer Area performs a supervisory role in the management of the stocks and flows outsourced and acts as an interface for the approvals beyond the limits of the powers delegated to them and for administrative, technical and operational activities envisaged in the processes of interaction with the outsourcers. The internal organisational structures are identified, on the basis of pre-determined relevance thresholds, as the local organisational units (at regional level) that perform specialist activities, or within the Head Office Departments, which are also responsible for the overall management and coordination of these matters.

The classification of positions to non-performing is performed on proposal of both territorial structures, owners of the commercial relationship, or of specialised central and local territorial structures in charge of the monitoring and recovery of non-performing loans. Classification may also be performed through automatic mechanisms when predefined objective default conditions arise. This refers, for example, to past-due loans continuously above certain thresholds for certain periods and forborne performing positions (performing forborne positions originating from non-performing forborne positions) that have not yet completed their 24-month probation period, if they meet the conditions envisaged by the applicable regulations for their reallocation to non-performing loans, based on the verification of objective parameters and, specifically, for transactions already designated as forborne, so-called reiteration (i.e. the granting of a further forbearance measure) and/or continuously over 30 days past due above certain thresholds, and transactions subject to distressed restructuring with a loss exceeding 1%.

Furthermore, automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various entities are subject to the required uniform convergence of management

decisions. Materiality is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.
Automatic mechanisms within the system also ensure that positions are allocated to the risk status most representative of their creditworthiness (bad loans excluded) as material default continues.
The return to performing status of non-performing exposures is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the Structures responsible for their management, upon verification that the critical conditions or state of default no longer exist.
Non-performing past-due exposures and unlikely to pay exposures, not subject to forbearance measures must continue to be classified as such for at least 3 months after they cease to meet the requirements for being classified as such. During this probation period the counterparty's conduct must be assessed in light of its financial situation (in particular, by verifying the absence of amounts past due exceeding the relevance thresholds).
For counterparties classified as forborne unlikely-to-pay, the application of the cure period of at least 12 months shall prevail. At the end of this period, the position may be reclassified as performing, provided that there are no past due exposures of the borrower and the borrower has repaid a significant amount of the principal and interest and, more generally, the criteria for the counterparties returning to performing status are met.
Exposures classified as past-due return automatically to performing when the 90-day probation period has passed. The same mechanism is applied to exposures of moderate amounts previously automatically classified as unlikely to pay when automatic mechanisms detect that the conditions that triggered the classification no longer apply.
The Internal Validation & Controls Coordination Area of the Chief Risk Officer Governance Area carries out level II controls on single counterparties in the various statuses of non-performing loan, randomly selected mainly with risk-based criteria in order to verify their proper classification and provisioning, as well as the adequacy of the management and recovery processes.

### *3.2 Write-offs*

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

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

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

  In 2023, the Group carried out write-offs on gross non-performing loans for around 474 million euro. Of these, around 349 million euro regarded bad loans, for the most part using the allowance already set aside. More than 42% of these write-offs related to derecognised positions that are still subject to enforcement procedures, for which any recoveries from collections after the write-off will be recognised in the income statement as recoveries.

### *3.3 Purchased or originated credit-impaired financial assets*

According to IFRS 9, loans considered as impaired already upon initial recognition in the financial statements, due to the high credit risk associated with them, are defined as Purchased or Originated Credit Impaired Assets (POCI). If these loans fall within the scope of impairment in accordance with IFRS 9, they are valued by allocating allowances - from the date of initial recognition - to cover losses for the entire residual life of the loan (lifetime Expected Credit Loss). Since these are non-performing loans, they are initially recognised within Stage 3, subject to the possibility of being transferred, over the course of their lives, to Stage 2 if, based on the credit risk analysis, they are identified as no longer being impaired.
POCI loans recorded in the Group's financial statements may derive from single renegotiations of non-performing exposures carried out as part of routine lending activity or be recognised following business combinations. With regard to the latter case, the acquisition of the former UBI Group during 2020 resulted in the recognition of a significant portfolio of non-performing loans, which, therefore, were initially recognised as POCI pursuant to IFRS 9 and posted in the financial statements at the fair value determined on Purchase Price Allocation, as the initial recognition value. More in detail, at the acquisition date (4 August 2020), the accounting records of the UBI Group had gross non-performing loans amounting to around 6.5 billion euro (8 billion euro in terms of credit claim).
In light of the sales already carried out, the POCI loans referring to the former UBI Group recognised in the Parent Company's financial statements as at 31 December 2023 remain under assets measured at amortised cost for substantially residual amounts and further reduced compared to the end of 2022, totalling 141 million euro, consisting of 80 million euro of non-

performing loans and 61 million euro of performing positions (total of 188 million euro, with 131 million euro of non-performing loans and 57 million euro of performing loans, as at 31 December 2022).

## 4. COMMERCIAL RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

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

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

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

- 24 months for performing positions (probation period);
- 36 months for positions classified as non-performing, represented by a cure period of 12 months and a probation period of an additional 24 months.

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

## QUANTITATIVE INFORMATION

### A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI.
The term "on-balance sheet credit exposures" refers to all the on-balance sheet financial assets due from banks or customers, irrespective of the accounting portfolio they are allocated to (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost, or discontinued financial assets). On demand receivables due from banks and central banks come under the definition of on-balance sheet exposures but by convention are not included in the tables in Section 1, except in specifically identified cases where they must be considered.
The term "off-balance sheet exposures" refers to all the financial transactions that are not on the balance sheet (guarantees given, revocable and irrevocable commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of those transactions (trading, hedging, etc.). The off-balance sheet credit exposures also include the counterparty risk associated with any securities lending transactions. Where necessary, the counterparty risk associated with exposures relating to repurchase agreements, transactions involving the granting or assumption of goods on loan, and loans with margins falling within the notion of securities financing transactions defined by the prudential regulations, is also reported.
Non-performing credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore normally recognised as performing credit exposures.

### A.1. Performing and non-performing credit exposures: amounts, adjustments, changes and economic breakdown

#### *A.1.1. Prudential consolidation - Breakdown of financial assets by past-due brackets (book value)*

(millions of euro)

| Portfolios/risk stages | STAGE 1 | | | STAGE 2 | | | STAGE 3 | | | PURCHASED OR ORIGINATED CREDIT-IMPAIRED | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Between 1 and 30 days | Between 30 and 90 days | Over 90 days | Between 1 and 30 days | Between 30 and 90 days | Over 90 days | Between 1 and 30 days | Between 30 and 90 days | Over 90 days | Between 1 and 30 days | Between 30 and 90 days | Over 90 days |
| 1. Financial assets measured at amortised cost | 1,695 | 192 | 202 | 928 | 617 | 140 | 328 | 266 | 2,789 | 5 | 2 | 99 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Non-current financial assets held for sale | - | - | - | - | - | - | - | - | 17 | - | - | - |
| **Total 31.12.2023** | **1,695** | **192** | **202** | **928** | **617** | **140** | **328** | **266** | **2,806** | **5** | **2** | **99** |
| **Total 31.12.2022** | **1,868** | **168** | **321** | **686** | **466** | **129** | **364** | **192** | **3,190** | **10** | **4** | **148** |

The values of assets more than 90 days past due, relating to exposures classified in stage 1 and 2 refer to loans that do not meet the conditions to be classified under non-performing past due exposures (below the materiality threshold).

### *A.1.2. Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions*

(millions of euro)

| Reasons/risk stages | TOTAL ADJUSTMENTS | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 assets | | | | | | Stage 2 assets | | | | | |
| | On demand due from banks and Central Banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Non-current financial assets held for sale | *of which: individual impairment losses* | *of which: collective impairment losses* | On demand due from banks and Central Banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Non-current financial assets held for sale | *of which: individual impairment losses* | *of which: collective impairment losses* |
| **Total opening adjustments** | **-** | **707** | **34** | **-** | ***521*** | ***220*** | **-** | **1,988** | **47** | **-** | ***1,588*** | ***447*** |
| Changes in increase from financial assets acquired or originated | - | 256 | 15 | - | *192* | *79* | - | 15 | 2 | - | *3* | *14* |
| Cancellations other than write-offs | - | -76 | -10 | - | *-62* | *-24* | - | -278 | -33 | - | *-292* | *-19* |
| Net value adjustments / write-backs for credit risk | - | -162 | -7 | - | *-88* | *-81* | - | 136 | 28 | - | *104* | *60* |
| Contractual changes without cancellations | - | 35 | - | - | *-* | *35* | - | 53 | - | - | *41* | *12* |
| Changes in the estimation methodology | - | - | - | - | *-* | *-* | - | - | - | - | *-* | *-* |
| Write-offs non recorded directly in the income statement | - | - | - | - | *-* | *-* | - | - | - | - | *-* | *-* |
| Other variations | - | -10 | -1 | - | *-* | *-11* | - | -75 | 1 | 1 | *-26* | *-47* |
| **Total closing adjustments** | **-** | **750** | **31** | **-** | ***563*** | ***218*** | **-** | **1,839** | **45** | **1** | ***1,418*** | ***467*** |
| Recoveries from financial assets subject to write-off | - | - | - | - | *-* | *-* | - | - | - | - | *-* | *-* |
| Write-offs recorded directly in the income statement | - | - | - | - | *-* | *-* | - | - | - | - | *-* | *-* |

(millions of euro)

| Reasons/risk stages | TOTAL ADJUSTMENTS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 3 assets | | | | | | Purchased or originated credit-impaired financial assets | | | | |
| | On demand due from banks and Central Banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Non-current financial assets held for sale | *of which: individual impairment losses* | *of which: collective impairment losses* | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Non-current financial assets held for sale | *of which: individual impairment losses* | *of which: collective impairment losses* |
| **Total opening adjustments** | **-** | **5,236** | **36** | **378** | ***5,010*** | ***640*** | **113** | **-** | **7** | ***113*** | ***7*** |
| Changes in increase from financial assets acquired or originated | - | 2 | - | - | *2* | *-* | X | X | X | *X* | *X* |
| Cancellations other than write-offs | - | -1,203 | - | -375 | *-1,553* | *-25* | -30 | - | -8 | *-38* | *-* |
| Net value adjustments / write-backs for credit risk | - | 1,325 | - | - | *1,242* | *83* | 5 | - | - | *6* | *-1* |
| Contractual changes without cancellations | - | 25 | - | - | *22* | *3* | - | - | - | *-1* | *1* |
| Changes in the estimation methodology | - | - | - | - | *-* | *-* | - | - | - | *-* | *-* |
| Write-offs non recorded directly in the income statement | - | -388 | - | -3 | *-336* | *-55* | -12 | - | - | *-12* | *-* |
| Other variations | - | -105 | - | 41 | *-38* | *-26* | 22 | - | 1 | *23* | *-* |
| **Total closing adjustments** | **-** | **4,892** | **36** | **41** | ***4,349*** | ***620*** | **98** | **-** | **-** | ***91*** | ***7*** |
| Recoveries from financial assets subject to write-off | - | 32 | - | - | *30* | *2* | - | - | - | *-* | *-* |
| Write-offs recorded directly in the income statement | - | -66 | - | - | *-65* | *-1* | -5 | - | - | *-5* | *-* |

### *A.1.2. Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions – continued –*

(millions of euro)

| Reasons/risk stages | TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN | | | | TOTAL |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Commitments to disburse funds and financial guarantees given impaired purchased or originated | |
| **Total opening adjustments** | **153** | **155** | **267** | **-** | **9,121** |
| Changes in increase from financial assets acquired or originated | 23 | - | - | - | **313** |
| Cancellations other than write-offs | -6 | -13 | -3 | - | **-2,035** |
| Net value adjustments / write-backs for credit risk | -15 | -25 | 15 | - | **1,300** |
| Contractual changes without cancellations | - | - | - | - | **113** |
| Changes in the estimation methodology | - | - | - | - | **-** |
| Write-offs non recorded directly in the income statement | - | - | - | - | **-403** |
| Other variations | -21 | -4 | -1 | - | **-151** |
| **Total closing adjustments** | **134** | **113** | **278** | **-** | **8,258** |
| Recoveries from financial assets subject to write-off | - | - | - | - | **32** |
| Write-offs recorded directly in the income statement | - | - | - | - | **-71** |

The Intesa Sanpaolo Group does not use the simplified method for the valuation of the loss allowance in relation to trade receivables, contract assets and lease receivables (method envisaged by IFRS 9, paragraph 5.5.15).

### *A.1.3. Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: transfers between stages of credit risk (gross and nominal amounts)*

(millions of euro)

| Portfolios/risk stages | GROSS AMOUNTS/NOMINAL VALUE | | | | | |
|---|---|---|---|---|---|---|
| | **Transfers between Stage 1 and Stage 2** | | **Transfers between Stage 2 and Stage 3** | | **Transfers between Stage 1 and Stage 3** | |
| | To Stage 2 from Stage 1 | To Stage 1 from Stage 2 | To Stage 3 from Stage 2 | To Stage 2 from Stage 3 | To Stage 3 from Stage 1 | To Stage 1 from Stage 3 |
| 1. Financial assets measured at amortised cost | 26,315 | 14,088 | 1,591 | 457 | 1,399 | 126 |
| 2. Financial assets measured at fair value through other comprehensive income | 1,281 | 19 | - | - | - | - |
| 3. Non-current financial assets held for sale | - | - | - | - | - | - |
| 4. Commitments to disburse funds and financial guarantees given | 10,719 | 8,240 | 82 | 101 | 192 | 20 |
| **Total 31.12.2023** | **38,315** | **22,347** | **1,673** | **558** | **1,591** | **146** |
| **Total 31.12.2022** | **47,354** | **27,936** | **1,753** | **556** | **2,219** | **180** |

On 16 December 2022, the EBA repealed the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, contained in EBA/GL/2020/07, with effect from 1 January 2023, following the change in the scenario related to the pandemic. However, the Bank of Italy, in the communication dated 14 March 2023, requested that certain financial statement disclosures be maintained, in free format, on transfers between the various credit risk stages which involved the loans subject to public guarantees issued in response to the COVID-19 situation.

In that regard, it is noted that the loans subject to COVID-19 public guarantees measured at amortised cost that were transferred from stage 1 to stage 2 in 2023 amounted to 1,365 million euro, while those transferred from stage 2 to stage 1 amounted to 1,079 million euro.
Transfers from stage 2 to stage 3 amounted to 179 million euro, from stage 3 to stage 2 amounted to 14 million euro, from stage 1 to stage 3 amounted to 341 million euro and, lastly, from stage 3 to stage 1 amounted to 9 million euro.

### *A.1.4. Prudential Consolidation – On- and off-balance sheet credit exposures to banks: gross and net values*

(millions of euro)

| Type of exposure/amounts | Gross exposure | | | | | Total adjustments and total provisions for credit risk | | | | | Net exposure | Total partial write-offs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| **A. ON-BALANCE SHEET EXPOSURES** | | | | | | | | | | | | |
| **A.1 ON DEMAND** | **84,657** | **84,270** | **387** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **84,657** | **-** |
| a) Non-performing | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 84,657 | 84,270 | 387 | X | - | - | - | - | X | - | 84,657 | - |
| **A.2 OTHERS** | **47,438** | **42,272** | **2,398** | **112** | **-** | **-50** | **-8** | **-22** | **-20** | **-** | **47,388** | **1** |
| a) Bad loans | 4 | X | - | 4 | - | -4 | X | - | -4 | - | - | 1 |
| *- of which: forborne exposures* | - | *X* | - | - | - | - | *X* | - | - | - | - | - |
| b) Unlikely to pay | 108 | X | - | 108 | - | -16 | X | - | -16 | - | 92 | - |
| *- of which: forborne exposures* | *107* | *X* | - | *107* | - | *-15* | *X* | - | *-15* | - | *92* | - |
| c) Non-performing past due exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| *- of which: forborne exposures* | - | *X* | - | - | - | - | *X* | - | - | - | - | - |
| d) Performing past due exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| *- of which: forborne exposures* | - | - | - | *X* | - | - | - | - | *X* | - | - | - |
| e) Other performing exposures | 47,326 | 42,272 | 2,398 | X | - | -30 | -8 | -22 | X | - | 47,296 | - |
| *- of which: forborne exposures* | - | - | - | *X* | - | - | - | - | *X* | - | - | - |
| **TOTAL (A)** | **132,095** | **126,542** | **2,785** | **112** | **-** | **-50** | **-8** | **-22** | **-20** | **-** | **132,045** | **1** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | | | | | |
| a) Non-performing | 6 | X | - | 6 | - | - | X | - | - | - | 6 | - |
| b) Performing | 65,013 | 35,954 | 681 | X | - | -48 | -48 | - | X | - | 64,965 | - |
| **TOTAL (B)** | **65,019** | **35,954** | **681** | **6** | **-** | **-48** | **-48** | **-** | **-** | **-** | **64,971** | **-** |
| **TOTAL (A+B)** | **197,114** | **162,496** | **3,466** | **118** | **-** | **-98** | **-56** | **-22** | **-20** | **-** | **197,016** | **1** |

### *A.1.5. Prudential Consolidation – On- and off-balance sheet credit exposures to customers: gross and net values*

(millions of euro)

| **Type of exposure/Amounts** | **Gross exposure** | | | | | **Total adjustments and total provisions for credit risk** | | | | | **Net Exposure** | **Total partial write-offs** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| **A. ON-BALANCE SHEET EXPOSURES** | | | | | | | | | | | | |
| a) Bad loans | 3,442 | X | - | 3,330 | 111 | -2,502 | X | - | -2,451 | -51 | 940 | 1,435 |
| *- of which: forborne exposures* | *745* | *X* | - | *719* | *26* | *-542* | *X* | - | *-529* | *-13* | *203* | *81* |
| b) Unlikely to pay | 6,091 | X | - | 5,912 | 103 | -2,399 | X | - | -2,330 | -39 | 3,692 | 356 |
| *- of which: forborne exposures* | *2,538* | *X* | - | *2,442* | *58* | *-895* | *X* | - | *-872* | *-15* | *1,643* | *80* |
| c) Non-performing past due exposures | 626 | X | - | 623 | 2 | -169 | X | - | -168 | - | 457 | 3 |
| *- of which: forborne exposures* | *57* | *X* | - | *56* | *1* | *-15* | *X* | - | *-14* | - | *42* | - |
| d) Performing past due exposures | 3,950 | 2,106 | 1,833 | X | 5 | -166 | -17 | -148 | X | -1 | 3,784 | - |
| *- of which: forborne exposures* | *351* | - | *349* | *X* | *2* | *-29* | - | *-29* | *X* | - | *322* | - |
| e) Other performing exposures | 545,120 | 491,238 | 44,657 | X | 95 | -2,478 | -756 | -1,715 | X | -7 | 542,642 | - |
| *- of which: forborne exposures* | *4,785* | - | *4,730* | *X* | *30* | *-309* | - | *-305* | *X* | *-3* | *4,476* | - |
| **TOTAL (A)** | **559,229** | **493,344** | **46,490** | **9,865** | **316** | **-7,714** | **-773** | **-1,863** | **-4,949** | **-98** | **551,515** | **1,794** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | | | | | |
| a) Non-performing | 1,598 | X | - | 1,588 | 1 | -278 | X | - | -278 | - | 1,320 | - |
| b) Performing | 305,578 | 234,054 | 20,695 | X | 1 | -199 | -86 | -113 | X | - | 305,379 | - |
| **TOTAL (B)** | **307,176** | **234,054** | **20,695** | **1,588** | **2** | **-477** | **-86** | **-113** | **-278** | **-** | **306,699** | **-** |
| **TOTAL (A+B)** | **866,405** | **727,398** | **67,185** | **11,453** | **318** | **-8,191** | **-859** | **-1,976** | **-5,227** | **-98** | **858,214** | **1,794** |

The dealings between the Banking Group and other non-banking companies included within the scope of consolidation amounted to:
- 11,319 million euro, adjusted by 28 million euro, included among gross performing on-balance sheet exposures to customers;
- 19 million euro, adjusted by 3 million euro, included among gross non-performing off-balance sheet exposures to customers;
- 8,563 million euro, adjusted by 16 million euro, included among gross performing off-balance sheet exposures to customers.

The exposures also include financial assets allocated to the accounting portfolio of discontinued operations.

The On- and off-balance sheet credit exposures to customers classified as stage 2 mainly include the positions for which a change (behind specific thresholds) was found in the lifetime probability of default compared to the time of initial recognition of the financial instrument in the financial statements. For the purpose of classification in stage 2 – without prejudice to the materiality thresholds identified by the regulations - exposures that are past due by at 30 days or subject to forbearance measures are important. Activating a forbearance measure implies a minimum probation period of 24 month in Stage 2. Moreover, starting from 2023, for the centralised scope (main Italian companies and foreign corporate banks), some of the indicators from the credit monitoring systems are now considered for the purposes of the transfer between stages (early warning systems). Where signals of high risk (traffic light results) are identified for at least three consecutive months by such systems, a perimeter of potentially riskier counterparties is defined, to be classified in Stage 2.

To complement the above methodology, starting on 31 December 2023, a “relative” threshold also exists (tripling of lifetime PD at the observation date compared to the lifetime PD at the initial recognition date), which acts on a residual basis compared to the main methodology, i.e. the change in the lifetime probability of default. Therefore, if this threshold is exceeded, the position is automatically classified to Stage 2. In order to avoid the “sliding” into Stage 2 of particularly high credit quality positions, the threshold is only triggered for non-investment grade loans and securities, identified considering the definitions within the Group.

The gross amount of loans subject to COVID-19 public guarantees as at 31 December 2023 came to 24,522 million euro. The aggregate comprised performing exposures of 23,609 million euro gross, with 68 million euro in adjustments and non-performing exposures of 913 million euro gross, with 349 million euro in adjustments.

Performing exposures are broken down into (i) performing past due loans for 217 million euro gross, with 4 million euro in adjustments and (ii) performing loans not past due for 23,392 million euro gross, with 64 million euro in adjustments.

### *A.1.6. Prudential Consolidation – On-balance sheet credit exposures to banks: changes in gross non-performing exposures*

(millions of euro)

| Reasons/Categories | Bad loans | Unlikely to pay | Non-performing past due exposures |
|---|---|---|---|
| **A. Initial gross exposure** | **4** | **48** | **1** |
| *- of which: exposures sold not derecognised* | - | - | - |
| **B. Increases** | **-** | **83** | **-** |
| B.1 inflows from performing exposures | - | 80 | - |
| B.2 inflows from purchased or originated credit-impaired financial assets | - | - | - |
| B.3 transfers from other non-performing exposures categories | - | - | - |
| B.4 changes in contracts without derecognition | - | - | - |
| B.5 other increases | - | 3 | - |
| *- of which: business combinations* | | | |
| **C. Decreases** | **-** | **-23** | **-1** |
| C.1 outflows to performing exposures | - | - | - |
| C.2 write-offs | - | - | - |
| C.3 collections | - | -13 | - |
| C.4 profits on disposal | - | - | - |
| C.5 losses on disposal | - | - | - |
| C.6 transfers to other non-performing exposure categories | - | - | - |
| C.7 changes in contracts without derecognition | - | - | - |
| C.8 other decreases | - | -10 | -1 |
| **D. Final gross exposure** | **4** | **108** | **-** |
| *- of which: exposures sold not derecognised* | - | - | - |

### *A.1.6. Bis Prudential Consolidation – On-balance sheet credit exposures to banks: changes in gross forborne exposures broken down by credit quality*

(millions of euro)

| Description/Quality | Forborne exposures: non-performing | Forborne exposures: performing |
|---|---|---|
| **A. Initial gross exposure** | **48** | **83** |
| *- of which: exposures sold not derecognised* | - | - |
| **B. Increases** | **82** | **2** |
| B.1 inflows from non-forborne performing exposures | - | - |
| B.2 inflows from forborne performing exposures | 80 | X |
| B.3 inflows from non-performing forborne exposures | X | - |
| B.4 inflows from forborne non-performing exposures | - | - |
| B.5 other increases | 2 | 2 |
| **C. Decreases** | **-23** | **-85** |
| C.1 outflows to non-forborne performing exposures | X | - |
| C.2 outflows to forborne performing exposures | - | X |
| C.3 outflows to non-performing forborne exposures | X | -80 |
| C.4 write-offs | - | - |
| C.5 collections | -13 | -3 |
| C.6 profits on disposal | - | - |
| C.7 losses on disposal | - | - |
| C.8 other decreases | -10 | -2 |
| **D. Final gross exposure** | **107** | **-** |
| *- of which: exposures sold not derecognised* | - | - |

### *A.1.7. Prudential Consolidation – On-balance sheet credit exposures to customers: changes in gross non-performing exposures*

(millions of euro)

| Reasons/Categories | Bad loans | Unlikely to pay | Non-performing past due exposures |
|---|---|---|---|
| **A. Initial gross exposure** | **3,850** | **7,431** | **552** |
| *- of which: exposures sold not derecognised* | *93* | *507* | *172* |
| **B. Increases** | **1,875** | **2,951** | **768** |
| B.1 inflows from performing exposures | 294 | 2,138 | 717 |
| B.2 inflows from purchased or originated credit-impaired financial assets | - | - | - |
| B.3 transfers from other non-performing exposures categories | 1,311 | 372 | 5 |
| B.4 changes in contracts without derecognition | - | 5 | - |
| B.5 other increases | 270 | 436 | 46 |
| **C. Decreases** | **-2,283** | **-4,291** | **-694** |
| C.1 outflows to performing exposures | -28 | -616 | -112 |
| C.2 write-offs | -349 | -124 | -1 |
| C.3 collections | -420 | -913 | -97 |
| C.4 profits on disposal | -257 | -759 | -2 |
| C.5 losses on disposal | -136 | -11 | - |
| C.6 transfers to other non-performing exposure categories | -32 | -1,217 | -439 |
| C.7 changes in contracts without derecognition | - | -11 | - |
| C.8 other decreases | -1,061 | -640 | -43 |
| **D. Final gross exposure** | **3,442** | **6,091** | **626** |
| *- of which: exposures sold not derecognised* | *101* | *549* | *247* |

The “other increases” mainly include the increases in the amounts for charges and the increase in the amounts in foreign currency due to changes in the exchange rate.
The “other decreases” mainly include the portfolio of loans classified as “bad loans” and “unlikely to pay” sold during the year.

***A.1.7. Bis Prudential Consolidation – On-balance sheet credit exposures to customers: changes in gross forborne exposures broken down by credit quality***

(millions of euro)

| **Reasons/Quality** | **Forborne exposures: non-performing** | **Forborne exposures: performing** |
|---|---|---|
| **A. Initial gross exposure** | **3,922** | **7,482** |
| *- of which: exposures sold not derecognised* | *260* | *1,335* |
| **B. Increases** | **1,286** | **2,558** |
| B.1 inflows from non-forborne performing exposures | 249 | 1,602 |
| B.2 inflows from forborne performing exposures | 526 | X |
| B.3 inflows from non-performing forborne exposures | X | 401 |
| B.4 inflows from forborne non-performing exposures | 159 | 4 |
| B.5 other increases | 352 | 551 |
| **C. Decreases** | **-1,869** | **-4,904** |
| C.1 outflows towards non-forborne performing exposures | X | -2,652 |
| C.2 outflows towards forborne performing exposures | -401 | X |
| C.3 outflows towards non-performing forborne exposures | X | -526 |
| C.4 write-offs | -118 | - |
| C.5 collections | -381 | -473 |
| C.6 profits on disposal | -290 | -690 |
| C.7 losses on disposal | -76 | -40 |
| C.8 other decreases | -603 | -523 |
| **D. Final gross exposure** | **3,339** | **5,136** |
| *- of which: exposures sold not derecognised* | *196* | *863* |

The “other increases” mainly include the increases in the amounts for charges.
The “other decreases” mainly include the portfolio of loans classified as “bad loans” and “unlikely to pay” sold during the year.

### *A.1.8 Prudential Consolidation – On-balance sheet non-performing credit exposures to banks: changes in total adjustments*

(millions of euro)

| Reasons/Categories | BAD LOANS | | UNLIKELY TO PAY | | NON-PERFORMING PAST DUE EXPOSURES | |
|---|---|---|---|---|---|---|
| | Total | *of which: forborne exposures* | Total | *of which: forborne exposures* | Total | *of which: forborne exposures* |
| **A. Initial total adjustments** | **4** | **-** | **12** | ***12*** | **-** | **-** |
| *- of which: exposures sold not derecognised* | - | - | - | - | - | - |
| **B. Increases** | **-** | **-** | **9** | ***7*** | **-** | **-** |
| B.1 adjustments to purchased or originated credit-impaired assets | - | *X* | - | *X* | - | *X* |
| C.2 other adjustments | - | - | 6 | 4 | - | - |
| B.3 losses on disposal | - | - | - | - | - | - |
| B.4 transfers from other non-performing exposures categories | - | - | - | - | - | - |
| B.5 changes in contracts without derecognition | - | - | - | - | - | - |
| B.6 other increases | - | - | 3 | 3 | - | - |
| **C. Decreases** | **-** | **-** | **-5** | **-4** | **-** | **-** |
| C.1 recoveries on impairment losses | - | - | -5 | -4 | - | - |
| C.2 recoveries on repayments | - | - | - | - | - | - |
| C.3 profits on disposal | - | - | - | - | - | - |
| C.4 write-offs | - | - | - | - | - | - |
| C.5 transfers to other non-performing exposure categories | - | - | - | - | - | - |
| C.6 changes in contracts without derecognition | - | - | - | - | - | - |
| C.7 other decreases | - | - | - | - | - | - |
| **D. Final total adjustments** | **4** | **-** | **16** | **15** | **-** | **-** |
| *- of which: exposures sold not derecognised* | - | - | - | - | - | - |

### *A.1.9 Prudential Consolidation – On-balance sheet non-performing credit exposures to customers: changes in total adjustments*

(millions of euro)

| Reasons/Categories | BAD LOANS | | UNLIKELY TO PAY | | NON-PERFORMING PAST DUE EXPOSURES | |
|---|---|---|---|---|---|---|
| | Total | *of which: forborne exposures* | Total | *of which: forborne exposures* | Total | *of which: forborne exposures* |
| **A. Initial total adjustments** | **2,672** | **518** | **2,956** | **1,129** | **139** | **11** |
| *- of which: exposures sold not derecognised* | *46* | *7* | *106* | *45* | *31* | *4* |
| **B. Increases** | **1,759** | ***463*** | **1,350** | ***530*** | **211** | ***15*** |
| B.1 adjustments to purchased or originated credit-impaired assets | - | *X* | - | *X* | - | *X* |
| C.2 other adjustments | 775 | *168* | 1,036 | *388* | 166 | *15* |
| B.3 losses on disposal | 139 | *71* | 11 | 5 | - | - |
| B.4 transfers from other non-performing exposures categories | 618 | *152* | 118 | 13 | 1 | - |
| B.5 changes in contracts without derecognition | - | - | 37 | *36* | - | - |
| B.6 other increases | 227 | *72* | 148 | *88* | 44 | - |
| **C. Decreases** | **-1,929** | **-439** | **-1,907** | **-764** | **-181** | **-11** |
| C.1 recoveries on impairment losses | -135 | *-38* | -265 | -163 | -34 | - |
| C.2 recoveries on repayments | -78 | *-15* | -119 | -35 | -5 | - |
| C.3 profits on disposal | -11 | *-1* | -123 | -7 | - | - |
| C.4 write-offs | -349 | *-48* | -124 | -70 | -1 | - |
| C.5 transfers to other non-performing exposure categories | -11 | *-4* | -593 | -150 | -133 | -11 |
| C.6 changes in contracts without derecognition | - | - | -14 | *-13* | - | - |
| C.7 other decreases | -1,345 | *-333* | -669 | -326 | -8 | - |
| **D. Final total adjustments** | **2,502** | **542** | **2,399** | **895** | **169** | **15** |
| *- of which: exposures sold not derecognised* | *69* | *3* | *155* | *38* | *51* | *7* |

The “other increases” mainly include the collections of loans derecognised in full (through “recoveries on repayments”) and increases in the balances of allowances in foreign currency due to changes in the exchange rate.
The “other decreases” mainly include the portfolio of loans classified as “bad loans” and “unlikely to pay” sold during the year. This caption also includes the collections of overdue interest applied in previous years, losses on disposal not covered by the allowance, the decrease in allowances in foreign currency due to changes in the exchange rate and the reduction in the allowances for adjustment due to the passing of time.

## A.2. Classification of exposures based on external and internal ratings

### *A.2.1. Prudential Consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)*

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and Morningstar DBRS. The ratings provided by those agencies are used in compliance with the authorisations received and the regulations in force for the different Group banks.
In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used, when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

(millions of euro)

| Exposures | EXTERNAL RATING CLASSES | | | | | | UNRATED | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | | |
| **A. Financial assets measured at amortised cost** | **22,775** | **20,099** | **67,080** | **10,460** | **4,525** | **365** | **401,872** | **527,176** |
| - Stage 1 | 22,447 | 18,546 | 65,166 | 10,267 | 1,603 | 91 | 352,002 | 470,122 |
| - Stage 2 | 328 | 1,553 | 1,914 | 191 | 2,811 | 124 | 40,039 | 46,960 |
| - Stage 3 | - | - | - | - | 111 | 150 | 9,517 | 9,778 |
| - Purchased or originated credit-impaired | - | - | - | 2 | - | - | 314 | 316 |
| **B.Financial assets measured at fair value through other comprehensive income** | **27,440** | **16,608** | **15,109** | **1,381** | **2,364** | **56** | **4,482** | **67,440** |
| - Stage 1 | 27,248 | 16,511 | 15,087 | 1,241 | 1,218 | 18 | 4,171 | 65,494 |
| - Stage 2 | 192 | 97 | 22 | 140 | 1,146 | 24 | 289 | 1,910 |
| - Stage 3 | - | - | - | - | - | 14 | 22 | 36 |
| - Purchased or originated credit-impaired | - | - | - | - | - | - | - | - |
| **C. Non-current financial assets held for sale** | **-** | **-** | **-** | **-** | **-** | **-** | **181** | **181** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | - | - | 18 | 18 |
| - Stage 3 | - | - | - | - | - | - | 163 | 163 |
| - Purchased or originated credit-impaired | - | - | - | - | - | - | - | - |
| **Total (A+B+C)** | **50,215** | **36,707** | **82,189** | **11,841** | **6,889** | **421** | **406,535** | **594,797** |
| **D. Commitments to disburse funds and financial guarantees given** | | | | | | | | |
| - Stage 1 | 11,976 | 25,022 | 56,178 | 14,959 | 2,819 | 123 | 160,813 | 271,890 |
| - Stage 2 | 146 | 247 | 499 | 316 | 1,461 | 132 | 18,575 | 21,376 |
| - Stage 3 | - | - | - | - | 7 | 3 | 1,584 | 1,594 |
| - Purchased or originated credit-impaired | - | - | - | - | - | - | 3 | 3 |
| **Total (D)** | **12,122** | **25,269** | **56,677** | **15,275** | **4,287** | **258** | **180,975** | **294,863** |
| **Total (A+B+C+D)** | **62,337** | **61,976** | **138,866** | **27,116** | **11,176** | **679** | **587,510** | **889,660** |

The following table shows the mapping of risk classes and the external ratings.

### *Mapping of ratings issued by external rating agencies*

| | **ECAI** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Moody's** | | **Standard & Poor's** | | **Fitch** | | **Morningstar DBRS** | |
| | **Long term** | **Short term** | **Long term** | **Short term** | **Long term** | **Short term** | **Long term** | **Short term** |
| **Credit quality step** | | | | | | | | |
| 1 | Aaa, Aa3 | P-1 | AAA, AA- | A1+, A1 | AAA, AA- | F1+, F1 | AAA, AA- | R-1 |
| 2 | A1, A3 | P-2 | A+, A- | A2 | A+, A- | F2 | A+, A- | R-2 |
| 3 | Baa1, Baa3 | P-3 | BBB+, BBB- | A3 | BBB+, BBB- | F3 | BBB+, BBB- | R-3 |
| 4 | Ba1, Ba3 | NP | BB+, BB- | less than A3 | BB+, BB- | less than F3 | BB+, BB- | less than R-3 |
| 5 | B1, B3 | NP | B+, B- | less than A3 | B+, B- | less than F3 | B+, B- | less than R-3 |
| 6 | Caa1 or less | NP | CCC+ or less | less than A3 | CCC+ or less | less than F3 | CCC+ or less | less than R-3 |

### *A.2.2. Prudential Consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)*

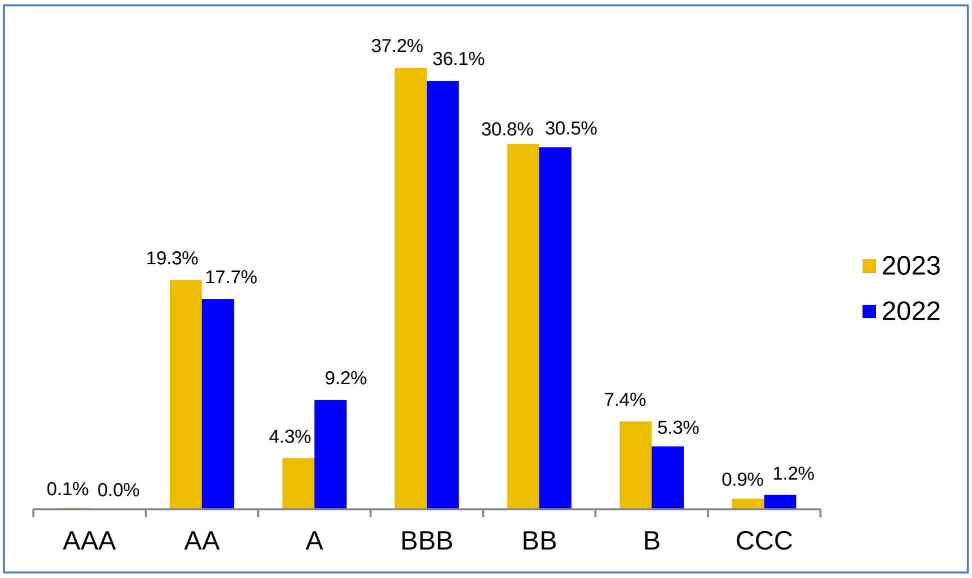
As indicated above in the paragraph entitled "Basel 3 Regulations", the Intesa Sanpaolo Group has a set of ratings for the various operating segments of the counterparties (Corporate, Corporate SME, Retail SME, Retail, Public Sector Entities and Banks).
The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.
Unrated exposures account for 8.7% of all exposures to performing counterparties and refer to customer portfolios for which a rating model is not available, to counterparties for which the roll-out of internal models is still underway (mainly international subsidiaries), as well as to Group companies whose mission is not related to credit and loans, which have been integrated into the credit risk management system, or to marginal exposures.

When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 70.4% of the total, whilst 22.9% fall within the BB+/BB range (class 4) and 6.7% fall under higher risk classes (of which 0.8% are below B-).

(millions of euro)

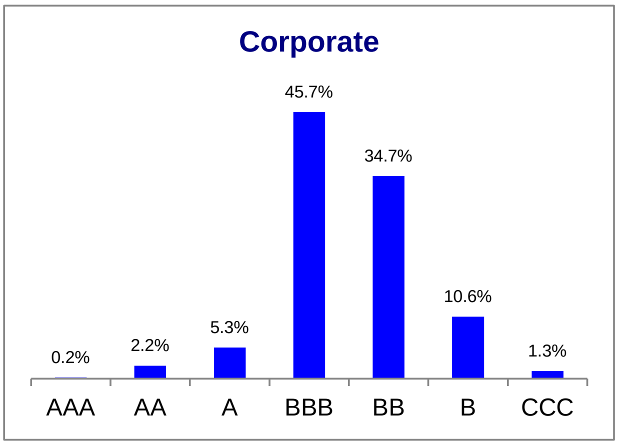
| Exposures | Internal rating classes | | | | | | Unrated | Total |
|---|---|---|---|---|---|---|---|---|
| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | | |
| **A. Financial assets measured at amortized cost** | **91,987** | **45,782** | **172,111** | **118,909** | **34,738** | **7,033** | **56,616** | **527,176** |
| - Stage 1 | 91,562 | 45,545 | 166,906 | 106,842 | 15,812 | 424 | 43,031 | 470,122 |
| - Stage 2 | 424 | 236 | 5,185 | 12,012 | 15,171 | 3,543 | 10,389 | 46,960 |
| - Stage 3 | - | 1 | 2 | 4 | 3,603 | 3,014 | 3,154 | 9,778 |
| - Purchased or originated credit-impaired | 1 | - | 18 | 51 | 152 | 52 | 42 | 316 |
| **B. Financial assets measured at fair value through other comprehensive income** | **23,672** | **16,981** | **15,184** | **2,430** | **2,171** | **537** | **6,465** | **67,440** |
| - Stage 1 | 23,649 | 16,886 | 15,005 | 2,154 | 920 | 530 | 6,350 | 65,494 |
| - Stage 2 | 23 | 95 | 179 | 276 | 1,251 | 7 | 79 | 1,910 |
| - Stage 3 | - | - | - | - | - | - | 36 | 36 |
| - Purchased or originated credit-impaired | - | - | - | - | - | - | - | - |
| **C. Non-current financial assets held for sale** | **-** | **-** | **-** | **-** | **60** | **54** | **67** | **181** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | 18 | - | - | 18 |
| - Stage 3 | - | - | - | - | 42 | 54 | 67 | 163 |
| - Purchased or originated credit-impaired | - | - | - | - | - | - | - | - |
| **Total (A+B+C)** | **115,659** | **62,763** | **187,295** | **121,339** | **36,969** | **7,624** | **63,148** | **594,797** |
| **D. Commitments and financial guarantees given** | | | | | | | | |
| - Stage 1 | 28,235 | 36,517 | 130,906 | 56,859 | 9,726 | 745 | 8,902 | 271,890 |
| - Stage 2 | 254 | 437 | 1,735 | 5,539 | 3,948 | 1,479 | 7,984 | 21,376 |
| - Stage 3 | - | - | 1 | 1 | 676 | 447 | 469 | 1,594 |
| - Purchased or originated credit-impaired | - | - | - | - | 1 | - | 2 | 3 |
| **Total (D)** | **28,489** | **36,954** | **132,642** | **62,399** | **14,351** | **2,671** | **17,357** | **294,863** |
| **Total (A+B+C+D)** | **144,148** | **99,717** | **319,937** | **183,738** | **51,320** | **10,295** | **80,505** | **889,660** |

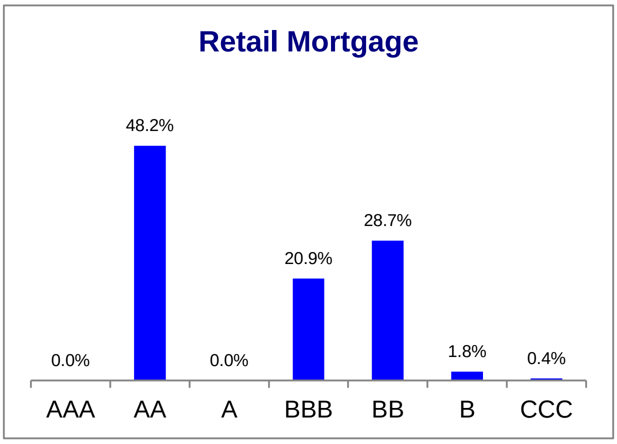
In addition to the tables required by the regulations, the rating allocation for performing loans to customers attributable to the main Group banks is shown below.
As at 31 December 2023, performing loans to customers assigned an individual rating internally or by an external agency accounted for 97% of the loans of the main Group banks.

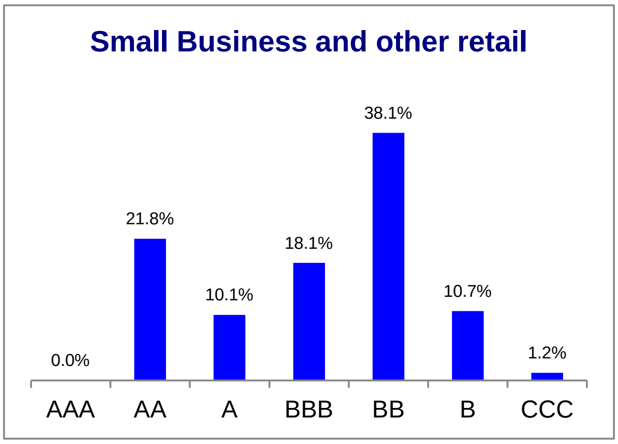


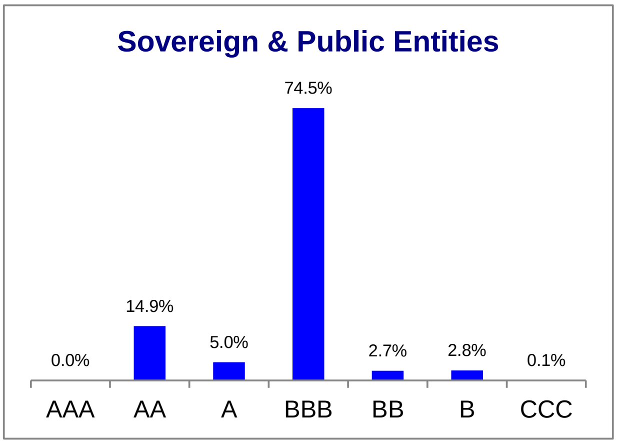

The allocation shows a level of investment grade exposures (from AAA to BBB inclusive), at 60.9%, down on the previous year (63.0%), mainly due to a revision in the master scale for certain types of counterparties rated using internal models. The same percentage calculated on the entire portfolio, net of Russian counterparties, came to 72.1%.
Movements between rating classes are mainly caused by changes in risk parameters as a result of the update of the models.

The breakdown of the following portfolios by rating is presented below: Corporate, Retail Mortgage (residential mortgages for individuals), Small Business and other retail, Sovereign & Public Entities.




Investment grade positions account for 53.4%, 69.1%, 50.0% and 94.4% of the above portfolios, respectively.

## A.3. Breakdown of guaranteed credit exposures by type of guarantee

### *A.3.1. Prudential Consolidation – Guaranteed on- and off-balance sheet credit exposures to banks*

(millions of euro)

| | Gross exposure | Net exposure | Collaterals (*) (1) | | | | Personal guarantees (*) (2) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | |
| | | | Real estate assets - mortgages | Real estate assets - finance leases | Securities | Other | CLN | Other derivatives |
| | | | | | | | | Central counterparties |
| **1.Guaranteed on-balance sheet credit exposures:** | **10,289** | **10,281** | **-** | **4** | **9,285** | **-** | **-** | **-** |
| 1.1 totally guaranteed | 8,627 | 8,625 | - | 4 | 8,418 | - | - | - |
| *- of which non-performing* | - | - | - | - | - | - | - | - |
| 1.2 partly guaranteed | 1,662 | 1,656 | - | - | 867 | - | - | - |
| *- of which non-performing* | *75* | *69* | - | - | - | - | - | - |
| **2. Guaranteed off-balance sheet credit exposures:** | **18,050** | **18,050** | **-** | **-** | **1,374** | **7,616** | **-** | **-** |
| 2.1 totally guaranteed | 3,408 | 3,408 | - | - | 1,372 | 952 | - | - |
| *- of which non-performing* | - | - | - | - | - | - | - | - |
| 2.2 partly guaranteed | 14,642 | 14,642 | - | - | 2 | 6,664 | - | - |
| *- of which non-performing* | - | - | - | - | - | - | - | - |

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

(millions of euro)

| | Personal guarantees (*) (2) | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Credit derivatives | | | Commitments | | | | |
| | Other derivatives | | | | | | | |
| | Banks | Other financial companies | Other counterparties | Public Administration | Banks | Other financial companies | Other counterparties | (1)+(2) |
| **1.Guaranteed on-balance sheet credit exposures:** | **-** | **-** | **-** | **452** | **191** | **-** | **76** | **10,008** |
| 1.1 totally guaranteed | - | - | - | 27 | 1 | - | 76 | 8,526 |
| *- of which non-performing* | - | - | - | - | - | - | - | - |
| 1.2 partly guaranteed | - | - | - | 425 | 190 | - | - | 1,482 |
| *- of which non-performing* | - | - | - | *69* | - | - | - | *69* |
| **2. Guaranteed off-balance sheet credit exposures:** | **-** | **-** | **-** | **17** | **191** | **-** | **53** | **9,251** |
| 2.1 totally guaranteed | - | - | - | 11 | 185 | - | 19 | 2,539 |
| *- of which non-performing* | - | - | - | - | - | - | - | - |
| 2.2 partly guaranteed | - | - | - | 6 | 6 | - | 34 | 6,712 |
| *- of which non-performing* | - | - | - | - | - | - | - | - |

(*) Fair value of the guarantee or, if difficult to determine, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

### *A.3.2. Prudential Consolidation - Guaranteed on- and off-balance sheet credit exposures to customers*

(millions of euro)

| | Gross exposure | Net exposure | Collateral (*) (1) | | | | Personal guarantees (*) (2) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | |
| | | | Real estate assets - mortgages | Real estate assets - finance leases | Securities | Other | CLN | Other derivatives |
| | | | | | | | | Central counterparties |
| **1. Guaranteed on-balance sheet credit exposures:** | **304,215** | **299,567** | **159,859** | **4,327** | **28,728** | **9,905** | **-** | **-** |
| 1.1 totally guaranteed | 244,492 | 240,987 | 157,312 | 4,166 | 28,325 | 7,299 | - | - |
| *- of which non-performing* | *5,188* | *3,095* | *1,860* | *208* | *16* | *89* | - | - |
| 1.2 partly guaranteed | 59,723 | 58,580 | 2,547 | 161 | 403 | 2,606 | - | - |
| *- of which non-performing* | *1,699* | *873* | *169* | *52* | *11* | *22* | - | - |
| **2. Guaranteed off-balance sheet credit exposures:** | **50,767** | **50,650** | **2,001** | **46** | **6,908** | **3,788** | **-** | **-** |
| 2.1 totally guaranteed | 37,641 | 37,560 | 1,586 | 2 | 6,612 | 2,019 | - | - |
| *- of which non-performing* | *264* | *228* | *31* | - | *6* | *28* | - | - |
| 2.2. partly guaranteed | 13,126 | 13,090 | 415 | 44 | 296 | 1,769 | - | - |
| *- of which non-performing* | *114* | *95* | *20* | - | - | *30* | - | - |

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

(millions of euro)

| | Personal guarantees (*) (2) | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Credit derivatives | | | Commitments | | | | |
| | Other derivatives | | | Public administration | Banks | Other financial companies | Other counterparties | (1)+(2) |
| | Banks | Other financial companies | Other counterparties | | | | | |
| **1. Guaranteed on-balance sheet credit exposures** | **-** | **-** | **-** | **45,420** | **575** | **2,610** | **23,209** | **274,633** |
| 1.1 totally guaranteed | - | - | - | 21,916 | 205 | 2,143 | 18,011 | 239,377 |
| *- of which non-performing* | - | - | - | *493* | *4* | *20* | *338* | *3,028* |
| 1.2 partly guaranteed | - | - | - | 23,504 | 370 | 467 | 5,198 | 35,256 |
| *- of which non-performing* | - | - | - | *413* | *1* | *6* | *47* | *721* |
| **2. Guaranteed off-balance sheet credit exposures:** | **117** | **-** | **-** | **3,994** | **555** | **3,507** | **24,463** | **45,379** |
| 2.1 totally guaranteed | 117 | - | - | 2,694 | 511 | 1,738 | 21,561 | 36,840 |
| *- of which non-performing* | - | - | - | *12* | - | *1* | *146* | *224* |
| 2.2. partly guaranteed | - | - | - | 1,300 | 44 | 1,769 | 2,902 | 8,539 |
| *- of which non-performing* | - | - | - | *4* | - | - | *16* | *70* |

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

### A.4. Prudential consolidation – Financial assets and non-financial assets resulting from the enforcement of guarantees

(millions of euro)

| | Derecognised credit exposure | Gross amount | Total adjustments | Book value | |
|---|---|---|---|---|---|
| | | | | | of which obtained during the year |
| **A. Property and equipment** | **297** | **324** | **-60** | **264** | **5** |
| A.1 Used in operations | 1 | 2 | 1 | 3 | - |
| A.2. Investment | 119 | 113 | -13 | 100 | 5 |
| A.3 Inventories | 177 | 209 | -48 | 161 | - |
| **B. Equities and debt securities** | **466** | **466** | **-225** | **241** | **108** |
| **C. Other assets** | **-** | **-** | **-** | **-** | **-** |
| **D. Non-current assets held for sale and discontinued operations** | **5** | **5** | **-1** | **4** | **1** |
| D.1 Property and equipment | 5 | 5 | -1 | 4 | 1 |
| D.2. Other assets | - | - | - | - | - |
| **Total 31.12.2023** | **768** | **795** | **-286** | **509** | **114** |
| **Total 31.12.2022** | **710** | **749** | **-247** | **502** | **15** |

For the Group, the assets seized (book value) are mainly represented by:

- Property and equipment used in operations: buildings (2 million euro) and land (1 million euro).
- Investment property: buildings (74 million euro); land (26 million euro).
- Property and equipment – Inventories: buildings (160 million euro) and land (1 million euro).
- Equities and debt securities:
  - equity investments of 24 million euro (primarily relating to the equity investment in Risanamento);
  - financial assets mandatorily measured at fair value of 69 million euro;
  - financial assets measured at fair value through other comprehensive income of 148 million euro.

  These are financial assets not previously provided by the borrower as security for pre-existing loans, but acquired under bilateral agreements with the borrower, following which the Group has derecognised the credit exposure. The aggregate includes the amount referring to newly-issued Participatory Financial Instruments, deriving from an operation, finalised in the second half of 2023, to sell performing on-balance sheet exposures due from the Italian Commercial Real Estate sector, which, inter alia, entailed converting part of the original exposure into those instruments.
- Non-current assets held for sale and discontinued operations: buildings (4 million euro).

## B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

### B.1. Prudential Consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

(millions of euro)

| Exposures/Counterparties | Public administration | | Financial companies | | Financial companies (of which: insurance companies) | |
|---|---|---|---|---|---|---|
| | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | | | |
| A.1 Bad loans | 70 | -158 | 4 | -22 | - | - |
| *- of which: forborne exposures* | - | - | *1* | - | - | - |
| A.2 Unlikely to pay | 159 | -28 | 164 | -176 | - | - |
| *- of wich: forborne exposures* | *20* | *-4* | *111* | *-67* | - | - |
| A.3 Non-performing past due exposures | - | - | 1 | - | - | - |
| *- of which: forborne exposures* | - | - | - | - | - | - |
| A.4 Performing exposures | 109,003 | -166 | 78,853 | -160 | 1,551 | - |
| *- of which: forborne exposures* | *112* | *-13* | *256* | *-7* | - | - |
| **Total (A)** | **109,232** | **-352** | **79,022** | **-358** | **1,551** | **-** |
| **B. Off-balance sheet exposures** | | | | | | |
| B.1 Non-performing exposures | 9 | -1 | 13 | - | - | - |
| B.2 Performing exposures | 27,541 | -11 | 50,483 | -22 | 4,296 | - |
| **Total (B)** | **27,550** | **-12** | **50,496** | **-22** | **4,296** | **-** |
| **Total (A+B) 31.12.2023** | **136,782** | **-364** | **129,518** | **-380** | **5,847** | **-** |
| **Total (A+B) 31.12.2022** | **118,594** | **-351** | **139,579** | **-341** | **11,627** | **-** |

(millions of euro)

| Exposures/Counterparties | Non-financial companies | | Households | |
|---|---|---|---|---|
| | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | |
| A.1 Bad loans | 588 | -1,579 | 278 | -743 |
| *- of which: forborne exposures* | *150* | *-440* | *52* | *-102* |
| A.2 Unlikely to pay | 2,355 | -1,586 | 1,014 | -609 |
| *- of which: forborne exposures* | *1,061* | *-663* | *451* | *-161* |
| A.3 Non-performing past due exposures | 154 | -58 | 302 | -111 |
| *- of which: forborne exposures* | *12* | *-6* | *30* | *-9* |
| A.4 Performing exposures | 184,519 | -1,493 | 174,051 | -825 |
| *- of which: forborne exposures* | *3,078* | *-212* | *1,352* | *-106* |
| **Total (A)** | **187,616** | **-4,716** | **175,645** | **-2,288** |
| **B. Off-balance sheet exposures** | | | | |
| B.1 Non-performing exposures | 1,263 | -266 | 35 | -11 |
| B.2 Performing exposures | 211,413 | -151 | 15,571 | -15 |
| **Total (B)** | **212,676** | **-417** | **15,606** | **-26** |
| **Total (A+B) 31.12.2023** | **400,292** | **-5,133** | **191,251** | **-2,314** |
| **Total (A+B) 31.12.2022** | **423,425** | **-5,518** | **199,255** | **-2,807** |

### B.2. Prudential Consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

(millions of euro)

| Exposures/Geographical areas | Italy | | Other european countries | |
|---|---|---|---|---|
| | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | |
| A.1 Bad loans | 752 | -1,653 | 159 | -548 |
| A.2 Unlikely to pay | 3,101 | -2,093 | 400 | -245 |
| A.3 Non-performing past due exposures | 389 | -116 | 62 | -50 |
| A.4 Performing exposures | 357,344 | -1,568 | 131,213 | -926 |
| **Total (A)** | **361,586** | **-5,430** | **131,834** | **-1,769** |
| **B. Off-balance sheet exposures** | | | | |
| B.1 Non-performing exposures | 1,220 | -249 | 74 | -27 |
| B.2 Performing exposures | 168,805 | -95 | 91,771 | -79 |
| **Total (B)** | **170,025** | **-344** | **91,845** | **-106** |
| **Total (A+B) 31.12.2023** | **531,611** | **-5,774** | **223,679** | **-1,875** |
| **Total (A+B) 31.12.2022** | **552,783** | **-6,415** | **231,743** | **-2,160** |

(millions of euro)

| Exposures/Geographical areas | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|
| | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | | | |
| A.1 Bad loans | 18 | -153 | 10 | -75 | 1 | -73 |
| A.2 Unlikely to pay | 18 | -7 | 24 | -3 | 149 | -51 |
| A.3 Non-performing past due exposures | - | - | - | - | 6 | -3 |
| A.4 Performing exposures | 32,927 | -48 | 14,499 | -35 | 10,443 | -67 |
| **Total (A)** | **32,963** | **-208** | **14,533** | **-113** | **10,599** | **-194** |
| **B. Off-balance sheet exposures** | | | | | | |
| B.1 Non-performing exposures | 11 | - | 7 | - | 8 | -2 |
| B.2 Performing exposures | 30,910 | -13 | 10,268 | -2 | 3,254 | -10 |
| **Total (B)** | **30,921** | **-13** | **10,275** | **-2** | **3,262** | **-12** |
| **Total (A+B) 31.12.2023** | **63,884** | **-221** | **24,808** | **-115** | **13,861** | **-206** |
| **Total (A+B) 31.12.2022** | **57,718** | **-191** | **26,159** | **-84** | **12,450** | **-167** |

## B.2.Bis Prudential consolidation – Breakdown of relations with customers resident in Italy by geographical area

(millions of euro)

| Exposures/Geographical areas | | North West | | North East | | Centre | | South and islands | |
|---|---|---|---|---|---|---|---|---|---|
| | | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | | | | | | |
| A.1 Bad loans | | 218 | -494 | 114 | -264 | 186 | -345 | 234 | -550 |
| A.2 Unlikely to pay | | 1,076 | -653 | 525 | -364 | 791 | -570 | 709 | -506 |
| A.3 Non-performing past due exposures | | 108 | -31 | 59 | -19 | 88 | -24 | 134 | -42 |
| A.4 Performing exposures | | 123,393 | -546 | 64,336 | -290 | 113,849 | -406 | 55,766 | -326 |
| **Total A** | | **124,795** | **-1,724** | **65,034** | **-937** | **114,914** | **-1,345** | **56,843** | **-1,424** |
| **B. Off-balance sheet exposures** | | | | | | | | | |
| B.1 Non-performing exposures | | 372 | -58 | 481 | -92 | 247 | -80 | 120 | -19 |
| B.2 Performing exposures | | 75,710 | -47 | 30,978 | -25 | 47,995 | -15 | 14,122 | -8 |
| **Total B** | | **76,082** | **-105** | **31,459** | **-117** | **48,242** | **-95** | **14,242** | **-27** |
| **Total (A+B)** | **31.12.2023** | **200,877** | **-1,829** | **96,493** | **-1,054** | **163,156** | **-1,440** | **71,085** | **-1,451** |
| **Total (A+B)** | **31.12.2022** | **207,915** | **-2,315** | **106,012** | **-1,087** | **164,911** | **-1,464** | **73,945** | **-1,549** |

## B.3. Prudential Consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

(millions of euro)

| Exposures / Geographical Areas | | Italy | | Other european countries | |
|---|---|---|---|---|---|
| | | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | | |
| A.1 Bad loans | | - | - | - | -1 |
| A.2 Unlikely to pay | | - | - | - | - |
| A.3 Non-performing past due exposures | | - | - | - | - |
| A.4 Performing exposures | | 80,919 | -2 | 37,309 | -18 |
| **Total (A)** | | **80,919** | **-2** | **37,309** | **-19** |
| **B. Off-balance sheet exposures** | | | | | |
| B.1 Non-performing exposures | | - | - | - | - |
| B.2 Performing exposures | | 5,058 | - | 36,802 | -48 |
| **Total (B)** | | **5,058** | **-** | **36,802** | **-48** |
| **Total (A+B)** | **31.12.2023** | **85,977** | **-2** | **74,111** | **-67** |
| **Total (A+B)** | **31.12.2022** | **112,423** | **-2** | **83,974** | **-92** |

(millions of euro)

| Exposures / Geographical Areas | | America | | Asia | | Rest of the world | |
|---|---|---|---|---|---|---|---|
| | | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | | | | |
| A.1 Bad loans | | - | - | - | -3 | - | - |
| A.2 Unlikely to pay | | 92 | -16 | - | - | - | - |
| A.3 Non-performing past due exposures | | - | - | - | - | - | - |
| A.4 Performing exposures | | 7,910 | - | 2,732 | - | 3,083 | -10 |
| **Total (A)** | | **8,002** | **-16** | **2,732** | **-3** | **3,083** | **-10** |
| **B. Off-balance sheet exposures** | | | | | | | |
| B.1 Non-performing exposures | | 5 | - | - | - | 1 | - |
| B.2 Performing exposures | | 8,026 | - | 10,348 | - | 2,549 | - |
| **Total (B)** | | **8,031** | **-** | **10,348** | **-** | **2,550** | **-** |
| **Total (A+B)** | **31.12.2023** | **16,033** | **-16** | **13,080** | **-3** | **5,633** | **-10** |
| **Total (A+B)** | **31.12.2022** | **13,321** | **-13** | **14,063** | **-3** | **5,152** | **-11** |

### B.3.Bis Prudential consolidation – Breakdown of relations with banks resident in Italy by geographical area

(millions of euro)

| Exposures/Geographical areas | NORTH WEST | | NORTH EAST | | CENTRE | | SOUTH AND ISLANDS | |
|---|---|---|---|---|---|---|---|---|
| | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments | Net exposure | Total adjustments |
| **A. On-balance sheet exposures** | | | | | | | | |
| A.1 Bad loans | - | - | - | - | - | - | - | - |
| A.2 Unlikely to pay | - | - | - | - | - | - | - | - |
| A.3 Non-performing past due exposures | - | - | - | - | - | - | - | - |
| A.4 Performing exposures | 7,032 | -2 | 2,399 | - | 71,481 | - | 7 | - |
| **Total A** | **7,032** | **-2** | **2,399** | **-** | **71,481** | **-** | **7** | **-** |
| **B. Off-balance sheet exposures** | | | | | | | | |
| B.1 Non-performing exposures | - | - | - | - | - | - | - | - |
| B.2 Performing exposures | 3,282 | - | 503 | - | 1,270 | - | 3 | - |
| **Total B** | **3,282** | **-** | **503** | **-** | **1,270** | **-** | **3** | **-** |
| **Total (A+B) 31.12.2023** | **10,314** | **-2** | **2,902** | **-** | **72,751** | **-** | **10** | **-** |
| **Total (A+B) 31.12.2022** | **10,310** | **-1** | **3,764** | **-** | **98,338** | **-1** | **11** | **-** |

### B.4 Large exposures

| **Large exposures** | |
|---|---|
| a) Book value (millions of euro) | 267,332 |
| b) Weighted value (millions of euro) | 20,351 |
| b) Number | 11 |

Based on regulatory provisions, the number of large exposures presented in the table was determined by the reference to unweighted “exposures” in excess of 10% of Tier 1 Capital as defined by Regulation (EU) 876/2019 (CRR2) and Regulation (EU) 575/2013 (CRR). The “exposures” are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from Tier 1 Capital) with a customer or a group of related customers, without applying weighting factors. These presentation criteria result in the inclusion in the financial statement table for large exposures of entities that – even with a weighting of 0% – present an unweighted exposure in excess of 10% of Tier 1 Capital for the purposes of large risks.

In accordance with the provisions of the EBA document "Guidelines on connected clients under Article 4(1)(39) of Regulation (EU) 575/2013", the supervisory reports have standard methods of presentation of groups of connected clients that (in the case of silos) require exposures to the central governments to be repeated within each corresponding economic group directly controlled by a central government or connected to it by economic dependence.
However, the amounts shown in points a) and b) and the number shown in point c) in the table above include the exposure to the various central governments, to which the Intesa Sanpaolo Group is exposed, only once.

## C. SECURITISATIONS

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

## Qualitative information

The securitisations carried out in 2023 are summarised below:

### *GARC Securitisations*

Within the "GARC" (*Gestione Attiva Rischio di Credito* - Active Credit Risk Management) transactions, Intesa Sanpaolo completed six new synthetic securitisations during the year: GARC New Origination-1, GARC USD Corp-1, GARC ESG & CE-1, GARC Residential Mortgages-4, GARC SME-11, and GARC Corp-6. Specifically:

i) for the GARC New Origination-1 transaction (second quarter), the junior risk was sold relating to an initial portfolio of around 0.5 billion euro in loans to around 880 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB).This portfolio is increased with new loans on a quarterly basis during a ramp-up period not exceeding 12 months until a maximum portfolio of 2 billion euro is reached;
ii) for the GARC USD Corp-1 transaction (second quarter), the junior risk relating to a total portfolio of around 4.2 billion euro in loans denominated in US dollars to around 100 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.
iii) for the GARC ESG & Circular Economy-1 (third quarter), the junior and mezzanine risk relating to a portfolio of around 2.7 billion euro in loans to around 100 businesses in the Corporate and Corporate SME regulatory segment with a high ESG score and/or assessed within the circular economy framework, valued using internal models (Advanced IRB), was sold to specialist investors.
iv) for the GARC Residential Mortgages-4 transaction (fourth quarter), the upper junior and mezzanine risk relating to a portfolio of around 1.6 billion euro of high LTV residential mortgages to around 13,500 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;
v) for the GARC SME-11 transaction (fourth quarter), the mezzanine risk relating to a total portfolio of 1 billion euro in loans to around 2,500 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to a specialist investor;
vi) for the GARC Corp-6 transaction (fourth quarter), the junior risk relating to a total portfolio of around 3.4 billion euro in loans to around 180 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

In compliance with the retention rule laid down by the supervisory regulations, for the above transactions Intesa Sanpaolo holds at least 5% of the securitised portfolio.

The portfolios of the transactions mainly consist of customers operating in Northern Italy. The portfolio of the GARC USD Corp-1 transaction consists of US dollar-denominated loans mainly provided to foreign customers.

### *Andor Securitisation*

As part of the derisking strategy envisaged in the 2022-2025 Business Plan, on 18 December 2023 Intesa Sanpaolo completed a process to deconsolidate a loan portfolio of Intesa Sanpaolo consisting of "bad loans", through a securitisation with the assignment of an investment grade rating to the senior notes.

The portfolio to be sold, identified as at 31 March 2023 (cut-off date), has a Gross Book Value (GBV) of around 0.9 billion euro (accounting GBV at pre-closing values, before PPA) and consists of "bad" loans mainly of the Corporate SME segment.

Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:
– 28.6% North-West;
– 26.8% South and Islands;
– 25.3% Centre;
– 18.9% North-East;
– 0.4% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– 64.4% Non-financial companies;
– 25.9% Consumer households;
– 9.3% Family businesses;
– 0.4% other business sectors.

The sale transaction was structured in two main concurrent phases:
(i) "Self-securitisation and Rating": in this phase, the sale of the portfolio to a securitisation vehicle, Andor SPV S.r.l. (SPV), established pursuant to Italian Law 130/99, was completed, with Intesa Sanpaolo fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. At the time of issue of the notes, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for said SPV. In this phase of the transaction, as the risks and rewards of the assets sold had not yet been transferred, the portfolio continued to be consolidated in the Intesa

Sanpaolo financial statements. In this phase, Moody's, DBRS and Scope also issued a rating of 'BBB+' for the senior class.

(ii) "Placement of the subordinated securities and deconsolidation of the portfolio sold": in this phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised.

The SPV financed the acquisition of the portfolio by issuing three classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by a third party investor and 5% by Intesa Sanpaolo, in compliance with the retention rule laid down in the supervisory regulations:
– senior notes of 208 million euro, fully subscribed by Intesa Sanpaolo;
– mezzanine notes of 40 million euro, of which 2 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.
– junior notes of 5 million euro, of which 0.25 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Taking into account the subscription by Intesa Sanpaolo of 100% of the senior notes and 5% of the mezzanine and junior notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has "derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer".

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
– the senior tranche, under securities at amortised cost;
– the mezzanine and junior tranches under securities measured at FVTPL.

With the completion of the transaction, Intesa Sanpaolo achieved full accounting and prudential deconsolidation of the portfolio.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

***Chewbecca Securitisation***

As part of the broader Starfighter Project for the turnaround of the Risanamento Group, which included:
– the deconsolidation of Intesa Sanpaolo's exposure by means of transfer to the closed-end investment fund MSG Heartbeat (managed by Lendlease SGR S.p.A.); and
– the granting of new loans to the Fund by a pool of Banks, including Intesa Sanpaolo S.p.A., for the implementation of the real estate project in the Milano Santa Giulia area,

in July 2023, Intesa Sanpaolo structured a securitisation aimed at the sale to the vehicle Chewbecca SPV S.r.l. of part of the loans from the pool of banks to the Fund.

This securitisation is a multi-originator and partially paid securitisation, as the loans transferred to the vehicle are derived from the disbursements of new loans granted to the Fund from time to time by the pool. The notes are also untranched and subscribed in part by Intesa Sanpaolo and in part by a third-party investor. The transaction will allow Intesa Sanpaolo to obtain the accounting and prudential derecognition of the portion of the exposure subscribed by the third-party investor.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

## Quantitative information

### C.1. Prudential consolidation - Breakdown of exposures deriving from the main “originated” securitisations by type of securitised asset and by type of exposure

***On-balance sheet***

(millions of euro)

| Type of securitised asset/ Exposure | ON-BALANCE SHEET EXPOSURES | | | | | |
|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | |
| | Book value | Adjust./ recoveries | Book value | Adjust./ recoveries | Book value | Adjust./ recoveries |
| **A. Fully derecognised** | **6,119** | **-44** | **39** | **-6** | **20** | **5** |
| – Loans to businesses (including SMEs) (*) | 3,025 | -7 | 27 | -6 | 5 | - |
| – Leases (**) | 2,674 | -5 | 11 | - | 14 | 5 |
| – Residential mortgage loans (*) | 420 | -32 | 1 | - | - | - |
| – Consumer credit | - | - | - | - | 1 | - |
| **B. Partly derecognised** | - | - | - | - | - | - |
| **C. Not derecognised** | **24,883** | **-13** | **102** | **-** | **314** | **-1** |
| - Loans to businesses (including SMEs) (***) (****) | 19,264 | -10 | 95 | - | 263 | -1 |
| – Residential mortgage loans (****) | 2,259 | -3 | 7 | - | 25 | - |
| – Leases (****) | 1,833 | - | - | - | 11 | - |
| – Commercial mortgage loans (****) | 1,527 | - | - | - | 15 | - |
| **TOTAL** | **31,002** | **-57** | **141** | **-6** | **334** | **4** |

(*) The entire amount refers to non-performing financial assets. “Loans to businesses (including SMEs)” refer to the Savoy, Kerma, Yoda, Sirio, Grogu, Kerdos and Organa securitisations (see the 2018, 2019, 2020, 2021 and 2022 Consolidated Financial Statements, respectively, for details about the transactions) and the Andor transaction (described in the paragraph on “Qualitative information” of this Section). “Residential mortgage loans" refer to the Maior and Iseo securitisations (deriving from the business combination with the former UBI Group).

(**) The amounts refer to the Portland securitisation relating to credit-impaired financial assets for amounts of 4 million euro – senior and 4 million euro – mezzanine, respectively (see the 2021 Consolidated Financial Statements for a description of the transaction) and the Teseo transaction relating to performing financial assets (see the 2022 Consolidated Financial Statements).

(***) The amounts include non-performing financial assets amounting to 11 million euro in senior exposures, 55 million euro in mezzanine exposures and 17 million euro in junior exposures. The performing exposures include the Chewbecca securitisation (described in the “Qualitative Information” paragraph of this Section).

(****) The captions also include performing amounts associated with the synthetic securitisations originated by the Intesa Sanpaolo Group.

***Off-balance sheet***

This type of exposure did not exist as at 31 December 2023.

## C.2. Prudential consolidation - Breakdown of exposures deriving from the main “third-party” securitisations by type of securitised asset and by type of exposure

### *On-balance sheet*

(millions of euro)

| Type of securitised asset/ Exposure | ON-BALANCE SHEET EXPOSURES | | | | | |
|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | |
| | Book value | Adjust./ recoveries | Book value | Adjust./ recoveries | Book value | Adjust./ recoveries |
| Leases | 32 | - | - | - | - | - |
| Commercial mortgage loans | 92 | -2 | 22 | -2 | - | - |
| Covered bonds | 109 | - | 10 | - | - | - |
| Securitisations | 168 | - | - | - | - | - |
| Trade receivables | 343 | -1 | 3 | - | - | - |
| Consumer credit | 465 | - | 2 | - | 4 | - |
| Residential mortgage loans | 680 | 2 | 21 | - | - | - |
| Loans to businesses (including SMEs) | 2,375 | 9 | 151 | 1 | 2 | - |
| Other assets (*) | 10,158 | -7 | - | - | - | - |
| **TOTAL** | **14,422** | **1** | **209** | **-1** | **6** | **-** |

(*) The amount also includes the Romulus securities for 6,878 million, held by the Banking Group, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 2,907 million as a result of the use of credit lines. For more information regarding the type of underlying assets, reference is made to Section 4 – Risks of other companies, of this Part E.

### *Off-balance sheet*

(millions of euro)

| Type of securitised asset/ Exposure | GUARANTEES GIVEN | | | | | | CREDIT LINES | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries |
| Duomo ABCP Conduit transactions (*) | - | - | - | - | - | - | (*) | (*) | - | - | - | - |
| Loans to businesses (including SMEs) | - | - | - | - | - | - | 132 | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **132** | **-** | **-** | **-** | **-** | **-** |

(*) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, Intesa Sanpaolo has granted credit lines (amounting to 7,259 million euro in terms of net exposures and around 1 million euro of net adjustments) to secure the assets included under “Other assets” in Table C.2 on-balance sheet exposures.

## C.3. Prudential consolidation - Stakes in securitisation vehicles

(millions of euro)

| SECURITISATION/ SPECIAL PURPOSE VEHICLE | REGISTERED OFFICE | CONSOLIDATION (a) | ASSETS (b) | | | LIABILITIES (b) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Loans | Debt securities | Other | Senior | Mezzanine | Junior |
| Augusto S.r.l. (d) | Milano | (e) | - | - | 2 | 13 | - | - |
| Brera Sec S.r.l. (c) | Conegliano Veneto (TV) | (e) | 15,026 | - | 577 | 12,586 | - | 2,652 |
| Clara Sec S.r.l. (c) | Conegliano Veneto (TV) | (e) | 5,696 | - | 1,694 | 6,350 | - | 824 |
| Diocleziano S.r.l. (d) | Milano | (e) | 2 | - | 1 | 48 | - | - |
| Giada Sec S.r.l. (c) | Conegliano Veneto (TV) | (e) | 19,820 | - | 7,282 | 16,860 | - | 8,425 |
| ISP CB Ipotecario S.r.l. (f) | Milano | (e) | 22,981 | - | 5,625 | | 26,120 | |
| ISP CB Pubblico S.r.l. (f) | Milano | (e) | 1,792 | - | 2,107 | | 3,736 | |
| ISP OBG S.r.l. (f) | Milano | (e) | 43,510 | - | 7,974 | | 50,933 | |
| UBI Finance S.r.l. (f) | Milano | (e) | 7,395 | - | 1,239 | | 8,561 | |

(a) Consolidation method referring to the so-called "prudential" scope.

(b) Figures gross of any intragroup relations. The amounts shown under assets and liabilities refer to the total values reported in the financial statements of the special purpose vehicles.

(c) Self-securitisation vehicle described in Section 1.4 Banking Group - Liquidity Risk, Quantitative Information, paragraph 2 of these Notes to the consolidated financial statements.

(d) The amounts shown under assets and liabilities refer to the latest financial statement data available (31 December 2022).

(e) Vehicle consolidated at equity.

(f) Vehicle used for the covered bond issue by the Intesa Sanpaolo Group. For more information, see Section D in Part E of these Notes to the consolidated financial statements.

The securitisations structured by the Intesa Sanpaolo Group on its own assets include those named Towers, K-Equity, Savoy, Kerma, Yoda, Maior, Iseo, Sirio, Kerdos, Grogu, Portland, Organa, Andor, Teseo and Chewbecca, for which special purpose vehicles were used that are third-party and independent entities with respect to the Group, and in which the Group does not hold any investments. For that reason, these vehicles are not shown in the table above.

### C.4 Prudential consolidation – Unconsolidated securitisation vehicles

This paragraph contains the disclosure on the unconsolidated securitisation vehicles, other than those used in self-securitisations, which the Intesa Sanpaolo Group does not hold any stake in the capital and those in which it holds a residual stake.

As at 31 December 2023, the structured entities in which the Intesa Sanpaolo Group held residual stakes included the vehicles Augusto and Diocleziano consolidated at equity. These vehicles are entities used in securitisations of assets, primarily land and public works financing, of a company subject to joint control sold in previous years. The Group holds a residual stake in these vehicles. There are no agreements in place which could result in the obligation of the Group to provide financial support to said vehicles.
The Intesa Sanpaolo Group controls the companies Romulus Funding Corporation and Duomo Funding Plc (included solely in the scope of consolidation pursuant to IFRS 10), which are used for transactions in which the Intesa Sanpaolo Group acts as sponsor and whose operations are described in Section 4 - Risks of other companies, of this Part E.

### C.5. Prudential consolidation - Servicer activities – originated securitisations: collection of securitised loans and repayment of securities issued by the securitisation vehicle

| SERVICER | SPECIAL PURPOSE VEHICLE | SECURITISED ASSETS (end-of-period figure) (millions of euro) | | COLLECTIONS OF LOANS IN THE YEAR (millions of euro) | | PERCENTAGE OF REIMBURSED SECURITIES (period-end figure) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Senior | | Mezzanine | | Junior | |
| | | Non-performing | Performing | Non-performing | Performing | Non-performing | Performing | Non-performing | Performing | Non-performing | Performing |
| Intesa Sanpaolo | Brera Sec S.r.l. (*) | 33 | 14,993 | 4 | 1,590 | 0% | 36% | 0% | 0% | 0% | 0% |
| Intesa Sanpaolo | Clara Sec S.r.l. (*) | 36 | 5,660 | 7 | 2,103 | 0% | 0% | 0% | 0% | 0% | 0% |
| Intesa Sanpaolo | Giada Sec S.r.l. (*) | 268 | 19,552 | 28 | 7,742 | 0% | 0% | 0% | 0% | 0% | 0% |
| Intesa Sanpaolo | Teseo SPV S.r.l. (**) | 8 | 3,017 | - | 813 | 0% | 17% | 0% | 17% | 0% | 8% |
| **Total** | | **345** | **43,222** | **39** | **12,248** | | | | | | |

During 2023 the Berica ABS 3 S.r.l. securitisation was extinguished.

(*) Vehicle used for self-securitisations.

(**) Vehicle used for the traditional securitisation of performing lease receivables described in the 2022 Consolidated Financial Statements.

### C.6. Prudential consolidation – Consolidated securitisation vehicles

There were no transactions that used consolidated securitisation vehicles during 2023.

## D. SALES

### A. Financial assets sold not fully derecognised

**Qualitative information**

For a description of the operations shown in the tables below, reference is made to the information shown below the relevant tables.

Conversely, for operations in debt securities against medium/long-term repurchase agreements, reference is made to the information in Part B of the Notes to the consolidated financial statements.

**Quantitative information**

### Prudential consolidation - Financial assets sold fully recognised and related financial liabilities: book value

(millions of euro)

| | Financial assets sold fully recognised | | | | Related financial liabilities | | |
|---|---|---|---|---|---|---|---|
| | Book value | *of which: securitisations* | *of which: subject to sales contracts with repurchase clauses* | *of which: non-performing* | Book value | *of which: securitisations* | *of which: subject to sales contracts with repurchase clauses* |
| **A. Financial assets held for trading** | **1,568** | **-** | ***1,568*** | ***X*** | **1,563** | **-** | ***1,563*** |
| 1. Debt securities | 1,320 | - | *1,320* | *X* | 1,298 | - | *1,298* |
| 2. Equities | 248 | - | *248* | *X* | 265 | - | *265* |
| 3. Loans | - | - | - | *X* | - | - | - |
| 4. Derivatives | - | - | - | *X* | - | - | - |
| **B. Other financial assets mandatorily measured at fair value** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Equities | - | - | - | *X* | - | - | - |
| 3. Loans | - | - | - | - | - | - | - |
| **C. Financial assets designated at fair value** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Loans | - | - | - | - | - | - | - |
| **D. Financial assets measured at fair value through other comprehensive income** | **15,013** | **-** | ***15,013*** | **-** | **14,396** | **-** | ***14,396*** |
| 1. Debt securities | 15,013 | - | *15,013* | - | 14,396 | - | *14,396* |
| 2. Equities | - | - | - | *X* | - | - | - |
| 3. Loans | - | - | - | - | - | - | - |
| **E. Financial assets measured at amortised cost** | **15,120** | **-** | ***15,120*** | **-** | **13,480** | **-** | ***13,480*** |
| 1. Debt securities | 15,120 | - | *15,120* | - | 13,480 | - | *13,480* |
| 2. Loans | - | - | - | - | - | - | - |
| **TOTAL 31.12.2023** | **31,701** | **-** | ***31,701*** | **-** | **29,439** | **-** | ***29,439*** |
| **TOTAL 31.12.2022** | **13,702** | ***27*** | ***13,675*** | ***3*** | **13,504** | ***18*** | ***13,486*** |

The table above does not include covered bond transactions in which the Intesa Sanpaolo Group is both the seller and lender for the vehicle issuing the debt securities.

The aggregates of the sales contracts with repurchase clauses relate to repurchase agreements entered into by the Group for assets sold and not derecognised. However, repurchase agreements relating to securities received under reverse repurchase agreements are not included in the related financial liabilities.

### Prudential consolidation – Financial assets sold partly recognised and related financial liabilities: book value

These are not present in the Intesa Sanpaolo Group.

### Prudential consolidation - Sales with liabilities having recourse exclusively on the assets sold and not fully derecognised: fair value

(millions of euro)

| | Fully recognised | Partly recognised | 31.12.2023 | 31.12.2022 |
|---|---|---|---|---|
| **A. Financial assets held for trading** | **1,568** | **-** | **1,568** | **599** |
| 1. Debt securities | 1,320 | - | 1,320 | 391 |
| 2. Equities | 248 | - | 248 | 208 |
| 3. Loans | - | - | - | - |
| 4. Derivatives | - | - | - | - |
| **B. Other financial assets mandatorily measured at fair value** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - |
| 2. Equities | - | - | - | - |
| 3. Loans | - | - | - | - |
| **C. Financial assets designated at fair value** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - |
| 2. Loans | - | - | - | - |
| **D. Financial assets measured at fair value through other comprehensive income** | **15,013** | **-** | **15,013** | **7,645** |
| 1. Debt securities | 15,013 | - | 15,013 | 7,645 |
| 2. Equities | - | - | - | - |
| 3. Loans | - | - | - | - |
| **E. Financial assets measured at amortised cost (fair value)** | **14,205** | **-** | **14,205** | **4,812** |
| 1. Debt securities | 14,205 | - | 14,205 | 4,785 |
| 2. Loans | - | - | - | 27 |
| **Total financial assets** | **30,786** | **-** | **30,786** | **13,056** |
| **Total related financial liabilities** | **29,439** | **-** | **29,439** | **13,504** |
| **Net value 31.12.2023** | **1,347** | **-** | **1,347** | **X** |
| **Net value 31.12.2022** | **-448** | **-** | **X** | **-448** |

The table above does not include covered bond transactions in which the Intesa Sanpaolo Group is both the seller and lender for the vehicle issuing the debt securities.

**B. Financial assets sold fully derecognised with recognition of continuing involvement**

This type of exposure did not exist as at 31 December 2023.

### C. Financial assets sold and fully derecognised

**Qualitative information**

The disclosure is provided below regarding the multioriginator sale transactions involving loan portfolios – classified as unlikely to pay in particular – attributable to the sale of loans to a mutual investment fund with the assignment of the units in the fund to the selling intermediaries.

*Back2Bonis Fund*

In implementation of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the third quarter of 2020 the Intesa Sanpaolo Group begun the deconsolidation of a portfolio of credit exposures (including real estate assets and contracts) classified as unlikely to pay with real estate underlying held by the Parent Company, accompanied by their conversion into units of the securities fund called Back2Bonis. The transaction, the closing of which took place at the end of 2020, took the form for the Bank (including the transactions undertaken in 2019 and 2020 by UBI Banca, merged in 2021) of the sale of a portfolio of loans, short-term legal relationships and legal relationships and assets from lease receivables for a total gross amount of 351 million euro and net exposure of 164 million euro, accompanied by the subscription of the units of the Back2Bonis Fund for an amount of 164 million euro, substantially in line with the net value of the loans and receivables sold. The transaction was completed through: (i) the sale to the securitisation vehicle Ampre S.r.l. of the bank receivables and the lease receivables; (ii) the sale to Ampre LeaseCo S.r.l. of the legal relationships and assets arising from the leases; (iii) the sale of the short-term revolving contracts and the related legal relationships and receivables of ISP, together with the medium/long-term contracts with residual disbursements and the related legal relationships, other than the lease relationships and assets through the fronting bank provided by Banca Finanziaria Internazionale S.p.A.; (iv) the subscription by the Back2Bonis Fund of all the securities issued by the securitisation vehicle; and (v) the acquisition by Intesa Sanpaolo of the units of the Fund in exchange for the loans and receivables sold. In 2022, additional loans were sold, for a gross amount of 1 billion euro and net exposure of 216 million euro, accompanied by the subscription of units of the Back2Bonis Fund, for an amount of 216 million euro, with the sale price offset against the subscription price of the Fund's units, without significant effects on the income statement for 2022.

The Back2Bonis fund, established in the form of a closed-end mutual fund whose units can only be subscribed by professional investors, is a multi-originator platform for the management of Real Estate Small & Medium Size loans classified as UTP, deriving from loans and credit lines granted to companies operating in the real estate sector or to real estate funds (including those not fully disbursed/drawn down at the time of sale). Following the completion of the transfer of the loans and receivables to the platform, ISP had deconsolidated the loans and receivables and recognised the Fund's units in place of those loans and receivables. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

– "Production companies" at 79.9%;
– "Construction companies" at 12.9%;
– "Real estate business" at 3.5%;
– "Financial and insurance business" at 2.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:

– 92.2% North-West;
– 3.5% North-East;
– 3.2% South and Islands;
– 1.1% Centre.

At 31 December 2023, the Parent Company held a 43.82% stake (with voting rights limited to 35%) in the Back2Bonis Fund, classified among investments subject to significant influence, for a book value of 360 million euro. The measurement of the Back2Bonis Fund yielded a negative effect for the year of 16 million euro.

FI.NAV. Fund SUB-FUND A - LOANS

In pursuit of the de-risking activities provided for in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the fourth quarter of 2018 the Intesa Sanpaolo Group had launched the contribution to the FI.NAV. fund (a closed-end Italian securities umbrella fund) of a portfolio of non-performing secured and unsecured loans attributable to the shipping sector. The Fund, reserved for institutional investors, is managed by the asset management company IQ EQ Fund Management (Ireland) Limited, not a member of the Intesa Sanpaolo Group, based in Ireland, and is divided into two autonomous sub-funds: FI.NAV. Sub-Fund A – Loans, dedicated to receiving the loans transferred by the Intesa Sanpaolo Group and Unicredit, and FI.NAV. Sub-Fund B – New Finance, dedicated to receiving the capital of third-party investors to relaunch the "repossessed" ships. The transaction, formulated in 2018, was closed in 2019 through a sale of receivables without recourse for total gross consideration of 155 million euro and a net exposure of 102 million euro, equal to the sale price, set off against the price of subscription of the Fund units and, therefore, without any effects on the income statement for 2019. In the first quarter of 2020, a further tranche was sold without recourse for a gross amount of 37 million euro and a net value of 34 million euro, in line with the sale price and, therefore, with no impact on the income statement for 2020. Pursuant to IFRS 9, for the Intesa Sanpaolo Group the transaction entailed the derecognition of the loans sold since the Fund has become solely responsible for managing them following the sale; the Intesa Sanpaolo Group had therefore derecognised the loans concerned, while recognising the corresponding fair value of the units of the Fund assigned. The Group companies involved in the transaction were the Parent Company Intesa Sanpaolo and some of its subsidiaries merged in 2019 and 2020 (Cassa di Risparmio in Bologna and Mediocredito, both merged in 2019, and Banca IMI, merged in 2020). In December 2022 the sale of a loan portfolio was finalised for a gross amount of 74 million euro and net exposure of 37 million euro, accompanied by the subscription of the units of the fund for an amount essentially in line with the value of the exposure sold, without significant effects on the income statement for 2022.

The economic sector of the assigned debtors was mainly concentrated in Transport. The transferred financial assets are primarily in the South and Islands area.
At 31 December 2023, the Parent Company held a 50.54% stake in the FI.NAV. Fund, classified among investments subject to significant influence, for a book value of 141 million euro. The measurement of the FI.NAV. Fund yielded a positive effect, as a writeback during the year, of 19 million euro and the recognition of a foreign exchange effect of -5 million euro allocated, in accordance with the IAS 28 investment policy, to a specific shareholders' equity reserve.

### RSCT Fund – Loans Sub-Fund

As part of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, the Intesa Sanpaolo Group had identified the opportunity to transfer assets (loans and securities) relating to non-performing positions to the closed-end RSCT Fund, in exchange for units of the fund. The project was managed by Pillarstone, which had selected a portfolio of industrial and commercial companies with the objective of helping each of them to identify a strategy for maximising the potential for debt recovery, also through injections of new finance. The transaction took place in May 2020 with the transfer of a portfolio of loans with 18 companies originated by the Group (Intesa Sanpaolo and Banca IMI, subsequently merged into Intesa Sanpaolo on 20 July 2020), Unicredit, BPER Banca and Crédit Agricole to the newly established closed-end alternative investment RSCT Fund, managed by IQ EQ Fund Management (Ireland) Limited, an alternative fund manager authorised by the Central Bank of Ireland. The RSCT Fund is made up of two separate sub-funds: sub-fund A for the management of loans acquired from the selling banks and sub-fund B for the management of the new finance. The May 2020 sale involved a portfolio of loans, Sirti notes and PS Reti equity instruments for a gross amount of 339 million euro (Intesa Sanpaolo and Banca IMI) at a net value of 255 million euro, substantially in line with the sale price. In July 2020, a further sale was completed of a loan position for a gross amount of 6.3 million euro at a value of 4.5 million euro, with the sale price offset against the subscription price of the Fund's units. In February 2021, a sale was completed of a loan position for a gross amount of 21.3 million euro at a value of 13.9 million euro, with the sale price offset against the subscription price of the Fund's units. In March 2021, a sale was completed of a loan position deriving from the absorption of UBI Banca for a gross amount of 3.1 million euro and a net exposure of 1.2 million euro, with the concurrent subscription of units of the RSCT Fund for 1.3 million euro, essentially aligned with the net value of the transferred loans. In June 2021, a further sale was completed of a loan position for a gross amount of 0.4 million euro at a value of 0.1 million euro, with the sale price offset against the subscription price of the Fund's units. By economic sector, the assigned debtors are 72% concentrated in "Companies that install electrical equipment", 18% in "Amusement and theme parks" and 10% in "Retail sale of footwear and accessories". The transferred financial assets are primarily in the North-west area.
As at 31 December 2023, the Parent Company held a 70.07% stake in the RSCT Fund, classified among investments subject to significant influence, for a consolidated book value of 271 million euro. The measurement of the RSCT Fund yielded a positive effect, as a writeback during the year, of 22 million euro.

### IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-fund

In 2018, the Intesa Sanpaolo Group (specifically Intesa Sanpaolo and the banks subsequently merged into Intesa Sanpaolo: Cassa di Risparmio del Veneto, Cassa di Risparmio di Firenze, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio in Bologna, and Mediocredito) participated in the closed-end Italian fund IDEA CCR Corporate Credit Recovery II - Loans Sub-fund, managed by Dea Capital Alternative Funds S.G.R. S.p.A. and dedicated to the recovery of mid-size Italian companies in situations of financial tension but with solid industrial fundamentals. The transaction, which was completed in 2018, was undertaken by contributing non-performing loans with a nominal value of 59 million euro and a net exposure to the sale price of 39.2 million euro, with the price of sale offset against the subscription price, of equal amount, of the units of the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund. In 2021, the Group's investment in the IDEA CCR Fund increased further, due to the merger of UBI Banca, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund, Loans Sub-Fund, managed by Dea Capital Alternative Funds SGR, in 2020, 2019, 2018 and 2017 for a total gross amount of 231 million euro and a net exposure of 144 million euro, with concurrent subscription of the units of the IDEA CCR II Fund for an amount of 148 million euro, with the price of sale offset against the price of subscription of the Fund units. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Real estate activities" at 31.6%;
– "Transport and storage" at 28%;
– "Professional, scientific and technical activities" at 10%;
– "Metallurgy and metal product manufacturing" at 9.4%;
– "Car and other vehicle production" at 5.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:
– 28.8% North-West;
– 11.8% North-East;
– 31.2% South and Islands;
– 23.8% Centre;
– 4.4% Outside Italy.

In 2022, the investment of the Bank in the IDEA CCR Fund changed due to: i) the inclusion of the stake held by UBI Leasing S.p.A., merged into Intesa Sanpaolo in May 2022, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund in 2019 for a total gross amount of 5 million euro and a net exposure of 3 million euro, with the sale price offset against the subscription price, in the same amount, of the Fund units, and ii) the sale of A1 units held by Intesa Sanpaolo in the Fund to Banca Nazionale del Lavoro S.p.A. The receivable held by Intesa Sanpaolo in relation to the sale was settled by offsetting with the purchase of units of Back2Bonis. The swap generated a profit recognised in the income statement of 4 million euro.
As at 31 December 2023, Intesa Sanpaolo held a 18.01% stake in the IDEA CCR Corporate Credit Recovery II Fund, Loans Sub-Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 38 million euro. The fair value measurement of the IDEA CCR II Fund yielded an immaterial positive effect on the income statement for the year.

### IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-fund

The Shipping Loans Sub-Fund refers to single-name, unlikely-to-pay non-performing loans with a sector focus on shipping companies. The Fund consists of three sub-funds: loans, new finance and shipping. Following the merger of UBI Banca, Intesa Sanpaolo also has an interest in the Shipping Sub-Fund, with a stake in the IDEA CCR II Fund - Shipping Sub-Fund. In 2018, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans with a total gross amount of 45 million euro and a net exposure of 31 million euro.

As at 31 December 2023, Intesa Sanpaolo held a 20.37% stake in the IDEA CCR II Fund, Shipping Sub-Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 2 million euro. The fair value measurement of the IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-Fund yielded a positive effect of 1 million euro during the year.

### Clessidra Restructuring Fund

Clessidra Restructuring Fund (CRF Fund) is a closed-ended alternative investment fund reserved for institutional investors, dedicated to investing in loans classified as unlikely to pay to previously identified industrial companies. In September 2019, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans to five borrowers with a total gross amount of 17 million euro and a net exposure of 11 million euro, with concurrent subscription of the units of the CRF Fund for an amount essentially in line with the net value of the transferred loans. The economic sector of the assigned debtors was mainly concentrated in “Manufacture of wooden doors and manufacture of furniture”. The transferred financial assets are primarily in the North-west area.

As at 31 December 2023, Intesa Sanpaolo held a 4.34% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The fair value measurement of the Clessidra Restructuring Fund yielded an immaterial negative effect during the year.

### UTP Italia Fund – Loans Sub-Fund

The UTP Italia Fund is an alternative closed-end Italian securities umbrella fund (AIF) in charge of managing loans classified as unlikely-to-pay (UTP) and whose target is credit exposures to small and medium-sized enterprises and individuals. In November 2022, the Group finalised the sale of a loan portfolio (mainly UTP) to the UTP Italia Fund managed by Sagitta S.G.R., with Intrum Italy S.p.A. as special servicer. Specifically, the transaction entailed: i) the sale of loans owed for a gross amount at the cut-off date of 42 million euro and net exposure of 25 million euro, to Finn SPV S.r.l. (SPV 130), without significant effects on the income statement for 2022; ii) the recognition of the receivable of 25 million euro from the SPV 130; iii) the contribution to the UTP Italia Fund of the receivable from the SPV 130 in exchange for units of the fund by way of price; and iv) issue of Asset-Backed Securities (ABS) by the vehicle, subscribed by the Fund, derecognising the receivable from the SPV 130.

Effective 20 March 2023, Intesa Sanpaolo finalised the sale of a loan portfolio with gross exposure of 366 million euro and net exposure of 147 million euro to the securitisation vehicle Finn SPV S.r.l., with the sale price netting the subscription price of the Fund units.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

- “Consumer Households” at 57%;
- "Production Companies" at 17%;
- “Family Businesses” at 16.1%;
- and, to a residual extent, other business sectors.

The assets of the assigned debtors were broken down as follows by geographical area:

- 35.1% South and Islands;
- 29.1% North-West;
- 21.5% Centre;
- 14.3% North-East.

Following the March transaction, Intesa Sanpaolo now holds 60.73% of the Fund and has reclassified the fund from financial assets mandatorily measured at fair value to interests subject to significant influence.

As at 31 December 2023, Intesa Sanpaolo held a 44.52% stake (with voting rights limited to 35%) in the UTP Italia Fund, classified among investments subject to significant influence, for a book value of 155 million euro. The measurement of the UTP Italia Fund yielded a negative effect for the year of 17 million euro.

### Efesto

Efesto is an alternative closed-end Italian securities fund (AIF). In July 2022, the sale of loans was finalised for a gross amount of 17 million euro and net exposure of 9 million euro, accompanied by the subscription of the units of the fund for an amount of 7 million euro, without significant effects on the income statement for 2022.

Effective 20 March 2023, Intesa Sanpaolo finalised the sale of a loan portfolio with gross exposure of 320 million euro and net exposure of 181 million euro to the securitisation vehicle Esino SPV S.r.l., with the sale price netting the subscription price of the Fund units.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

- “Consumer Households” at 83.3%;
- “Production Companies” at 12.5%;
- and, to a residual extent, other business sectors.

The assets of the assigned debtors were broken down as follows by geographical area:

- 34.9% South and Islands;
- 32.7% North-West;
- 21.2% Centre;
- 11.2% North-East.

Following the March transaction, Intesa Sanpaolo now holds 36.48% of the Fund and has reclassified the fund from financial assets mandatorily measured at fair value to interests subject to significant influence.

As at 31 December 2023, Intesa Sanpaolo held a 31.61% stake in the Efesto fund, classified among investments subject to significant influence, for a book value of 173 million euro. The valuation of Efesto had no impact on the income statement during the year.

Lendlease MSG Heartbeat

In 2022, a complex transaction was initiated involving the Risanamento Group, as part of the “Starfighter Project” aimed at: i) enabling the implementation of the real estate project in the Milano Santa Giulia area; ii) enabling the company to meet the commitments made with the public and private parties; and iii) deconsolidating the on-balance sheet credit exposure of the banks involved to Risanamento.

The Board of Directors of ISP approved the transaction on 2 February 2023, which was completed on 30 June following the fulfilment of the conditions precedent attached to the Term Sheet General Framework Agreement. The complex transaction aimed at the financial and corporate restructuring of the Risanamento Group included:

– the establishment of a closed-end Alternative Real Estate Investment Fund;
– the commitment by Intesa Sanpaolo and the other banks involved, and by the other stakeholders involved in the transaction, to subscribe to the units of the Fund;
– the deconsolidation of ISP’s credit exposure and shareholders’ loan with the Risanamento Group through the discharge by the Fund and simultaneous offsetting of the related loans, due to Intesa Sanpaolo Group and the other banks, with the commitments made by the banks towards the Fund against the subscription of units;
– the disbursement of new performing loans to the Fund;
– the maintenance of Risanamento’s business operations.

The economic sector of the assigned debtors was mainly concentrated in “Non-financial companies”. The transferred financial assets are primarily in the North-West area.

The Bank’s credit exposure to the Risanamento Group was offset against the latter’s commitments made in exchange for the subscription of class A1 and B2 units of the Lendlease MSG Heartbeat Fund.

Therefore, at the closing completed on 30 June 2023, Intesa Sanpaolo derecognised the loans due from Risanamento, including the shareholders’ loan, recognising respectively the B2 and A1 units of the fund received at fair value, at a value substantially aligned with the net value of the loans sold.

As at 31 December 2023, the Parent Company held a 60.9% stake in the Lendlease MSG Heartbeat fund, classified among investments subject to significant influence, for a book value of 212 million euro.

Other information

Lastly, for completeness, it should be noted that during the second half of 2023 Intesa Sanpaolo completed a transaction for the sale of performing on-balance sheet exposures (amounting to around 800 million euro in terms of Gross Book Value) to the Italian Commercial Real Estate sector, with a substantially neutral effect on the income statement. In summary, the transaction involved i) the transfer of part of the credit exposure to two Real Estate Funds, in exchange for units of the transferee funds, and ii) the conversion of the remaining exposure into newly issued Equity Instruments.

## Prudential consolidation - Covered bond transactions

Covered bond transactions where the selling bank and the lending bank are the same must be reported under this section. Intesa Sanpaolo uses covered bonds mainly as a type of funding through securities guaranteed by assets originated by Intesa Sanpaolo or by other companies of the Group.

Intesa Sanpaolo has four programmes for the issuance of Covered Bonds (CB).

The first programme, launched in 2009, has a maximum amount of 20 billion euro (the original maximum amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. The Bank gradually sold the vehicle assets with a total original nominal value of 13.2 billion euro (net of retrocessions of assets of 1.7 billion euro). The last sale (amounting to around 1 billion euro) took place in April 2013.

In the last ten days of November 2023, Intesa Sanpaolo repurchased the entire portfolio of bonds segregated in the vehicle for an amount of 1.1 billion euro. As a result, only the loan portfolio remained as collateral, which had a book value as at 31 December 2023 of 1.8 billion euro.

Against these sales, Covered Bonds were issued over time for a total nominal value of 25.2 billion euro (of which 19.9 billion euro relating to issues acquired in full by the Parent Company and subject to early redemption or matured and 3.5 billion euro relating to an exchange offer to investors during 2012, of which 2 billion euro that matured in the second quarter of 2017 and the remaining 1.5 billion euro in January 2021).

As at 31 December 2022, a total nominal amount of 3.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by the Bank.

In 2023, the twelfth retained series was partially redeemed in advance and reached maturity for a total nominal amount of 1,050 million euro, and the fourteenth retained series was also partially redeemed for 200 million euro.

Therefore, as at 31 December 2023, a total nominal amount of 1.85 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by Intesa Sanpaolo. All the securities issued under the programme are listed on the Luxembourg Stock Exchange and have a Moody’s A2 rating.

In the second programme, launched in 2010, amounting to a maximum of 25 billion euro (the original maximum amount was 20 billion euro), the guarantor of the covered bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans and, initially bonds issued by Adriano Finance S.r.l., originated by Intesa Sanpaolo, were transferred.

The Bank gradually sold the vehicle mortgage loans with an original total nominal value of 46.8 billion euro (net of retrocessions).
During 2023, the following additional transactions were also finalised:
– in April, repurchases for an amount of 30 million euro;
– in July, sales for an amount of 8.5 billion euro.
As at 31 December 2023, the loans sold to the vehicle had a book value of 23 billion euro.
Over time, against the sale of these assets, Intesa Sanpaolo has carried out issues of Covered Bonds for a total nominal value of approximately 41.7 billion euro (of which a total of 22.9 billion euro subject to early redemption or matured at December 2023).
As at 31 December 2022, a total nominal amount of 14.3 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion euro placed with third party investors and 5.9 billion euro subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 343 million euro.
In 2023, the nineteenth series matured for 1,250 million euro and the twenty-first retained series was partially redeemed for 1 billion euro. In addition, five series were issued, three of which retained, for a total amount of 6.8 billion euro. Accordingly, as at 31 December 2023, a total nominal amount of 18.9 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion euro placed with third party investors and 10.5 billion euro subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 5.8 billion euro.
All the securities issued under the programme are listed on the Luxembourg Stock Exchange and have a Moody's Aa3 rating.

The third multi-originator Covered Bond issue programme, launched in 2012, has the vehicle ISP OBG S.r.l. as the guarantor of its securities. This programme is secured by mortgages for a maximum amount of 55 billion euro (the original maximum amount was 30 billion euro) and is aimed at realising the retained issues.
The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, Cassa di Risparmio in Bologna and Banca CR Firenze (merged by incorporation into Intesa Sanpaolo between July 2018 and February 2019).
Over time, the Intesa Sanpaolo Group sold mortgages to the vehicle for an original total nominal value of 89.4 billion euro (net of retrocessions).
In 2023, Intesa Sanpaolo did not sell any mortgages to the vehicle, while loans were repurchased:
– in April, for an amount of 118 million euro;
– in June, for an amount of 5.1 billion euro.
As at 31 December 2023, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 43.5 billion euro.
Over time, against the sales of these assets, the Bank has carried out issues of Covered Bonds for a total nominal value of around 86.3 billion euro (of which 44.275 billion euro subject to early redemption and reimbursed). All the securities issued as part of the programme are listed on the Luxembourg Stock Exchange and have a Morningstar DBRS A rating.
As at 31 December 2022, a total nominal amount of 45.9 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP OBG was outstanding, fully subscribed by Intesa Sanpaolo.
In 2023, the nineteenth and twentieth series, both retained, matured for a total amount of 2,975 million euro and the forty-first and forty-second series, both retained, were partially redeemed for a total amount of 1,100 million euro.
Therefore, as at 31 December 2023, there were issuances made under the programme guaranteed by the vehicle ISP OBG for a total nominal amount of 41.8 billion euro, fully subscribed by Intesa Sanpaolo, a part of which was subsequently used in repurchase agreements for an amount of 5.8 billion euro.

The fourth programme was launched by the former UBI Banca Group in 2008.
Former UBI Banca, merged into Intesa Sanpaolo S.p.A. during 2021, included two covered bond programmes, run by two special purpose vehicles named UBI Finance S.r.l. and UBI Finance CB2 S.r.l., respectively. The latter was closed in January 2021.
The programme still provides Intesa Sanpaolo with the right to issue securities, targeted to institutional investors, for a maximum amount of 15 billion euro. The Programme includes residential mortgage loans assigned by the former UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.
As at 31 December 2022 a total nominal amount of 7.7 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion euro placed with third party investors and 0.2 billion euro retained.
In 2023, the eighteenth series matured for an amount of 1,250 million euro.
As at 31 December 2023 a total nominal amount of 6.4 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 6.2 billion euro placed with third party investors and 0.2 billion euro retained.
As at 31 December, the bonds under the programme were assigned an Aa3 rating from Moody's and AA (Low) from Morningstar DBRS.
Following the incorporation of the former UBI Banca, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 694 million euro (net of retrocessions).
In 2023, Intesa Sanpaolo repurchased loans in April for an amount of 57 million euro.
As at 31 December 2023, the loans sold to the vehicle had a book value of 7.4 billion euro.

The key figures for ISP CB Pubblico, ISP CB Ipotecario, ISP OBG, and UBI Finance as at 31 December 2023 are shown in the table below.

(millions of euro)

| COVERED BOND | | VEHICLE DATA | | SUBORDINATED LOAN [1] | COVERED BONDS ISSUED | |
|---|---|---|---|---|---|---|
| | | Total assets | Cumulated write-downs on securitised portfolio | amount | Nominal amount (2) | Book value (2) |
| ISP CB PUBBLICO | Performing loans to public sector entities | 3,899 | 3 | 3,736 | - | - |
| ISP CB IPOTECARIO | Residential mortgages | 28,606 | 35 | 26,120 | 14,166 | 13,513 |
| ISP OBG | Residential mortgages | 51,484 | 161 | 50,933 | 5,787 | 5,422 |
| UBI FINANCE | Residential mortgages | 8,634 | 76 | 8,561 | 6,241 | 6,047 |

(1) This caption includes the subordinated loan granted to the vehicles for the purchase of the portfolio lodged as collateral for the CB. This loan is derecognised in the IAS-compliant separate financial statements. The amount of the loan refers to the issue already executed as part of an issue programme with a higher maximum amount.

(2) The nominal amount and the book value shown in the table are to be considered net of securities repurchased.

In addition to this type of Covered Bonds, provided for by Italian law (Law 80/2005), there are some mortgage bonds issued by the Slovak investee VUB. These are securities whose nominal value and returns are guaranteed by mortgage loans, i.e. loans to individuals with residual maturities up to 30 years, backed by a pledge on property located in the Slovak Republic, with a maximum loan-to-value of 80%.
Each issue has specific coverage, and the entire nominal value of the issue, including interest, must be backed by mortgage loans on local properties on at least 90% of their nominal value, and the remaining 10% possibly by liquidity or deposits with the National Bank of Slovakia, the European Central Bank, other European central banks or banks that meet the criteria set out in Art. 129(1)(c) of Regulation (EU) 575/2013.
To cover the negative net cash flows expected from the covered bonds at 180 days, the issuer must maintain high-quality liquid assets pursuant to Articles 10 and 11 of Regulation (EU) 61/2015.
As at 31 December 2023, the subsidiary VUB had issued 4.6 billion euro in this type of securities, booked in the financial statements at a value of approximately 4.4 billion euro.

## E. PRUDENTIAL CONSOLIDATION - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2023, the expected management loss on performing loans to customers (which takes into account cash and unsecured loans) was 0.38%, down from 0.40% in 2022. The decrease was linked to the improvement in credit quality partially offset by the model effect attributable to the implementation of the ECB authorisations.
As at 31 December 2023, economic capital was 2.12% of disbursed loans, up slightly, considering performing loans to customers only, on the figure for 2022 (+2.00%). This change was mainly attributable to the model changes mentioned above.
For the companies included in the roll out plan, the LGD and EAD internal regulatory rating models are subject to a second level of control by the Validation function, as described in paragraph 2.3 of this Section, and a third level of control by the Internal Auditing function. The control functions produce annual reports for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also includes a verification on the deviations of the ex-ante estimates and the effective ex post values. These reports, approved by the Board of Directors of Intesa Sanpaolo, confirm the compliance to the regulatory requirements.